



Investing in rural people

NEPAL

Leasehold Forestry and Livestock Programme

Supervision report

Main report and appendices

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Abbreviations and acronyms

ADB	Asian Development Bank
CO	Conservation Officer
DBS	District Based Supervisor
DDC	District Development Committee
DFO	District Forest Office(r)
DLS	Department of Livestock Services
DLSO	District Livestock Services Office(r)
DOF	Department of Forests
ECARDS	Environment, Culture, Agriculture, Research and Development Society
FAO	Food and Agriculture Organization of the UN
FCGO	Financial Controller General's Office
FY	Fiscal Year
GDP	Gross Domestic Product
GOF	Government of Finland
GON	Government of Nepal
GP	Group Promoter
HVAP	High Value Agriculture Project in Hill and Mountain Areas
IMF	International Monetary Fund
JT	Junior Technician
JTA	Junior Technician Assistant
LFLP	Leasehold Forestry and Livestock Programme
LFUG	Leasehold Forestry Users Group
LLP	Local Livelihoods Programme in Mid-Western Nepal
MLD	Ministry of Local Development
MOAC	Ministry of Agriculture and Cooperatives
MOF	Ministry of Finance
MOFSC	Ministry of Forest and Soil Conservation
NGO	Non-governmental Organization
NTFP	Non-Timber Forest Products
NUB	Nirdhan Utthan Bank
PAF	Poverty Alleviation Fund
RFO	Rural Finance Officer
SNV	Netherlands Development Organisation
SDC	Swiss Development Cooperation
TA	Technical Assistance
t CO ₂ -e	Ton of CO ₂ equivalent
UTF	Unilateral Trust Fund
VDC	Village Development Committee
VFA	Village Finance Association
WB	World Bank
WUPAP	Western Uplands Poverty Alleviation Project

a. Introduction¹

1. **The mission** included representatives of IFAD, FAO, the Government of Finland (GoF) and the Government of Nepal (GoN). Its objective was to carry out an assessment of the programme's performance in terms of the achievement of objectives and results. It also had to review the modalities of the completion of the programme. Field work was undertaken together with Programme and FAO Technical Assistance (FAO TA) management staff in 6 days covering 6 districts. The mission teams discussed with DFOs, DLSOs and their staff, with DBSs and GPs as well as with members of Leasehold Forest Users Groups. Follow-up discussions were held in Kathmandu. A preliminary Aide Memoire was discussed with the Programme team and the FAO TA on 11 March 2014 and the draft Aide Memoire was presented to a Wrap Up Meeting, chaired by the Secretary of the Ministry of Forest and Soil Conservation on 13 March 2014.

2. The mission wishes to express its gratitude and thanks for the excellent support and hospitality it received from all with whom it met.

3. **Key project data** The Leasehold Forestry and Livestock Programme (LFLP) is being implemented in 22 mid-hill districts of Nepal. The IFAD programme is a continuation and extension of the Hills Leasehold Forestry and Forage Development Project (HLFFDP) implemented in 10 hill districts of Nepal since 1992 with the assistance of IFAD and supported by the FAO implemented TA grant from the Netherlands. The objective of LFLP is to achieve a sustained reduction in the poverty of 44 300 poor households that are allocated leasehold forestry plots in 22 districts through forest improvement and increased production of forest products and livestock. The initially estimated total costs of USD 12.8 million are financed by an IFAD loan of USD 10.5 million, an IFAD grant of USD 1.2 million and a Government and Beneficiaries' contribution of USD 1.1 million.

4. Since 2009, a grant from the Government of Finland of USD 3.5 million finances TA provided by the FAO. Supplemental IFAD financing of USD 1.5 million in a loan and USD 1.5 million as a grant was approved in April 2012 to cover the shortfall in funding due to changes in the inflation and exchange rates during the course of implementation and to reinforce programme activities in knowledge management and policy support. In March 2013, a no-cost extension of the IFAD financing was approved. The initial IFAD loan and grant became effective in September 2005, a MTR was undertaken in March 2009 and the amended completion date is September 2014.

b. Overall assessment of programme implementation

5. Overall Programme implementation progress has remained moderately satisfactory (4), and the likelihood of achieving the development objectives is satisfactory (5).

6. Under LFLP and FAO TA, by July 2013, a total of 4 155 groups have been formed, 126% of the 3 300 Appraisal estimate, with a membership of 39 290 households, 89% of target. The total forest area handed over to the groups amounts to 20 941 ha or 68% of the Appraisal estimate. The average forest area per household is 0,53ha. Goat distribution by the end of fiscal year 2012/2013 stood at a total of 79 134 goats and 4 143 bucks or respectively 107% and 132% of the target.

7. Programme management is usually moderately satisfactory, and the integration of the FAO TA is good. Almost all of the November 2012 Supervision mission recommendations have been implemented. Financial oversight at District level remains however a concern.

8. Analysis of Leasehold Forest Users Groups (LFUG) performance² demonstrates a high degree of sustainability with 79% of groups being active and moderately active, three years or more after the end of Programme support. Even groups established under the first phase, 15 years ago and later report performances with 62% of groups being active or moderately so. Some 89% of all groups, including the older ones, were active or moderately active in leasehold forestry activities, (long) after programme support had ceased.

9. The 2013 Outcome monitoring report indicates increases in crown cover and ground cover, and an improvement in the fodder availability in households. Nearly all members of LFUGs participate in

¹ Mission composition: Ms. Lorina Sthapit, Gender and M&E consultant; Mr. Jim Hancock, Natural resources and livelihood specialist, FAO/IC; Dr. Chudamani Joshi, Programme Coordinator (Forest, Environment, Climate change) Embassy of Finland; Mr. Amar Raj Mishra, Financial management specialist; and Mr. Jaap Reijmerink, Mission leader.

² FAO TA, Stratification of Leasehold Forest User Groups: an Analysis of Group Performance, November 2012

credit and saving schemes of their group and save an average of NRs. 25 per month. According to discussions with group members, women have to spend less time in fodder and fuel-wood collection but assume additional responsibilities in plantation, maintenance, processing and marketing of forest produce³ and livestock, most likely leading to an overall increase in workload. These do lead to higher household incomes and benefit all household members. It was reported by group members that household food security improved, often by undertaking vegetable cultivation providing for a better diet and higher incomes. Household goat herds have increased and goat sales yield an estimated NRs.6 000 per year per household.

10. As the LFLP represents a Government priority in poverty reduction as well as in forest rehabilitation and conservation, the Department of Forest and the Department of Livestock Services are developing proposals to continue programme activities after the completion of the IFAD and Finnish Government support at a similar level of commitment. IFAD is facilitating the finalisation of these proposals and the financing from budget resources will be decided in May 2014.

11. On the basis of its findings and discussions with stakeholders, the mission has formulated several recommendations. These are addressed to: a) the LFLP and FAO TA for the remaining period until completion; and b) the Government when it continues the programme after closing of the IFAD and Government of Finland financing.

12. Some of the main recommendations are presented here:

Agreed action	Responsibility	Agreed date
- New groups should be made aware of all possible group modalities in respect of gender and forest management	DFO	After 15 July 2014
- To increase the potential area for LF, the crown cover criterion for degraded forest should be increased from the present 20% to 40%	MFEC	After 15 July 2014
- The project explores with partners, especially the REDD Unit and MSFP Climate Change component, the potential for integrating leasehold areas under wider areas of carbon sequestration initiatives.	LFLP, FAO TA, DG of DF, MSFP	31 June 2014
- Support to be provided for goat marketing, husbandry, health and breeding, and mechanisms for supporting goat coops	DLS, DLSO	30 June 2014 and beyond
- Management of group savings should remain with LFUGs, individual savings could be entrusted to cooperatives if the risks of weak governance of the latter are recognised.	LFLP, FAO TA, DBSSs, GPs	Before September 2014
- A consolidated technical package of reports and data must be put together for end of project reporting and institutional memory, including cleaned data base and guidance notes.	LFLP, FAO TA, UTF	30 June 2014
- Implement the GAP and recruit a gender specialist for supervision and facilitation	GoN	30 June 2014 and beyond
- Train women in situ in financial literacy and IGAs	LFLP/FAO TA, GoN	30 June 2014 and beyond

c. Outputs and outcomes

Component I: Leasehold forestry and group formation is rated as satisfactory

13. **Group formation** In the period 1992 – 2014, subsequent leasehold forestry programmes⁴ have helped create a total of 5 950 LFUGs, covering an area of 28 883ha⁵ and including about 48 195 households⁶, with LFLP contributing by far the largest area. The average leasehold area per household is 0,53ha. Women represent 38% of all members⁷. Groups have been formed either as mixed groups or as single sex groups. At the time of group formation, potential group members were not always aware of the possibility to form groups by gender. In over half (52%) of all groups, women hold one or two of the three key positions: chairperson, secretary, treasurer. It is recommended that, when DFO and DLS continue the programme and initiate new groups, that potential members are informed of all possible modalities for the establishment of such groups.

14. According to the LFUG Stratification, Dalits represent 13% of all members and Janjatis 59%. The remaining 28% is from “upper castes”. LFUG members and field staff indicated that the presence

³ Such as broom grass, for instance

⁴ HLFFDP, 1992-2003, LFLP 2006 – 2014; FAO TA, 2009 – 2014; Government 2003-2006

⁵ LFLP Annual Progress Report 2012/2013

⁶ Average group size 8, 1 members. FAO TA, LFUG Categorization, March 2012

⁷ Two members per household are considered member of a LFUG, one of them being the Lead member

of non-poor members helps in protecting the interest of the whole group. On the other hand, cases of elite capture of groups also do occur. It is recommended that the forthcoming Impact Survey carries out a detailed analysis of the poverty status of the LFUG membership.

15. One reason for the small LF area per household is due to the more limited availability of degraded forest for leasehold because much of forest areas have been allocated to community forests. Also, the regulation that degraded forest is defined by having a crown cover of 20% or less limits the availability of areas. It is recommended to increase this criterion to 40% which would greatly increase the potential for leasehold forestry.

16. **Livelihood Improvement Plans (LIPs)** With FAO TA support, in 2012/2013, LIP guidelines were revised, staff was trained, disbursements of LIPs had resumed, and 23 LFUGs out of the 43 planned received their allocation of NRs 50 000 each, totalling NRs 1.15 million or USD 11 765. Some NRs 3.8 million (USD 39 425) from other sources, including local government, had been mobilised as co-financing. Main purposes of LIPs were the construction of biogas installations, provision of solar electricity, and investments in the cultivation of NTFFPs, asparagus and vegetables. It is recommended that under the continuation of the LFLP by Government, this approach of LIP, supporting “second generation” demands from groups for social, agricultural and enterprise development, be continued while mobilising resources from other stakeholders.

Agreed action	Responsibility	Agreed date
- At the time of new group formation, potential members should be made aware of the pro's and con's of all possible group modalities such as women-only, mixed groups or male-only	DFO	Under continued Government LF programme
- The Impact Household Survey to make a detailed analysis of the poverty situation of LFUG members	FAO TA, UTF	by June 2014
- To increase the potential area for LF, the crown cover criterion for degraded forest should be increased from the present 20% to 40%	MFSC	Under continued Government LF programme
- Support to “second generation” demands through LIP-type interventions should continue.	DFO	Under continued Government LF programme

Leasehold forest development

17. Both through the LFLP and the FAO TA, there has been further contribution of seeds and technical support. The TA has continued to contribute with developing guidelines and training packages as per targets. Operational plans have been renewed where necessary, incorporating LIPs, supported by training from the TA.

18. One of the key forest land management results has been that open grazing was totally controlled in 44% of groups, including in surrounding areas, and for a further 40% of groups, grazing was controlled in leasehold forests, but still remained open in other areas beyond their immediate control. Further, the outcome monitoring studies show that weeding and planting have further increased in the three years span of the outcome study.

19. As a result, for all 5,042 leasehold forests and groups, covering an area of 20,450 ha, and used by 41,000 member households, 71.6% were considered well managed (species and green area improvements extending over 50% of area, with only 5.2% poorly managed).

20. The preliminary analysis of the latest outcome studies show that the majority of LFUGs interviewed (those who started with less than 50% productive land cover), reported increased usable land cover on their leasehold plots, and increased green cover (reported by 75% of groups), grass cover (80% of groups), and fodder (around 75% of groups). In close to 60% of LFUGs forage and fodder have now become available for more than 3 months of the year from the leasehold forests. It was also observed that the plots now support considerable quantities of production in terms of collection of bundles (*bhari*), in some areas over 10 000 bundles of mainly forage grass, but also fodder leaves and fuel wood. These have resulted in livestock benefits – discussed in the next section. The drawback in these findings is that they indicate significant but only qualitative changes, as based on community perceptions.

21. Results have helped in reducing time spent collecting fodder and firewood from further away by women – over 75% of groups report reduced time spent for collection, but a majority still has to supplement fodder and forage for livestock from private lands and other forest areas. Nevertheless, about 28% of LFUGs have had enough surplus for the sale of grass/grass seeds.

22. The mission observed also the considerable popularity of broom grass, often inspired by project support for farmers' cross visits to other farmers. It provides quick returns, both in cash and forage, and very considerable income gains have been realised from the sale of broom. Strong market demand exists for ready made brooms in Nepal and for raw material in India. However as is noted further under gender considerations, the cash incentive and processing of broom, may actually increase the burden of women in terms of work time.

23. Leading up to the end of the project it will be very important to further learn lessons that are useful and critical for the scaling up and mainstreaming of leasehold forestry. Perhaps the most basic observation is the very large variation in possible factors that may be important for leasehold success and poverty reduction, and that these need to be further analysed. These cover the quality of plots and size of areas per user, how the groups are organised (collective or individual allocation of sub areas and activities in managing plots), the possibly different approaches of women and men's groups, homogeneity within groups, and how far groups encompass the whole community. The field discussion showed that there are also unexpected findings such as wildlife intrusion on private land (attacks on goats and crops), which may or not be increased due to improved forest conditions.

Agreed action	Responsibility	Agreed date
- End of project case studies and assessments will record possible contributing factors, such as collective action, homogeneity, etc for cross correlation analysis against forest management performance and other outcomes. Depending on the result, refined guidance on for example soil testing for area suitability measures may need to be taken up.	LFLP, FAO TA, DG of DF, DFO, UTF	31 June 2014

24. **Buffer zones.** Some 86 LFUGs are located in areas which, after the groups were established, had been earmarked as ecological buffer zones. In the initial phase of the HLFFDP, 2 groups obtained leases for 25 years which could be renewed. As they were established in 1992, leases come up for renewal in 2017. In addition, as the management of LF requires the regular pruning and thinning of plantations, due to natural regeneration, LFUGs face difficulties in disposing of the forest product within the buffer zone as required by the regulations as the demand and prices are low compared to the opportunities outside the zone.

25. In 2007, the Minister of Forest and Soil Conservation had decided that in buffer zones and national parks, whatever authority the DFOs have in accordance with the Forest Act, should be transferred to the concerned Conservation Officer (CO) at district level. At the request of LFLP and FAO TA, through the Forest Department, the Director General of Department of National Parks and Wildlife Conservation (DNPWC) issued a circular in 2012, specifying the responsibilities of the CO as: a) review and renewal of operational plans; b) inclusion of LIPs in the operational plans; c) participation in district coordination meeting and workshops; d) providing technical support to LFUGs; and e) coordination with other stakeholders. This regulation does not provide the authority to CCOs to renew leases for LF.

26. In a discussion with the Director General of DNPWC, the issue of renewal of leases and of export of produce outside the zone was discussed. He indicated he would take care of these, and if he was unable to solve them himself, he would take it to the Ministry. It is therefore recommended that LFLP and FAO TA prepare a short brief with the background of the issues together with a formal request to authorise the CO to review and renew expiring leases for an additional period of 40 years and to authorise export of forest produce from pruning and thinning if the market price for such produce outside the zone exceeds, say, by 10% or more the price within the zone. The request should be made by the Director General of the Department of Forests.

Agreed action	Responsibility	Agreed date
- It is recommended that LFLP and FAO TA, through the DG of DF, formally request the DG of DNPWC to authorize the concerned COs to renew the leasehold agreements with qualifying old groups, whose lease will expire soon, by 40 years and to authorise LFUGs in buffer zones to export the produce of pruning and thinning from the zones if the market price outside the zone exceeds by 10% or more the price within the zone.	LFLP, FAO TA, DG of DF, DG of NPWC	1 May 2014

27. **Two studies on carbon sequestration.** In 2013 two studies examined the potential for leasehold forestry to provide and get benefits from carbon sequestration. Under the UTF the EX-ACT tool appraisal developed by FAO, was used in a rapid analysis. The tool is aimed at providing ex-ante estimates of the impact of agriculture and forestry development projects, policies, and programmes on green-house gases (GHG) emissions and carbon sequestration, as well as financial effects and natural capital effects. In this case the analysis could make use of existing data of outcomes (ex-post) as well.

28. The EX-ACT analysis indicates that the LFLP leads to a gross effect of reduced GHG emissions and carbon sequestration, with a net GHG balance of 4,333,801 tons of CO₂ equivalent (t of CO₂-e). This is equivalent to an average of 4.6 tons CO₂ fixed per ha per year and an annual project carbon balance of 206 371 tons CO₂. Such a result shows that the reversion of land degradation has very strong benefits for climate change mitigation. The overall GHG balance translates into benefits of 96 t of CO₂-e per hectare or 51 t of CO₂-e per farmer over the project term.

29. Adding together natural capital, financial capital and physical capital generated by farmer beneficiaries, the Ex-Act tool measures assets which strengthens landscape farming systems and household resilience to shocks, such as drought and heavy rains. The analysis showed an overall improved financial and physical capital which provide the means to farmers to face critical situations: a capital value of USD 826 /farmer and an aggregated value of 42 million US\$ for the whole project area.

30. The study also did a quick comparison with data from community forestry pilot sites (ICIMOD). In terms of performance per ha, the analysis demonstrates better results for community forestry which stay around 9 TCO₂/ha/year while Leasehold projects are below 6 TCO₂/ha/year. However it should be noted that reforestation, which is more favourable in CF with better initial forest cover and easier regeneration, contribute quicker sequestration per hectare, thus considerable benefits nonetheless by leasehold considering the initial degraded status, which even community forestry often cannot address.

31. The TA supported a carbon sequestration study with ICIMOD in three leasehold areas. The study selected two sub-watershed to estimate the forest carbon stocks as a baseline information that show the potentiality of LFs for REDD+, using standard methods. The existing carbon stocks found in two sub-watersheds indicate that there is a scope of enhancing forest carbon stocks within the leasehold forests as current stocking is relatively less compared to the situation in community forests. However due to high transaction and management costs for a small area of forests, leasehold forests alone may not be appropriate to claim as potential for REDD+. It may thus be more favourable to bundle LFs to other forest management regimes so that they can financially be benefitted.

Agreed action	Responsibility	Agreed date
The project explores with partners, especially the REDD Unit and MSFP Climate Change component, the potential for bundling leasehold areas under wider area initiatives, preferably on a landscape approach.	LFLP, FAO TA, DG of DF, MSFP	31 June 2014

Component II: Livestock development is rated as satisfactory

32. **Goats and other livestock** Although in the last fiscal year the distribution of goats and bucks has been on a small scale as the project is coming to an end, overall the project has exceeded its targets with over 83,000 goats and bucks distributed to farmers. In the last year the project and the TA support have continued to provide further goat training, vaccination and parasite control (dipping), as well as on improved breeding. Only a limited number of shed improvements have been made as these are seen as costly per farmer. The component has been an important integral part of leasehold development where also the DLSO provides support on distribution of forage species seeds to

farmers (silo and other legume seeds, napier, broom and mulato), forming the main land-use change pattern observed in leasehold areas. With the TA, there has been further development of training packages, training of village animal health workers (VAHW), piloting and dissemination of innovations (such as improved feeding and dipping systems). The TA has also undertaken a study on the economics of goat raising. Where they are present, the 18 Goat Resource Centres in five districts, have provided much of the channelling of the support. After the initial NGO set-up and support finished, the centres are now handed over to the DLS. There are moves to convert the Centres into cooperatives, but this is only at initial stages.

33. The results of the livestock component are satisfactory– showing an intimate relation to the leasehold plots. In response to reduced grazing, stall feeding is in practice in 55% of households. The very large portion of bundles (*bhari*) collected from plots are for fodder and especially forage, also supporting cattle and buffalo. Some 86% of LFUGs have reported increased goat herd size, from about an average of 33 to 54 per LFUG, on average 3.7 to 6.12 per household, a sustained increase of about 2.5 goats.

34. A possible concern is that a step increase in stock does not necessarily translate into livelihoods benefits. Stall fed goats, with better breeding practices (reduced inbreeding), of good condition and size can produce more kids (more frequently and with twinning), even than a larger flock of free grazing goats. The LFUG Stratification study shows 60% of LFUGs report either vaccination or drenching and only slightly less than 60% have also practiced buck breeding exchange to improve stock. Clearly animal condition and good husbandry, and appropriate breeding, are key, but also have room for further strengthening.

35. The outcome survey does seem to indicate that the benefits are also resulting in reduced mortality and improved production, increased sales and thus increased contribution to household income (see table 1). Some 64% of HHs reported they had sold at least one goat last year, and that selling goats occurred in 94% of LFUGs. Selling price ranges from NRs 500 to 16 500 with an average of NRs.3 631. Some 70% of groups indicated increased incomes from goats (outcome study). On average with price and numbers sold, each household would have earned an additional NRs 6 000 per year.

Table 1. Percentage of LFUGs reporting livestock development

Attributes	Increased	Same	Reduced
Mortality rate	16%	37%	47%
Livestock production	71%	23%	6%
Contribution to household income	70%	22%	7%

Source: Outcome Survey 2012/2013

36. Increasing goat numbers does not seem to affect too much the amount of work that needs to be done, since aside from the forage collection time, caring for goats takes relatively short work per day. All communities met reported decrease in time having to spend fetching forage and fodder: on collection days previously women spent 5-6 hours per trip, from CF and other lands, now 1-2 hours from leasehold forestry, and also private land.

37. There was often a demand for shed for goats (also to protect against wildlife, collecting) – but there is a limit in what can be provided by DLSO, although the TA has assisted with studies for appropriate designs. Sheds are costly and would need a considerable number of goats per household to be effective, which means more consideration is needed for financing mechanisms for those who wish to pursue this livelihoods route.

38. The numbers of cattle and buffalo do not seem to have increased very much although in some areas buffalo and cattle are popular, with the improved forage and especially where there is access to dairy markets. Considering the investments required and risks, for large animals care will need to be taken with breed improvements and animal health. In one case improved lowland buffalo (*mura breed*, supported under separate project), although with potential to increase milk yields considerably, were not thriving.

Agreed action	Responsibility	Agreed date
Second generation support in terms of marketing, goat husbandry, health and breeding, and mechanisms for supporting goat coops need to be addressed by the DLS and DLSO for beyond the project.	DLS	30 June 2014

Component III: Rural Finance Service is rated as unsatisfactory.

39. By June 2013, groups had accumulated savings for a total of NRs. 116.5 million or USD 1.2 million. With 5 950 LFUGs, this works out as NRs. 19 600 (USD 200) per group and NRs. 2 420 (USD 25) per member. About 4% of groups have savings exceeding NRs.50 000, while 60% of group funds amount to less than NRs.10 000 each. Outstanding loans represented 68% of total savings, while 26% was held in bank accounts.

40. Groups determine their own savings rate, which ranges between NRs.5 and NRs.200 per month and tends to increase over time. Interest on loans range from 12% to 24% per year. Apart from member savings, group funds also are supposed to receive the goat deposits from members at a rate of NRs.2 000 per goat, two years after having received the animal. Some 67% of members did not meet this requirement. It is recommended to continue to motivate such members to effectively pay their deposits into the group fund.

41. The programme has supported the establishment of 54 savings and credit cooperatives with an average membership in 2012 of 96. Their performance has been analysed in 2012. Some 2 cooperatives were ranked as good, having obtained loans from the Central Bank, and 16 cooperatives needed minor external support to continue and sustain operations. The remaining 36 were classified as needing major external support (28) or having no prospect to continue and sustain operations (6) or being still informal (2).

42. With the termination of the contract with the LFLP rural finance service provider by end 2010, support to cooperatives has been continued through the FAO TA.

43. In some groups visited, the members had decided to place the whole of their group fund in a cooperative, which had the benefit of obtaining access to larger loans, be it at higher interest rates than practised in the group. Several review missions have repeated the issue that the security of savings can not be guaranteed under such an arrangement, which was demonstrated again in one group which was reluctant to commit their funds to a cooperative because a previous cooperative had closed without LFUG members being able to recover their funds.

44. Governance modalities and LFUG members direct influence on financial management in cooperatives is insufficient to provide for the security of group savings. Managing the group fund by the group members themselves constitutes one of the essential elements of group cohesion (the other being the common management of the leasehold forest) It is therefore crucial that this function remains with the groups. Interested individual group members may want to join the cooperatives to benefit from their loan modalities, using their individual savings and after being made aware of the risks involved. It is recommended that LFLP, FAO TA, DBSs and GPs, in the remaining programme period, implement an information campaign about financial risks and the essential role of group saving and credit activities.

Agreed action	Responsibility	Agreed date
- Motivate LFUG members to pay their goat deposits due into the group fund	LFLP, DBSs, GPs, GON after 15 July	
- An information campaign about the essential role group management of credit and saving and of the risks of entrusting group funds to cooperatives with weak governance needs to be undertaken before Programme completion	LFLP, FAO TA, DSs, GPs	Implemented before September 2014

d. Programme implementation progress

Programme management performance

45. Project management at central level, supported by the FAO TA, operates moderately satisfactorily (4). Targets are generally being met in quantitative terms. Follow up action on the recommendations of previous missions is generally taken. Coordination between DFO, DLSO and other stakeholders is ensured through coordination meetings at national and district levels. An internal and external communication strategy is being implemented.

46. Financial management remains a concern in terms of accountability and of the frequency of withdrawal requests. This issue is further complicated by the high turn-over among accounting staff in this final phase of the programme.

47. During project implementation, local government staff as well as GPs and DBSs, involved in LFLP, have received numerous trainings and their capacity has been enhanced. This has contributed to successful programming and implementation of the programme and a better understanding of local requirements, the developing of knowledge products, the measuring of results and achievements and a comparative demand-driven learning across a range of governance themes. Within each of these roles, local staff play a key function in providing moral, technical and governance support –explicitly, through established components in on-going interventions, and through field visit interventions at the local level that implicitly contribute to develop the capacities of targeted communities. Local staff support still appears to be more instrumental than strategic, hence it is important to strategically maintain local staffs, GPs and DBSs even after the completion of the external financing.

48. GoN often struggles in retaining existing capacities. As much of LFLP work is project cycle based, staff turnover and departures at the end of project cycle also increase the risk of losing the capacity that is built during the course of a project. This is further aggravated by the fact that local GPs are often the entry level for higher status and salaries. This is a perennial problem in all developing activities that affects both staffs and government institutions.

49. **Programme exit strategy and closure** is rated as satisfactory. The mission appreciates the vast experience build up in leasehold forestry over the last 22 years and notes the intention of the government to continue and expand the programme, capitalising on this. It recommends to maintain or increase the present level of financial commitment to address the revolving needs of LFUGs and their members. The DOF and DLS are developing proposals for this purpose and it is recommended that the IFAD Country Office facilitates the finalisation before they will be submitted for budget review in May 2014.

50. In terms of the closure of IFAD financing, it is necessary that all asset registers of the 22 participating DFOs and DLSOs and of the DOF and DLS need to be verified and certified and provided to the PCU before 31 March 2015.

Agreed action	Responsibility	Agreed date
- Maintain or increase the present financial commitment for the continuation of the Leasehold Forestry programme after the completion of IFAD financing	MinFin, MFSC	May 2014
- IFAD Country Office to facilitate finalisation of proposals by DOF and DLS	ICO, DOF,DLS	May 2014
- For programme closure, verified and certified Asset Registers to be provided to PCU	DFOs, DLSOs, DoF, DoLS	Before 31 March 2015

51. **Monitoring and evaluation** is rated as satisfactory. The project has continued regular monitoring and reporting, and is entering the phase of assessing outcomes and impacts, which with the assistance of the TA it is doing successfully. The project has continued regular central level Project Coordination Meetings, review and working groups meetings, including dealing with interdepartmental and ministerial matters. The District Programme Coordination Working Group reviews and plans on concerns at local level. If necessary, issues are taken to the District Development Committee and District Forest Coordination Committee.

52. In a more direct sense, M&E has been supported by the TA and it prepared regular reports, conducted studies reviewing performance and results and carried out case studies. The project has also innovated with participatory monitoring and evaluation. The TA designed an MIS system and piloted it in 2 districts but this has not been fully rolled out across the project areas, because of the need for intensive staff training and continuous follow-up. The previous mission recommended expediting the distribution of GPS to all Districts for geo-referencing leasehold areas, backed up by training. Some 53 GPS have been provided but the geo-referencing has not been followed up to any significant extent, due to other work burdens of officers concerned.

53. The TA has also completed the data gathering for the latest Outcome survey, and preliminary analysis comparing with the 2010 Outcome survey, which covered the same groups. The mission suggested to keep data for 2011 separate as this sample does not cover the same groups and thus cannot be strictly compared.

54. The IFAD RIMS 2012 study for LFLP has been completed providing comparisons with 2007 data. As is discussed in the section on impacts, this does show some considerable changes in wellbeing, but which cannot be easily attributed to the project. Under the UTF, an impact study is now starting with a consultant's team preparing sampling and questionnaires. This will also address gaps

identified in the review of literature done under the UTF in 2013 and complement the Programme's other outcome and results monitoring activities. In particular the study will also include control areas, do more detailed forest inventory, poverty reduction and household livelihoods changes, and triangulate data between household, group and forest condition results, assess gender related changes, to better understand causality and identify lessons for future interventions. The sampling approaches and questionnaires have been reviewed and discussed during the mission with the study team. Further, the possibility of comparing forest inventory results under the impacts assessment with remote sensing land use data collected and processed under the Forest Resources Assessment will be explored.

55. The analysis and appropriate presentation of the results from the various studies and impact assessment will be critical in the coming months: for strengthening the case for Government budget allocations for leasehold activities for the next fiscal year (March-April), for TA completion reporting and Leasehold Workshop and Book (early June, see more below), for the Government LFLP Completion Reporting (August), and IFAD Project Completion Report (PCR, August-September).

Agreed action	Responsibility	Agreed date
- Use GPS for forest inventory under impact assessment for exact geo-referencing of plot areas, and control areas	LFLP, FAO TA, UTF	30 April 2014
- Consolidate the data sets and coding so that cross analysis can be made between data sets. Identify potential for use of FRA remote sensing data and maps.	FAO TA, FAO Nepal, Finland Embassy.	30 April 2014
- LFLP and TA and FAO must collaborate closely with the consultant's team to expedite the impact assessment to provide at least preliminary result for discussion.	LFLP, FAO TA, FAO Nepal	31 May 2014
- A consolidated technical package of reports and data must be put together by end-June 2014 for end of Programme reporting and institutional memory, including cleaned data base and guidance notes.	LFLP, FAO TA, UTF	30 June 2014
- Institutionalising monitoring of LFUGs in DFOs, participatory monitoring at group level	DOF	September 2014 and onwards

Knowledge management

56. The Programme, primarily through the support of the TA, has produced four videos and a number of publications – also translating studies in summary form for circulation to local stakeholders. Poster and papers have been produced and presented in international conferences. With the establishment of the new Community Based Forest Management Division and Leasehold Section under it – it will be important to organise, store and disseminate the data (including in any Division website), lessons and experiences of the Government, IFAD, FAO and others to ensure institutional memory and good practices are mainstreamed.

57. For mainstreaming and creating awareness of the considerable achievements, but also challenges in implementing leasehold activities, the TA and the UTF will be preparing a joint national and regional workshop on leasehold experiences and future directions by early June 2014. This will draw together impacts study results, stakeholder experiences and policy discussions of leasehold forestry, and also reflections from similar experiences in neighbouring countries. Under the UTF, a draft book on 20 years of leasehold experiences has been prepared – and this will also be finalised in the coming months. The Programme, TA, IFAD and FAO have already considerably contributed to the contents under the authorship of a UTF consultant. It will be important to sustain the collaboration in the coming months for common messages and targeting of audiences for maximum policy impact.

Agreed action	Responsibility	Agreed date
- Hire a professional communications consultant to devise a strategy for the use of the studies carried out under the FAO TA aiming at different categories of users	FAO TA, LFLP	1 April 2014
- All material to be consolidated and catalogued and summarised, and stored for easy access on DVDs, etc for handover. Equally IFAD and FAO will also store documents.	LFLP, FAO TA, FAO Nepal, IFAD	31 June 2014

Gender, poverty focus and targeting

58. **Gender.** Women represent 37.8% of the LFUG members while 27% LFUGs have women in two or more key positions, such as chairperson, secretary, treasurer etc., and 25.5% LFUGs have a women representative in only one key position. The rest, i.e. 47.6% of LFUGs do not have women in such positions. The programme's gender equality and women's component is rated moderately satisfactory (4) by the mission in line with IFAD country programme evaluation in December 2012.

59. Observations and interactions in the field as well as findings of previous supervision missions have shown that there is significant amount of positive impact of the programme on women with regard to social, economic, environmental and personal aspects. Availability of forage, fodder and fuel wood in the leasehold forests have saved women users 2-3 hours per day on average. Before the introduction of leasehold forests, women had to travel long distances, up to 7-8 hours per trip in some places, to gather forest products. This saved time is used in various productive ways. For example, they have taken up income generating activities such as vegetable farming and livestock rearing.

60. Likewise, women users now have a greater say in how household income is spent and their participation and decision-making power in community as well as their level of confidence has increased. One of the main reasons for this is their contribution to household income through leasehold forest activities such as reproduction of goats, selling of broom and broom grass etc. For example, one of the female users in Tanahun district was able to earn about NRP 25,000 last year by selling brooms. Similarly, with the increase in solidarity and group strength, they are also able to voice their concerns and fight for their rights in the society.

61. However, while access to resources and decision-making power may have improved for women compared to the past, in most cases, control over them is still largely male-dominated, including the profit from selling goats and brooms made by women. In many cases, even the loans borrowed in the name of the women users are managed by their husbands. Nevertheless, women seem to have compromised for the reason that the money is ultimately used for household purpose and children's education. Likewise, though women have saved time in collecting forest products, their workload has not reduced. In fact, with the increase in number of livestock, vegetable farming and managing leasehold forests on top of household chores, it is likely that they may have experienced increase in workload. But, compared to before, the workload is more productive and generates some income.

62. It was also observed that performance of women-only groups is relatively better than mixed groups and men-only groups. Compared to other groups, in women-only groups, meetings are conducted regularly, participation is generally greater at the meetings, there is more savings and investments, loans are paid off in time, and forests are in better condition. Even in mixed groups and men-only groups, it is usually the female member or the wives and daughters of male members who do the forest work. For future leasehold programmes, it is important to identify these unequal distributions of workload and plan activities that help to iron out such difference.

63. A Gender Action Plan (GAP) was drafted in June 2012 that proposed a range of actions but with the time remaining in the Programme, and the absence of a gender specialist to guide such a process, the previous supervision mission (December 2012) had recommended to implement only a few selected priority actions: i) control and improvements to simple savings and credit management by women, combined with simple household budgeting and enterprise advice; ii) fodder supply and goat management practices; and iii) any links to programmes for improving access to potable water. Activities under the recommendations were not seen implemented.

64. **Poverty and Targeting.** There are indications that the Programme has made some contribution in household poverty reduction. The details are outlined in the section on Impact. In terms of caste/ethnicity-wise social inclusion, Dalits represent 12.5% and Janajatis represent 58.8% of the total LFUG members. All in all, the outcome survey seems to suggest that poverty²² in LFUG households is declining, but more detailed estimates are required to confirm these findings.

65. Ethnic and poverty wise homogeneous groups were seen more cohesive and effective. In some heterogeneous groups, cases of elite capture were observed. For future leasehold programmes, it is important to identify effective and efficient targeting approaches that are specific to such circumstances and learn lessons on poverty reducing approaches.

66. The programme's targeting on rural poverty is rated satisfactory (5) and implementation is rated satisfactory (5) by the mission.

67. **Recommendations.** The recommendations are aimed at LFLP, FAO and the Government once they continue the programme. Detailed distribution of the recommendations is given in the table below.

68. In order to ensure gender responsiveness in the programme, implement actions recommended in the GAP and recruit a gender specialist for supervision and facilitation. Also, in order to aware the LFUG members, their families and community members of gender equality, organize gender sensitization trainings and awareness raising activities that highlights the aspects of gender division of labour and gender decision making. The women users are also interested in a wide range of income generating activities. Thus, to respond to their interests and needs, train women users with income generating skills such as sewing, knitting, weaving, candle making, food processing etc. and assist them in setting up micro-enterprises based on the market assessment as well as availability of raw materials. These trainings should be organised in the villages itself ensuring easy access and convenience for the women to take part. Likewise, for better management of group funds as well as household income and expenditure records, offer basic financial literacy training to LFUG members. It was also observed that rural youth are less interested to join the programme activities. Thus, to attract rural youth in the programme, introduce new agricultural and environmental technologies. Finally, there is a need to ensure that activities proposed are sustainable.

69. As all field activities under LFLP will end with the end of FY 2013/14, not all of the activities recommended above can be carried out by LFLP and/or FAO TA. Hence, the table below summarizes the recommendations and specifies the responsible institution for each action with the agreed dates.

Agreed action	Responsibility	Agreed date
- Implement the GAP and recruit a gender specialist for supervision and facilitation	GoN	Under continued Government LF programme
- Organize gender sensitization trainings and awareness raising activities	LFLP/FAO TA, GoN	(
- Train women users in income generating skills and assist them in setting up micro-enterprises	LFLP/FAO TA, GoN	(Immediately, Under continued Government LF programme
- Offer basic financial literacy training to LFUG members	LFLP/FAO TA, GoN	(
- Introduce new agricultural and environmental technologies in the programme	LFLP/FAO TA, GoN	(

Partnerships

70. Since 2009, the Finnish Government provides the financial resources for the FAO TA. A representative participated actively in the present mission. Its funding will be completed in the present fiscal year.

71. The partnership with PAF has been ensured through the signing of a MOU which is implemented in 2 districts..

72. Both Programme Management staff and TA as well as Programme field staff have supported local initiatives of clusters, groups and individuals and provided linkages with Supporting Agencies. Activities included crop cultivation, spices cultivation, vegetable farming, citrus plantations, seed distributions, provision of pigs, plastic ponds, but also toilet construction, drinking water supply, community centre building, as well as access to literacy classes, etc. The most common partners involved were the District Soil Conservation Offices, the DADOs, the VDCs, DEOs, NGOs, PAF, and SDC.

e. Fiduciary aspects

73. Overall, the fiduciary aspects of implementation are rated **moderately satisfactory (4)**.

74. **Financial Management.** High turnover and a short retention period of accounting staff in the centre and the district offices of both LFS and DLS is hindering the improvement of the overall financial management system of the Programme. As part of the adjustment of special promoted civil servants, the GON has restructured the organogram of ministries, departments and line offices; resulting in the transfer of quite large numbers of accounting staff from the project offices. The Accounts Officer of both coordinating offices LFS and DLS are also transferred to other ministries. The release order of the present Accounts Officer of LFS is postponed till the end of this supervision mission. The Programme is almost at completion and will have to give priority and attention on timely

collection of expenditure reports from the district offices and close the accounts correctly. Project fiduciary risk assessment is in Annex 2.

75. The mission has reviewed the supporting documents related to LIP payments in Tanahu, Lamjung and Gorkha. DFO Lamjung has followed the proper procedures before releasing LIP grants to LFUGs, the DFO Gorkha prepared 3 LIPs in FY 2012-13 and 6 LIPs in FY 2013-14; and transferred NRS 50 000 each to LFUG's accounts. But none of the LIP documents were sent to LFS for technical review. Out of six, one LIP was not signed and approved by any authority. The DFO Tanahu has disbursed LIP grants to 2 LFUGs in FY 2012-13 and 6 LIP grants in FY 2013-14. Out of that, NRS 300 000 was transferred in Gohirakhudi Leasehold forestry Inter Group Account on August 10, 2012 and August 26, 2013. The first grant amounting NRS 100 000 was withdrawn by Dipak along with GP's remuneration on August 17, 2012. The second transfer of NRS 200 000 is unutilised and balanced in inter group account. None of these LIPs and its approval documents were made available for mission's review. This is the only one activity which gives authority to the LFUG on resource mobilization to implement the activities on their disposal.

76. The DLSO Gorkha released the grant allocated for Hut Improvement Fund NRS 375 000 to 3 cooperatives in FY 2013-14 by signing an agreement with these cooperatives. The clause 5 of agreement mentions that the excellent farmer will be selected but does not assure from the LGUG members. The Melmilap Agriculture Cooperative Manakamana 5 has a majority of non LFUG members. Similarly the DLSO Gorkha has released NRS 37 500 each to two cooperatives for manger improvement activity as part of collaboration with goat resource centre. The mission could not get any authentic information related to the implementation of this activity by these cooperatives. The Agreement is silent on the modality of financial support to the excellent farmers; it is also not clear whether it will be on the form of grant or low interest loan.

77. The DLSO Lamjung has procured one unit of Samsung 7562 mobile for personal use of Senior District Livestock Officer and made payment of NRS 22 000 (V.O.9/2013-14). The DFO Gorkha has paid salaries of Driver, watchman and Office Assistant amounting NRS 31 680 from the budget allocation of LFLP staff, ranger (V.O. 39/2012-13) and DSA payment from the advance amount for broom grass procurement NRS 4 000 (V.O. 17/2012-13). DLSO Gorkha has made double payment of training hall rent and excess payment on inauguration and closing ceremony of goat keeping training NRS 6 900 (V.O. 15/2012-13). All these expenditures are ineligible for IFAD financing to LFLP.

78. The DFO Gorkha procured one additional set of desktop computer and printer from the budget allocated for data collection and MIS upload activity in FY 2012-13 without amendment on the AWPB and procurement plan. This practice should not be repeated as it affects the actual implementation of planned activities.

79. DFO Gorkha had made payment for pre-paid mobile recharge cards in FY 2012-13 and post paid mobile charge in current FY without obtaining approval from the Department of Forest.

80. **DSA and travel allowances:** Despite the recommendation of investigation mission there is a continuation of issuing travel orders for non LFLP related works. The DFO Gorkha has paid DSA and travel allowances to their staff, mainly to Forest Security Guards and Office Assistants for community forestry related activities through 27 travel orders; the total payment amount is NRS 44 215 (attachment 1). These expenditures are not considered eligible expenditures of LFLP. Similarly, the Accounts Officer of DLS has paid unjustifiable travel and DSA amounting NRS 40,595 (attachment 2); of which ineligible hotel bill claim NRS 2 800, excess and ineligible travel cost claim NRS 13,795 and LFLP non related district and not justified travel cost NRS 24 000.

81. **Payment of remuneration of DBS and GPs:** DBS and GPs of mission visited districts Tanahu, Lamjung and Gorkha were not paid remuneration each month due to delay on budget release for 2nd and 3rd trimesters of FY 2012-13 and 2nd trimester of FY 2013-14. DBS are responsible to monitor the works and services carried out by GPs to the LFUGs of their cluster; and are not paid travel cost and DSA for their field visit. These costs were borne by themselves from their monthly remuneration. Due to this reason frequency of their visit is limited. Keeping both old and new LFUGs active, the role of DBS and GPs is noted as essential.

82. The DFO, Tanahu has been releasing remuneration of one GP to Gharakhudi Leasehold Inter Group account in various dates. In two transactions, the GP was paid less; the latest remuneration was transferred by DFO on December 1, 2013 but not yet paid to the GP.

83. **UTF TA:** The Programme has signed a project agreement with FAO for review and scaling up of IFAD project experiences in Nepal in November 1, 2012. Completion date of this assignment is September 2014. Article VI, Clause 2 of project agreement mentions that “a final statement of expenditure shall be submitted to the Government not later than nine months after completion of the services” and “project completion report to the Government not later than six months after completion of the service”. Similarly Clause 3 mentions that “any balance of the funds that is undisbursed and uncommitted by the FAO upon completion of the scheduled services, including interest accrued shall be held by FAO at the disposal of the Government in the account referred in Article II.4 of this Agreement”.

84. Both the clauses are contradictory with the financing agreement between GON and IFAD related to the project closure. The mission recommends that the schedule of expenditure reporting and refunding of unspent balance should not be beyond the programme closing date of 31 March 2014.

85. **Programme Financial Statement (PFS):** The Programme has made available a draft PFS for mission's review. Sample cross checking of the expenditures with the ledger entries were tallied but the reconciliation of SPAs, Loan and Grant Accounts were not correctly presented on the main page of Project Account. The mission has suggested a correction. The current format of GON Project Account is not user friendly. PFS of FY 2012-13 is due to IFAD since 15 October 2013.

86. **Withdrawal Application and SOE.** The mission has reviewed 7 WAs of IFAD loan and 6 WAs of IFAD Grant. These were prepared and sent to IFAD after the Nov-Dec 2012 supervision mission. The expenditures on these WAs were classified following the schedule 2 of the financing agreements and prepared correctly. Delay in receiving expenditure reports from the districts still exist, this time majority of accountants are new. Due to this reason, the PMU is unable to prepare and send WA for expenditures incurred in 1st trimesters of current FY.

87. **Special Accounts:** There is a zero balance in SPA Loan and the balance in SPA Grant as at January 2, 2014 is USD 46 100.55. Cash books of both accounts are maintained, reconciliation were done during the preparation of PFS. The status of funds on IFAD loan L-I-646 as at 5 April 2013 shows full recovery of initial advance of SPA loan but the status of funds as at 18 February 2014 of the same loan account shows SDR 235 919.57 advance balance. Inconsistencies in funds status report that is generated by the system must be rectified by both; the Programme and IFAD.

88. **Internal Control:** As usual, internal audit of the project is carried out by the respective DTCOs. The quality and coverage of internal audit is unsatisfactory. Mentoring and follow-up of SM identified financial issues by the coordinator office were noted improved. But the Accounts Officer of both central level coordinating offices have been transferred to other ministries. It could affect the spirit of ongoing financial monitoring and follow-up activity of both units.

89. **Assets Management:** The Assets Registers maintained in DLS and DLSOs & DFOs Tanahu, Lamjung and Gorkha were reviewed. The sample review of assets verification in DLS, DFO Lamjung and DLSO Tanahu is quite satisfactory except the procurement of two veterinary kits by DLSO Tanahu. DFO Tanahu, DFO Gorkha and DLSO Gorkha have noted weakness on inventory recording and documentation of materials distribution (seeds, seedling & veterinary medicine) to the LFUG and its members.

90. Involving a single person in procurement, stock recording, distribution and implementation of the activities by providing advances still exists. Physical Verification of assets was carried out in DLS and all district offices.

91. **Status of Nov-Dec 2012 SM fiduciary recommendations:** Based on information provided, majority of the recommendations are either completed or partially completed. Details are in Attachment 5.

92. **Disbursement.** The status of disbursement from the IFAD Loan 646 NP and 646 A NP as at 18th February 2014 is SDR 7,213,019.95 which is 88.78% of the total Loan financing of SDR 8,125,000. The above amount excludes the unrealised advance of SDR 235,919.57. Based on programme disbursement as at 15th July 2013 the actual disbursement from both Loan accounts is SDR 7,448,939.52 million (including outstanding WA for initial advance recovery). This is 91.68% of total loan financing. (Appendix 5 –Table 3C1 & 3C2).

93. Similarly, the disbursement status of IFAD Grant C 727 NP and G-I-DSF-8100 NP as at 18th February 2014 is SDR 977 083.35 which is 53.83% of the total Grant financing of SDR 1 815 000. The above amount excludes the unrealised advance of SDR 93 225. Based on programme disbursement as at 15th July 2013 the actual disbursement from both Grants accounts is about SDR 1 040 643.01 (including outstanding WA claim for the period & excluding initial advance). This is 57.34% of the total grant financing. (Appendix 5 – Table 3D1 & D2).

94. The actual overall achievement of expenditures by financier is 106%, the IFAD Grant is the highest at 131% and the Government is the lowest at 41% (Appendix 3 – Table 3 A). Similarly, the actual overall achievement by financier by component is 106%, the expenditure against component 2, Livestock is the highest at 129% and the expenditure against component 3, Rural Financial Services is the lowest at 21% (Appendix 5 – Table 3 B). Overall rating of the disbursement is **satisfactory (5)**.

95. **Counterpart funds.** The adequate counterpart fund as approved in the AWPB of 2012-13 and 1st trimester of 2013-14 has been provided, as the Government is pre-financing the Programme activities. Notable delay in the release of counterpart funds in 2nd and 3rd trimesters of 2012-13 and 2nd trimester of 2013-14 is experienced. The release of counterpart fund is **moderately satisfactory (4)**.

96. **Compliance with loan covenants.** The majority of loan covenants are being complied with the provision of Financing Agreement. The clauses 5.01, 5.02(b), Schedule 3 Para 11 and Schedule 3A Para 2, 4 and 6 are not complied. The compliance with loan covenants is **moderately satisfactory (4)**. Details are in Appendix-6.

97. **Procurement.** The mission reviewed the procurement plan of FY 2012-13 and 2013-14, and also procurement activities undertaken by LFS, DLS and DFOs and DLSOs in Tanahui, Lamjung and Gorkha districts. There is no such a big procurement in both FYs, except the procurement of 21 desktop computers and printers by DLS in FY 2012-13, all procurement activities followed either quotation from the registered firm/suppliers or direct procurement from the supplier.

98. Procurement of seeds and seedlings were carried out through advance payment to the staff members as their usual practice and single staff is involve in entire procurement and distribution process. The overall rating of procurement is **moderately satisfactory (4)**.

99. **Audit.** The Audit report along with audited PFS of FY 2011-12 was sent to IFAD on 20 February 2013, after a delay of about one month. Audit report and audited PFS of FY 2012-13 is due to IFAD since January 15, 2014. Delay on sending audit report of FY 2012-13 has encountered due to the technical problem faced by the Programme on annual budget allocation to UTF activities. This activity and budget was not included in FY 2012-13 approved AWPB. Due to this reason PFS of 2012-13 could not be finalized until the MOF post AWPB approval for this activity was granted. The post approval of UTF activity was issued by the MOF on January 19, 2014. It is likely that the audit report of FY 2012-13 will be delivering to IFAD by March 2014. The audit is rated **moderately unsatisfactory (3)**.

100. The LFS and DLS have been made progress on settlement of outstanding audit recommendations in their respective offices. The overall programme audit log and detailed audit table has not been prepared. An Audit Log and Detailed Audit Table of LFS and DLS are in Attachment 3.

Agreed action	Responsibility	Agreed date
- Request FCGO at least to retain the present Accounts Officer of LFS till March 2015	MOFC, DOF, LFS, FCGO	Immediately
- Follow the proper procedures set out for LIP grant and transfer the grant amount in respective LFUG account not in inter group account.	LFS, DFOs	Immediately
- Ensure that the resources transferred to co-operatives for manger and hut improvement are fully utilised by LFUG members, prepare guideline for Hut Improvement Fund	LFS,DLS and DLSO Gorkha	March 2014
- Recover ineligible and excess payment of TA/DSA from Tritha Raj Pokharel NRS 40,595, excess payment made to Gyan Narayan Shrestha NRS 5,900 for goat keeping training and ineligible expenditure related to procurement of Samsung mobile NRS 22,000	DLS, DLSO Gorkha and Lamjung	April, 2014
- Get approval from DOF for mobile charge payment or recover the paid amount from concerned authority	DFO Gorkha, LFS	April 2014
- Deduct salary payment of NRS 31,680 to Driver, Watchman and Office Assistant and DSA payment for non LFLP related activities NRS 44,215 by DFO Gorkha	LFS, DFOGorkha	In coming WAs
- Ensure that DBS and GPs are paid full remuneration of each month through cheque without any delay and DBS are paid reasonable travel related cost of field visit.	LFS, All DFOs	Immediately
- Ensure that the schedule of reporting expenditure and refunding of unspent balance by FAO/UTF will be in line with the programme closure date.	LFS, FAO/UTF	May 2014
- Ensure that the full recovery of initial advance is justified by WAs 33 and	LFS, IFAD	March 2014
- Deliver Audit Report along with audited project account (PFS) of FY 2012-13 to IFAD.	LFS, DLS, FCGO, AGO	March 2014
- Deduct ineligible expenditures of NRS 209,175.73 of DLS from upcoming WAs recommended by May 2012 Supervision Mission	LFS, DLS	April, 2014

f. Sustainability

101. **Sustainability** According to the LFUG Stratification study, 79% of all groups qualify as active and moderately active. If groups of the first phase (1992 – 2002) are excluded, the share rises to 88%. But even, among the first phase groups, with an average age of 15 years, acceptable performance is still at 62%. These figures clearly demonstrate the sustainability of the groups. Sustainability is rated as satisfactory. Among the four activity fields analysed, leasehold activities score highest with acceptable performance in 89% of groups. Livestock follows with 78% and rural finance, in spite of the lack of effective support from the Programme, scores 50%. Institutional development scores 67%.

102. The overall likelihood of the Programme achieving the development objectives is rated satisfactory (5). Active groups, managing their leasehold forests and developing their livestock activities, while making use of existing government services for technical support and local initiatives are demonstrating that the Programme results in an institutional, financial and environmental sustainable situation, also because the Lease contracts are established for a 40-years period with the possibility of extension for another 40 years.

103. **Exit strategy** is rated as satisfactory. Leasehold forestry has a high priority in Government because of its twin purposes of poverty reduction and the recovery of degraded forest areas. The Department of Forests has therefore drawn up a proposal to continue the programme at the same scale as at present. Also the Department of Livestock Services expects to continue support. It is recommended that the IFAD Country Office facilitates the finalisation of these proposals before they will be submitted for budget review in May 2014.

104. The DOF is beginning to implement the large Multi-Stakeholder Forestry Programme (MSFP, funded by Finland, UK and Switzerland), which even in initial stages will have overlapping areas with leasehold districts, and cover themes such as community based forest management, private sector/enterprise support, and climate change. The World Bank and IFAD funded Poverty Alleviation Fund (PAF) is also extending its broad support to targeted community institutions of the poor in many common areas. The TA-LFLP has already tested modalities of collaboration with PAF. The Micro Enterprise Development Programme (MEDEP) has also broad coverage with potential for supporting second generation issues of LFUGs. IFAD is in the process of designing the grant project Adaptation

for Smallholders in Hilly Areas (ASHA) which is expected to start in 2015, and cover about 500 leasehold groups.

105. Since there will be no further extension of the LFLP-TA programme within the similar modality, all the commitments for the LFLP-TA component will have to be finalised by July 2014. A handing-over plan need to be prepared for project assets, including final reports, which will be handed to the Government of Nepal as per the Project Agreement. A wide variety of reviews and lesson learning reports have been undertaken which will provide a wealth of information for future plans and programmes, hence systematic documentation and sharing must be held as an example of good practice and such component should be included as a part of exit strategy.

Agreed action	Responsibility	Agreed date
The Project team assists the DOF in the preparation of an exit strategy, indicating clear short term priorities for handover activities as well as partnerships with other ongoing or planned programmes and projects.	LFLP, TA, DOF	30 April 2014
- IFAD Country Office to facilitate finalisation of proposals by DOF and DLS	ICO, DOF, DLS	May 2014

g. Other

Impact

106. A number of important outcomes have been noted in the above sections, based on the outcome and group studies: the enhanced management and productivity of the leasehold land; the increase in livestock – especially goats and the incomes from them; and time-savings. Rating of groups performance indicate both first and second phase groups are remaining largely active on forest management front, even after 20 years from handover – but savings systems has not performed so well. This is a remarkable achievement reflecting the fundamental importance of the tenure allocation to the poor, taken on by the leasehold approach. The field visit feedback from farmers, and observations of changes to land use reinforce these findings. The members of the groups visited were consistently from poorer classes, all of them gaining some benefiting, except in some few cases where one member had migrated or got a job. The discussions in the field also indicate a very varied and complex relationship between the benefits arising from leasehold benefits and time savings, with other household activities – from savings system to investment in private land vegetable farming. The impacts study that is about to start will try to explore more in depth some of these household impacts and relationships between them.

107. The project has completed the RIMS surveys comparing 2007 baseline and 2012 situation of a sample of 900 beneficiary households. However it cannot clearly provide attribution, or distinguish effects of wider livelihoods changes or government or other support programmes, as there are no control households in the sample. RIMS has standard indicators which do not necessarily correspond to the programme's objectives and which do not fully capture the more indirect project impacts such as agriculture incomes, nor does it have controls. Nevertheless some considerable changes have taken place over the 5 years: for example, it seems to indicate that hungry season has decreased (the percent of households experiencing the first hungry season has decreased drastically from 64% to 22%). Further the proportion of poorest has come down – in outcome report in 2010, communities reported that 29% of households from the poorest category, this was 19% in 2012, a rapid decrease. On the other hand and rather worryingly, child malnutrition has stayed the same if not even increased slightly.

108. According to RIMS data, male and female literacy have increased considerably, as have sanitation conditions. There has been a slight improvement in assets, such as livestock: there has been an increase by 10% of households keeping goats and buffalo in 5% of households, although that is close to all households. Electric household goods have increased markedly, although so has electrification, which may explain the change! Clearly for literacy, health and electrification, large government schemes will be determining factors, though for literacy for example, LFUG mobilization and confidence building could play an important role in households accessing services. The quantification of changes in poverty, incomes and their attribution to the Project will need to be addressed more thoroughly through the Impact Assessment starting under the UTF (see section on M&E).

Agreed action	Responsibility	Agreed date
- The quantification of changes in poverty, incomes and their attribution to the Project will need to be addressed more thoroughly through the design of the Impact Assessment starting under the UTF (see section on M&E).	UTF, TA, LFLP	20 March 2014

h. Conclusion

109. Overall Programme implementation has remained moderately satisfactory (4), and the likelihood of achieving the development objectives is satisfactory (5), also because recent analysis has created a better insight in the sustainability of Leasehold Forestry Users Groups (LFUGs) as well as in the nature of the Programme's impact.

110. The formation of Leasehold Forest Users Groups (LFUG) is completed and the distribution of goats to LFUG members is terminated. Although targets in terms of number of benefiting households and areas of leasehold forest handed over have not been fully met, Programme performance under the circumstances has been satisfactory.

111. Programme management is usually effective and benefits from a good integration of the FAO TA. Financial management and procurement at District levels remains a concern to which is added the high accounting staff turn-over, which is particularly constraining the final phase of the programme..

112. The efforts to strengthen the Monitoring and Evaluation and Management Information System are bearing fruits and newer insights in the performance of LFUG and their members are encouraging, demonstrating a high degree of sustainability of groups, including those established as long ago as 15 – 20 years. The Programme is demonstrating the viability of the leasehold concept, witnessed by a high activity level in LFUGs in forest management and livestock development.

113. The Programme has a demonstrated positive impact on biodiversity, livestock development, time saving for women, household food security and women empowerment in decision making. However, the overall workload of women, who are the main actors in forest and livestock management, is most likely increased, but the longer working time has become more productive and women contribute more to overall household income.

114. Government intends to continue this priority programme after the completion of the external financing, using its own budget resources. The scale of the programme will be determined in the budget planning exercises in May 2014.

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Appendix 1: Summary of project status and ratings

Project 1285 [646] Leasehold Forestry and Livestock Programme

Basic Facts

Country	Nepal	Project ID	1285	Loan/DSF Grant No.	646 - 8100
Project	Leasehold Forestry and Livestock Programme			Top-up Loan/DSF Grant	646 , 8100
Date of Update	25-Jul-2013				
Supervising Inst.	IFAD/IFAD				
No. of Supervisions	6	No. of Implementation Support/Follow-up missions	2		
Last Supervision	10-Dec-2012	Last Implementation Support/Follow-up mission	13-Mar-2014		

USD million Disb. rate %

Approval	02-Dec-2004			Total financing	15.97	
Agreement	07-Jun-2005	Effectiveness lag	9.3	IFAD Total	14.71	
Entry into force	07-Sep-2005	PAR value	Not at risk	IFAD loan	11.99	92
First disbursement	09-Feb-2006			DSF grant	1.50	57
MTR	03-Apr-2009	Last amendment		IFAD grant	1.22	57
Original completion	30-Sep-2013	Last audit	20-Feb-2013	Domestic Total	1.27	
Current completion	30-Sep-2014			Beneficiaries	0.01	0
Original closing	31-Mar-2014			Government (National)	1.05	41
Current closing	31-Mar-2015			Government (sup)	0.20	0
No. of extensions	1			External Cofinancing Total		

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	3	4	1. Quality of project management	4	4
2. Acceptable disbursement rate	4	5	2. Performance of M&E	5	5
3. Counterpart funds	4	4	3. Coherence between AWPB & implementation	4	4
4. Compliance with financing covenants	4	4	4. Gender focus	4	4
5. Compliance with procurement	2	4	5. Poverty focus	5	5
6. Quality and timeliness of audits	4	3	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning	5	5
			8. Climate and environment focus		5

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
3. Leasehold Forestry	5	5	1. Institution building (organizations, etc.)	5	5
2. Livestock	5	5	2. Empowerment	5	5
Rural Finance Service	2	2	3. Quality of beneficiary participation	5	5
			4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	4	5
			6. Potential for scaling up and replication	4	5

B.5 Justification of ratings

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	4	4
C.2 Food security	4	5
C.3 Quality of natural asset improvement and climate resilience		5
C.4 Overall implementation progress (Sections B1 and B2)	4	4
Rationale for implementation progress rating		
C.5 Likelihood of achieving the development objectives (section B3 and B4)	5	5
Rationale for development objectives rating		
C.6 Risks <i>Short description of major risks for each section and their impact on achievement of development objectives and sustainability</i>		
Fiduciary aspects	Accounting staff re-assignments continue and create problems for proper and timely closure of the Programme accounts.	
Project implementation progress	The Programme is further consolidating its achievements. It will be completed by 30 September 2014.	
Outputs and outcomes	The number of households and the area of forest handed over are less than initially projected but do reflect actual conditions during implementation. Households benefiting from a 40-years lease are making use of their asset in an effective manner over a long period, while investing incremental incomes in other income generating activities and social expenditures. There is little risk that they would allow these outcomes to diminish.	
Sustainability	The singularity of the project is that it provides LFUG members with access to an asset for at least 40 years. As a result, groups remain active over long periods, even without external support and continue managing their forest and livestock resources. Groups have spontaneously linked to a range of micro-finance institutions. Government intends to continue and expand the implementation of the Programme with its own resources.	

Proposed Follow-up

Selected agreed actions	Responsibility	Agreed date
At the time of new group formation, potential members should be made aware of the pro's and con's of all possible group modalities such as women-only, mixed groups or male-only	DFO	Under continued Government LF programme
The Impact Household Survey to make a detailed analysis of the poverty situation of LFUG members	FAO TA, UTF	by June 2014
In order to increase the potential area for LF, the crown cover criterion for degraded forest should be increased from the present 20% to 40%	MFSC	Under continued Government LF programme
Support to "second generation" demands through LIP-type interventions should continue	DFO	Under continued Government LF programme
Maintain or increase the present financial commitment for the continuation of the Leasehold Forestry programme after the completion of IFAD and Government of Finland financing	MinFin, MFSC	May 2014
For programme closure, verified and certified Asset Registers to be provided to PCU	DFOs, DLSOs, DoF, DoLS	Before 31 March 2015

Since no major changes took place since the last revision of the Logical framework in 2010, below this updated framework is presented.

⁴ Indicators in BOLD are from RIMS; those with an asterisk (*) are the RIMS Anchor Indicators (Impact)

	<ul style="list-style-type: none"> Resources pooling for LIP implementation <ol style="list-style-type: none"> Quantum of resources mobilized other than LFLP funds (Cash/Kinds) No. of donors supporting LIP other than LFLP Increased participation of Women/Ethnic groups in leadership positions (decision making process) # of LFGs with performance rated as satisfactory or better 		
Output 1: Leasehold Forestry and Group Formation Leasehold groups functioning effectively and the leasehold plots developed according to their operational plans	<ol style="list-style-type: none"> No. of LFUGs formed No. of LFUG Members - Gender <ol style="list-style-type: none"> Male members Female members No. of LFUG Members - Ethnicity <ol style="list-style-type: none"> Dalits Janajatis Others Extent of Leasehold Forests handed over (ha) No. of LHHs trained in forestry related activities - Gender <ol style="list-style-type: none"> Male Female No. of LHHs trained in forestry related activities - Ethnicity <ol style="list-style-type: none"> Dalits Janajatis Others No. of Fruits/Trees/NTFPs seedlings/planting materials distributed <ol style="list-style-type: none"> No. of Fruits Seedlings distributed: No. of Tree Species Seedlings distributed: No. of NTFPs seed/seedlings distributed: No. of clusters having identified 'One Cluster One Product' No. of LIPs approved Amount released by LFLP for LIP implementation # of LFGs with women in leadership positions (in how many of 3 key positions?) 	Project reports, DFO reports, GP and LFG level questionnaires	Government enacts the proposed amendments to the forestry legislation re: leasehold forestry.
Purpose 2: Livestock Development Livestock have contributed to improving household food security and income	<ol style="list-style-type: none"> Increase in goat flock size compared to flock size at the time of LFLP goat distribution: (increase/no change/decrease) Improved delivery of veterinary services <ol style="list-style-type: none"> Prevalence of Animal disease (increase/no change/decrease) Availability of VAHW services (increase/no change/decrease) Availability of JT/JTA services (increase/no change/decrease) Improved animal health <ol style="list-style-type: none"> Frequency of animal mortality (increase/ no change/ decrease) Improved household income from sale of Livestock products <ol style="list-style-type: none"> Contribution from sale of livestock products to household income (increase/ no change/ decrease) Improved consumption of livestock products <ol style="list-style-type: none"> Household consumption of livestock products (increase/ 	PME Baseline, midterm, and completion surveys , household level questionnaires	As above

	<i>no change/ decrease)</i>		
Output 2: Livestock Development Leaseholders have used improved livestock husbandry systems to manage the livestock distributed with support from the village animal health workers (VAHW)	<ul style="list-style-type: none"> # of LFGs accessing services from VAHWs # of LFG members trained, by gender, ethnic group and category of poor <ol style="list-style-type: none"> No. of female goats distributed: No. of male goats (bucks) distributed: No. of LFUG members trained livestock related activity- Gender <ol style="list-style-type: none"> Male Members Female Members No. of LFUG members trained livestock related activity- Ethnicity <ol style="list-style-type: none"> Dalits Janajatis Others Forage/Grass Development <ol style="list-style-type: none"> Quantity of Molasses Seeds distributed: Quantity of Stylo Seeds distributed: Quantity of Napier/Amriso distributed: Quantity of other seeds distributed: No. of VLA/VAHWs trained <ol style="list-style-type: none"> No. of VLAs trained No. of VAHWs trained No. of GPs trained as VAHWs No. of HHs practicing Stall Feeding # of DLSO staffs Trained # of LHHs provided with other livestock species (other than goats) 	Programme management information system and participatory impact monitoring. DFO reports, GP and LFG level questionnaires	Proven and acceptable technology available Department of Livestock Services continues and intensifies its support to the village livestock assistants
Purpose 3: Rural Financial Services Leasehold group members have access to self-reliant financial services through establishment of sustainable VFAs and Leasehold groups	<ol style="list-style-type: none"> Growth of VFAs towards sustainability <ol style="list-style-type: none"> Percentage of VFAs collecting NRs 1000 per goat supplied by LFLP Percentage of VFAs that have introduced savings collection from members Percentage of VFAs that have started providing loans to members <ol style="list-style-type: none"> % of internal resources mobilized as loans % of loan recipients by Gender and Ethnicity Percentage of VFAs that have introduced interest on savings deposit Percentage of VFAs with more than 95% on-time recovery rate Percentage of VFAs that have prepared annual financial statements Percentage of VFAs that have established a system of audit of accounts Percentage of VFAs that have recorded profit on their operations 	Reports of service providers Household surveys of VFAs /LFGs	As above

	<ol style="list-style-type: none"> i. # of VFAs affiliated with other financial institutions 2. Growth of LFUGs towards sustainability <ol style="list-style-type: none"> a. Percentage of LFUGs with regular savings b. Percentage of LFUGs with new savings products c. Percentage of LFUGs with idle funds lying at the bank/treasurer d. Percentage of LFUGs with more than 90% on-time repayment rate e. Percentage of LFUGs adequate book keeping 		
Output 3: Rural Financial Services Village finance associations established to provide savings and credit services to leaseholders.	<ol style="list-style-type: none"> 1. VFAs Savings and Credit Operations <ol style="list-style-type: none"> a. No. of VFAs registered b. No. of LFUGs mobilized into VFAs c. Total memberships of VFAs d. Total outstanding balance of VFAs e. Total outstanding balance loans of VFAs f. Rate of interest on savings g. Rate of interest on loans h. On-time recovery rate of VFA loans 2. LFUGs Savings and Credit Operations <ol style="list-style-type: none"> a. Total outstanding balance of savings of LFUGs b. Total outstanding balance loans of LFUGs c. Rate of interest on savings d. Rate of interest on loans e. On-time recovery rate of intra-LFUG loans 3. Trainings <ol style="list-style-type: none"> a. No. of VFA leaders trained in book keeping b. No. of VFA leader trained in cooperative mobilization c. # of LFUG members trained in LFUG book keeping 	Reports of service providers	Government resolves the current uncertain legal status of savings and credit cooperatives, including VFAs Programme recruited service providers working effectively and are able to deliver as required
Purpose 4: Programme Management and Coordination Government has developed the capacity to implement leasehold forestry and livestock as a poverty reduction programme in a gender sensitive way	<ul style="list-style-type: none"> • Percentage contribution in LFUG formation/mobilization by other forestry programmes compared to LFUGs mobilized by LFLP • Percentage contribution in handing over leasehold forests by other programmes compared to leasehold forests handed over by LFLP. • GoN recognizes leasehold forestry programme as a priority (P1) program; (Yes/No) • Leasehold Forestry Section upgraded to the level of a Division: (Yes/No) • Nepal's Forest Act and Forest Regulations amended to remove priority of community forestry over leasehold forestry: (Yes /No) • Leasehold Forestry Planning process followed by other poverty reduction programmes during the integrated planning process: (Yes/No) • DoF signs MoUs with other development programmes/projects (PAF etc.) to support LFLP approach (Yes/No). • LFLP implements MoFSC's Gender and Social Inclusion Strategy and other related strategies (Yes/No). 	Annual reports LFG questionnaire	Improving the status of women remains a government policy
Output 4: Programme Management and Coordination	<ol style="list-style-type: none"> 1. Rate of IFAD loan and grant disbursement <ol style="list-style-type: none"> a. Percentage of disbursement of the IFAD loan b. Percentage of disbursement of the IFAD grant 2. Audit and Audit Observations <ol style="list-style-type: none"> a. Timely submission of Audit Report to IFAD 	Trimester and annual reports Supervision mission reports	Conducive political environment (stability and political commitment)

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Leasehold Forestry and Livestock Programme

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<p>The Leasehold Forestry Division and Livestock Division have managed and coordinated programme activities in a gender sensitive way in compliance with the IFAD Financing Agreement</p>	<p><i>b. Number of audit observations during the financial year and amount involved</i></p> <p>3. Staff Capacity building</p> <p><i>a. No. of staffs trained in forestry activities</i></p> <p><i>b. No. of staffs trained in livestock services related activities</i></p> <p><i>c. No. of staffs trained in other activities</i></p> <p>4. Knowledge Management</p> <p><i>a. No. of extension materials prepared and disseminate</i></p> <p><i>b. No. of knowledge products developed and disseminated</i></p> <p><i>c. No. of best practices / innovations documented and disseminated</i></p> <p><i>d. No. of regional/national seminars/ workshops organized.</i></p> <ul style="list-style-type: none"> • # of joint planned activities carried out • Regular monitoring of programme activities with data disaggregated by gender, ethnic group and category of poor where appropriate. 		
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Appendix 3: Summary of key actions to be taken within agreed timeframes

Action Area	Agreed action	Responsi bility	Agreed date
Project implementation modalities			
Group formation	New groups should be made aware of all possible group modalities in respect of gender and forest management	DFO	Under continued GON LF programme
Criteria for degraded forest areas	To increase the potential area for LF, the crown cover criterion for degraded forest should be increased from the present 20% to 40%	MFSC	Under continued GON LF programme
Group savings	Management of group savings should remain with LFUGs, individual savings could be entrusted to cooperatives if the risks of weak governance of the latter are recognised.	LFLP, FAO TA, DBSs, GPs	Before September 2014
Outputs			
Goat development	Support to be provided for goat marketing, husbandry, health and breeding, and mechanisms for supporting goat coops	DLS, DLSO	30 June 2014 and beyond
Carbon sequestration	The project explores with partners, especially the REDD Unit and MSFP Climate Change component, the potential for bundling leasehold areas under wider area carbon sequestration initiatives.	LFLP, FAO TA, DG of DF, MSFP	31 June 2014
Gender	Implement the GAP and recruit a gender specialist for supervision and facilitation	GoN	Under continued GON LF programme
	Organize gender sensitization trainings and awareness raising activities	LFLP/FAO TA, GoN	
	Train women users in situ with income generating skills and assist them in setting up micro-enterprises	LFLP/FAO TA, GoN	
	Offer basic financial literacy training to LFUG members	LFLP/FAO TA, GoN	
Sustainability			
Institutional memory	A consolidated technical package of reports and data must be put together by end-June 2014 for end of project reporting and institutional memory, including cleaned data base and guidance notes.	LFLP, FAO TA, UTF	30 June 2014
Continued programme implementation	Maintain or increase the present financial commitment for the continuation of the Leasehold Forestry programme after the completion of IFAD and Government of Finland financing	MinFin, MFSC	May 2014
Fiduciary aspects			
LIP implementation	- Follow the proper procedures set out for LIP grant and transfer the grant amount in respective LFUG account not in inter group account.	LFS, DFOs	Immediately
Salary and travel cost payments of DBSs and GPs	- Ensure that DBS and GPs are paid full remuneration of each month through cheque without any delay and DBS are paid reasonable travel related cost of field visit.	LFS, All DFOs	Immediately
Audit	- Deliver Audit Report along with audited project account (PFS) of FY 2012-13 to IFAD.	LFS, DLS, FCGO, AGO	March 2014

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Appendix 4: Physical and Financial Progress of Leasehold Forestry Component

S.N.	Component/activities	Unit	AR Target		Annual Target 2012/13		Annual Progress 2012/13		Cumulative progress up to FY 2012/13	
			Physical	Financial	Physical	Financial (NRs)	Physical	Progress %	Physical	Progress %
C 1	Leasehold Forestry and Group Formation Component									
S C 1	District Planning and Coordination Sub-component									
1	Equipment and Materials									
1.1	Topographical maps	Set	110	370					66	60.00
2	Workshops									
2.1	District Planning Workshops (VDC ranking)	No.	22	1055					78	354.55
2.2	Community and site identification exercises	No.	330	1267					402	121.82
2.3	District level annual planning workshops	No.	0	0					105	
2.4	Cluster level planning workshops	No.	0	0					882	
3	Consultancies and studies									
3.1	District mapping and VDC ranking exercises	District	16	7000					17	106.25
4	Allowances									
4.1	District Programme Coordination working group meetings	No.	1056	710	129	258	123	95.35	945	89.49
4.2	DPCC annual district review workshops	No.	176	1689	22	650	20	90.90	170	96.59
4.3	DPCC coordination meetings	No.	150	447	66	264	54	81.81	541	360.66
4.4	DFCC annual district review workshops	No.	176	3547					2	1.14
4.5	DFCC coordination meetings	No.	126	786					2	1.59
4.6	Field Level coordination group coordination meetings	No.	1320	380	362	727	334	92.26	1570	118.94
S C 2	Group Formation and Forest allocation Sub-component									
1	On-farm investments									
1.1	Concrete Pole Demarcations	KM	2500	11994					1397.55	55.90
1.1.1	Demarcation by Jetropha and other vegetation	KM							1009.92	
1.2	Repair of concrete post demarcations	KM	350	672					155.65	44.47
1.2.1	Demarcation by re-plantation/Re -construction	KM							32	
1.3	Livelihood Improvement Plan Preparation	Users							692	
1.3.1	Support on Livelihood Improvement Plan Implementation (Rs50000/group with proposal)	group			43	2150	23	1150	270	
1.4	M & E report publication	No.							154	
1.5	Data collection for MIS upload	group			5758	864	5062	87.91	5062	87.91

2	Equipment and materials									
2.1	Global Positioning System Units (GPS)	Set	44	625					50	113.64
2.2	Measuring tapes	No.	396	114					132	33.33
2.3	GPS cables	No.							11	
3	Training									
3.1	Operational Plan Preparation TOT	Course	66	2589					60	90.91
3.2	GPS training	Course	10	647					3	30.00
3.3	Group Identification exercises	Group	3300	15832					3472	105.21
3.4	Group formation exercises	Group	3300	9024					3472	105.21
3.5	Operational plan preparation exercises	Group	3300	12349					3472	105.21
3.6	Operational plan review exercises	Group	4071	15234	689	4823	675	97.97	3561	87.47
3.7	LFU group management	Group	3300						3439	104.21
3.7.1	Benefited Household Mgt.	NO.	44300						32049	72.34
3.7.2	Leaseland Management	Hac.	31000						16168.72	52.56
S C 3	Social Mobilization Sub-component									
1	Activities under Social Mobilization Service provider contract	Years	7.5	97285					5	53.33
2	Salary for Group promoters	no			174	16068	168	98.55	168	
3	Salary for DBS	no			22	3850	22	100	22	
4	DBS and GPs bimonthly meetings				132	330	132	100	132	
S C 4	Land and Forest Development Sub-component									
1	On-farm investments									
1.1	Commercial nursery establishment and material support	Set	660	9499					569	86.21
1.2	Tree seeds	Package	762	1828					717	94.09
1.3	Other nursery seeds	Package	762	3656					282	37.01
1.4	Soil conservation material / rural infrastructure	Set	176	5066	22	1100	21	95.45	182	91.48
1.5	Seedling purchase form group nurseries	No.					135000	100	580542	
1.6	Fodder seed	Package			21	84	18	72	158	72
1.7	Fruits and IGA seedlings purchase and distribution	No.			126000	2520	121000		252000	2420
1.8	Non-timber planting materials	No.					146000	100	413000	
1.9	NTFP Plantation Group	No.			137000	1370	137000	100	518000	
1.10	One cluster one production; Amriso,Bhuikater,Aalaichi,Bans etc	District			40	4000	35	87.5	71	
1.11	Programme for Mugling hub									
1.11.1	Multipurpose seedling production	No.							100000	
1.11.	Grant on seedlings transportation	No.							50000	

2										
1.11.	Shifting cultivation mgt. (Chitawan, Gorkha and Tanahu)	Area/ Bigha							8	
1.12	TCP follow up									
1.12.										
1	Research plot management	No.							9	
1.12.										
2	Demo plot management	No.							37	
2	Equipment and materials									
2.1	Calendars	Lot	8	1919					5	62.50
2.2	Extension materials and Success story publication	times							15	
3	Training									
3.1	Lease land development TOT	Course	66	3186					63	95.45
3.2	Conflict management techniques for technicians	Course	66	2589					33	50.00
3.3	Nursery mgt. training for farmers	Course	154	7388					206	133.77
3.4	Land development group exercises for farmers	Course	3300	36095					3472	105.21
3.5	Forest management exercises for farmers	Course	462	5408					342	74.02
3.6	Farmer exposure visits	Trip	198	10164					116	58.58
3.7	Group Prizes	Districts	176	1689	22	330	22	100	177	100.57
3.8	NTFP cultivation and Management	No.			23	830	23	100	35	
3.9	IGA/skill development	No.					14	100	14	
3.10	Leadership and Institutional development coaching in group	group							60	
3.11	Account keeping	No.							25	
4	Programme for Mugling hub									
4.1	Capacity building and interaction	times							3	
4.2	Extension and process documentation	times							3	
S C 5	Forestry Implementation Support Sub-component									
1	Vehicles									
1.1	Motorbikes	No.	57	6562.67					25	43.86
2	Training									
2.1	Orientation training for officers	Course	12	1703					6	50.00
2.2	Orientation training for forest AFO/rangers and DLSO/JT/JTAs and Forest guards	Course	88	2335					99	112.50
2.3	Orientation training for forest guards	Course	66	1992					46	69.70
2.4	Orientation training for accountants	Course	12	580					6	50.00
2.5	Bee Keeping training for farmers	times							33	
2.6	Stakeholders Networking W/S	times							131	
3	Formation of district level LFUG federation	No.							1	
3.1	Group networking workshop	No.							13	

4	Incremental Salaries and allowances									
4.1	Temporary forest rangers	Pers-year	352	32929	22	9315	22	100		0.00
5	Travel and daily allowances	Amount		11821	22	3640	22	100		
6	Operating and maintenance									
6.1	Office operating and maintenance	Amount		20418						
C 3	Rural Financial Services Component									
	Activities under Rural Financial Service provider contract	Years	7.5	80926					4	53.33
C 4	Programme Management and Coordination Component									
SC 1	Department of Forests									
1	Vehicles									
1.1	4WD twin cab vehicles	No.	2	6559						0.00
1.2	Motorbikes	No.	3	345.41						0.00
2	Equipment and materials									
2.1	Office furniture and basic equipment	Set	26	924					41	157.69
2.2	Desktop, server computer, software and UPS	Set	26	3508	1	200	0	0	37	142.31
2.3	Desktop Computer, UPS for districts	Set			22	1760	22	100	47	
2.4	Laptop computer, software and mobile printer	Set	4	739					3	75.00
2.5	Laptop/computer UPS	Set							5	
2.6	Laser printer	Set	16	455					18	112.50
2.7	Laser printer for districts	Set							22	
2.8	Scanner	Set	14	150					6	42.86
2.9	Digital camera	Set	12	213					31	258.33
2.10	Digital camera for districts	Set							22	
2.11	Beamer	Set	2	213					6	300.00
2.12	Overhead projector	Set	12	299					6	50.00
2.13	Fax/fixed telephone	Set	26	370					28	107.69
2.14	Fax machine for districts	Set								
2.15	Photocopy machine (heavy duty)	Set	2	639					2	100.00
2.16	Photocopy machine (ordinary)	Set	10	1917					10	100.00
2.17	Software (Antivirus+office package)	set			1	50	1	100	5	
2.18	Wireless/Cable internet service charge	No.								
3	Training								0	
3.1	MIS training	Course	2	576					1	50.00
3.2	Accounting course	No.	1	107	2	600			1	50.00
3.3	Programme accounting course	Course	2	58					1	50.00
3.4	Advanced computer training	Course	4	142					25	625.00
3.5	Gender awareness training	Course	2	213					0	0.00
3.6	Technical staff training	Person	4	852					3	75.00
3.7	NTFP / Non timber production and management training	No.							6	

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3.8	Training on case study and good practices writing	times			2	500	0	0		
3.9	Training on cooperative management	times			3	450	0	0		
3.10	Social mobilization management training	times			1	400	0	0		
4	Workshops									
4.1	Annual regional forestry review/planning workshops	No.	40	2303	5	523	5	100	10	25.00
4.2	Thematic workshop	No.	7	1344						0.00
5	Consultancies and studies								7	
5.1	MIS designer	Pers. month	9	734					1	11.11
5.2	M & E expert	Pers. month	14	1142					2	14.29
5.3	Thematic studies/research contracts	Amount		2130					1	
5.4	Baseline and impact survey	No.	3	6390					4	133.33
5.5	Pre-mid-term review and completion studies	LS	2	710					1	50.00
5.6	Mid -term review	Pers. month	3	245					4	133.33
5.7	Preparation of manuals	Pers. month	12	979					4	33.33
5.7.1	Extension materials publication	No.			1	100	0	0	2000	
5.8	Unallocated local consultancies (audit report)	Pers. month	32	2610					1	3.13
5.9	Website installation and updating	LS		456	1	50	1	100	3	
5.10	Annual Audit report Preparation	No.			1	50	1	100	2	
5.11	Annual progress report	times			1	125	1	100	2	
5.12	LFLP information collection and demo.	No.					1	100	2	
5.13	Documentary production	times			2	250	2	100	2	
5.14	Documentary re print	1			1	100	1	100	1	
6	Allowances								6	
6.1	Programme coordination committee meetings	No.	8	77	2	90	2	100	14	175.00
6.2	PCWG quarterly programme review meetings	No.	24	70	3	30	2	66.66	16	66.67
6.3	AWPB preparation sessions	No.	8	154	1	50	1	100	8	100.00
6.4	Regional coordination group meetings	No.	80	768	15	280	15	100	40	50.00
7	Travel and daily allowances	LS		7292	6	1452	6	100		
7.1	Operating and maintenance									
	Office operating and maintenance	LS		9058		7535				
Total NPR 000						68018.00				

Physical and Financial Progress of Livestock Component

S.N.	Component/Activity	Unit	AR target		Annual Target 2012/13		Annual Progress 2012/13		Cumulative Progress up to 2012/13	
			Physical	Financial	Physical	Financial Target	Physical	Progress %	Physical	Progress %
A	On farm investment									
1	Goat Production Component									
1.1	Seeds and Planting Materials									
1.1.1	Stylo and other legume seed	Kg	31070		880	660000	880	100	32560	105
1.1.2	Molasses and other seeds	Kg	9307						11025	109
1.1.3	Napier/ Amriso grass	Bundle	62034		1950	620000	1925	99	96551	108
1.1.4	Fodder tree (Ipil-ipil, Kimbu etc) distribution	Nos.							434000	
1.1.5	perennial forage seed production	hector							81	
1.1.6	Perennial forage seed production training one days	Nos.					7		17	
1.1.7	Vegetable seeds	Nos.	3300						41410	1255
1.2	Goat development									
1.2.1	Goat Selection and Distribution	Nos.	74250		44	154000	36	81.81818	79134	107
1.2.2	Buck distribution	Nos.	3136		2	15000	2	100	4143	132
1.3	Goat resource centre dev. Programme (4 district)									
1.3.1	Buck distribution	Nos			15	140000	15	100	25	
1.3.2	Goat production training 3 days	Times			4	300000	4	100	11	
1.3.3	Forage seed/sets distribution	hac			4	100000	4	100	148	
1.3.4	Portable dipping tank distribution	No			2	70000	2	100	10	
1.3.5	weighing balance distribution								18	
1.3.6	Urea molasses mineral block preparation training 3 days	Times			3	375000	3		3	
1.3.7	Improvement of goat pen manger	No			120	330000	120		120	
1.3.8	Parasite control goat & Buck				2000	40000	2698		2698	
1.3.9	Vaccination goat & Buck				4000	40000	4500			
1.3.10	Programme monitoring and reporting				12	95000	12	100	24	
1.3.11	Prize distribution of topmost model goat keeping farmer								4	
1.4	Life insurance programme for Goat	Nos.							456	
2	Annual report Publication	Nos.							348	
3	MIS data collection status report publication from starting	Times			23	1025000	22	95.65217	44	
	Training manual Publication	Nos.							2	
4	Village Livestock Assistant Training initial course Publication	Nos.							1	

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5	Village Livestock Assistant initial refresher Training course Preparation	Nos.							1	
6	Training curriculum preparation by local consultant.(4 courses)	Nos.	6						4	67
7	Extension materials for VAHW/VLA	set	624		22	100000	22	100	305	49
8	Goat production booklets Publication	Nos.			1000	190000	1000	100	14300	
9	Forage & forage seed production booklets publication	Nos.			1000	100000	1000	100	26300	
10	Forage production/goat production poster Publication	Nos.			1000	190000	1000	100	5000	
11	Extension materials (video documentary) production and broadcasting from different media	Times			2	200000	2	100	6	
12	website preparation and update	No			1	70000	1	100	1	
13	Group Development Fund for LFLP	Nos.							897	
14	Animal health programme									
14.1	Vaccination for distributed kid, Goat & Buck	Nos.			21500	430000	23045	107	25489	
14.2	Parasite control for distributed kid, Goat & Buck	Nos.			22000	220000	23626	107.3909	324674	
14.3	Emergency Treatment for kid, Goat & Buck	Nos.			22000	220000	23701	107.7318	163859	
14.4	Serum Collection	Nos.							6613	
14.5	Faecal examination	Nos.							9259	
14.6	Purchasing of drugs	Times							7	
14.7	Revolving fund for VAHW	Nos							82	
14.8	Veterinary kit distribution for temporary JTA	Nos			34	170000	34	100	34	
15	Livestock Training, Workshop and Service									
15.1	Livestock Training (Formal)									
15.2	VAHW 35 days Regional Level	Person	88		22	1000000	22	100	183	208
15.3	Village Livestock Assistant initial Training in Leasehold Forestry 15 days	person	180						146	81
15.4	HIV prevention and awareness Training 2 days	person	180						219	122
15.5	Village Livestock Assistant initial Refresher Training 7 days	person	180						22	12
15.6	VAHW Refresher Training 23 days	person			22	565000	22	100	66	
15.7	Goat Production Training for Leasehold Farmer 7 days	person			20	260000	20	100	591	
15.8	Forage and seed production training for Leasehold Farmer 7 days	person			44	550000	40	90.90909	590	
15.9	Forage and seed production training for JT/JTA 1 week	Nos.	300		22	364000	22	100	208	69
16	Goat Production Training for Leasehold J.T/J.T.A. 7 days	person	300					#DIV/0!	42	14
16.1	Goat resource centre development orientation and recordkeeping training J.T/J.T.A. 7 days	person			44	750000	44	100	44	
16.2	Livestock feeding and breeding training for JT/JTA 1week	Nos.	200						166	83
16.3	Social Mobilization Training J.T/J.T.A. 7 days	Nos.	300						161	54
16.4	Social Inclusion, gender and Leadership Training		2						1	50

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16.5	Livestock Production & feeding Refresher Training(Officer)	Nos.	150						18	12
16.6	Forage and seed production training Refresher Training(Officer)	cours	225						22	10
16.7	Account training	Nos.	9						1	11
16.8	Advanced computer training 8 weeks	Times.							5	
16.9	Gender awareness training /Presentation and facilitation 1 week	Times							6	
16.10	Value Change Training	Nos.								
16.11	G.I.S. Training(JT/JTA & officer)	Nos.							1	
17	Livestock Training (Informal)									
17.1	Livestock Training for LF group JT/JTA (3 days)	Nos.	44						44	100
17.2	Livestock Training for Leasehold Group 1 days	Nos.	18030						7601	42
17.3	Orientation of Insurance Programme (JT/JTA District level) 1 day	Times							22	
17.4	Orientation of Insurance Programme(Farmer sub -center level)1 day	Times							71	
17.5	Participatory monitoring exercises (3 days)	Times.	1870						870	47
18	Programme planning and monitoring									
18.1	Regional Annual, Trimester progress & Planning workshops 1 day				10	330000	10	100	72	
18.2	Annual Work & Planning workshops 3 day	Nos.	40							0
18.3	Programme monitoring from District, regional directorate coordinator office and DLS	Nos.			294	2290000	294	100	470	
18.4	Buck/Goat Breeding Center Monitoring from COSIS								3	
18.5	Farmer Group VLA,VAHW Mobilization workshops 1 day (District Level)								44	
18.6	Joint monitoring Programme in District Level	times							330	
18.7	Interaction of VAHW in DLS staff mentioned	times			66	792000	66	100	66	
18	Livestock implementation support									
18.1	Motorbike	Nos.	32						28	88
18.2	Four-wheel twin cab	Nos.	2						1	50
18.3	Equipment and materials									
18.4	VLA/Kits									
18.5	Drenching gun	Nos.	180						29	16
18.6	Refrigerator	Nos.	44						38	86
18.7	Cool box	Nos.	312						272	87
18.8	Burdizzo Castrator	Nos.	180		22	300000	22	100	264	147
18.9	Tagging machine	Nos.							396	
19	Tag	Nos.							107082	

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19.1	Laboratory Equipment	Nos.	203						110	54
19.2	Fax	Nos.	8						5	63
19.3	Backup system	Nos.							1	
19.4	Computer	set	10		21	1687000	21		17	170
19.5	Laser Printer	set	6						12	200
19.6	Office Furniture	set	8						12	150
19.7	Laptop computer	set							2	
19.8	Scanner	Nos.	4						2	50
19.9	Digital camera	Nos.	2						12	600
20	Beamer(multimedia)	Nos.	2						3	150
20.1	Overhead projector	Nos.	2						1	50
20.2	Photocopy machine(heavy duty)	Nos.	2						2	100
20.3	G.P.S.	Nos.							2	
20.4	Microscopes	Nos.	44						56	127
20.5	Vacuum cleaner								1	
20.6	Training dormitory improvement support	Nos.								
	Total programme budget					14742000				
	Office operation					7130000				
	Salary					5312000				
	Allowances					2113000				
Total NPR						29297000				

[Click here and type project name](#)

[Click here and choose appropriate title from the list.](#) Mission dates: [click here and insert mission dates]

Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5A: Financial Performance by Financier– as at 16 July 2013 (USD '000)

Financier	Approval	Disbursements	% Disbursed
IFAD Loan	10.489,43	11.454,57	109%
IFAD Grant	1.221,09	1.599,65	131%
Co-financier	13,93	-	
Government of Nepal	1.048,13	426,83	41%
Total	12.772,58	13.481,05	106%

Note: (1) Government counterpart fund is calculated using appraisal exchange rate 1 USD=NPR 74.

(2) Salary and allowances of Government counterpart staff are not included in government actual expenditures. These expenditures also do not reflect on PFS.

(3) Approval figures does not includes supplementary financing allocation for loan USD 1.5 million & grant USD 1.5 million.

Table 5B: Financial Performance by Financier and Component – 16 July 2013 (USD '000)

Component	IFAD loan			IFAD grant			Government			Beneficiaries			Total		
	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%	Approval	Actual	%
Leasehold Forestry and Group Formation	3.592,26	4.585,59	128%	1.221,09	1.336,39	109%	287,61	208,57	73%				5.100,96	6.130,55	120%
Livestock Development	4.847,42	6.056,96	125%		202,28		96,54	117,63	122%	13,93	-		4.957,89	6.376,87	129%
Rural Financial Services	1.041,51	213,22	20%				153,48	32,61	21%				1.194,99	245,83	21%
Programme Management and Coordination	1.008,24	598,8	59%		61,02		510,5	68,02	13%				1.518,74	727,84	48%
Total	10.489,43	11.454,57	109%	1.221,09	1.599,69	131%	1.048,13	426,83	41%	13,93	-		12.772,58	13.481,09	106%

Note: (1) Government counterpart fund is calculated using appraisal exchange rate 1 USD=NPR 74.

(2) Salary and allowances of Government counterpart staff are not included in government actual expenditures. These expenditures also do not reflect on PFS.

(3) Approval figures does not includes supplementary financing allocation for loan USD 1.5 million & grant USD 1.5 million.

Table 5C-1: Actual and Budgeted Loan Disbursements by Category of Expenditure (SDR)
IFAD Loan: L-I-646-NP

Category	Category Description	Original Allocation	Disbursement from IFAD as at 18 Feb 2014	% Disbursed	Outstanding advance adjustment (Recovery of Initial Deposit) V/A 33, V/A 34 & V/A 35	Projected Disbursement	% Disbursed after advance recovery adjustment	Balance
I	Vehicles	50.000,00	52.940,47	105,88%		52.940,47	106%	(2.940,47)
II	Equipment and Materials	250.000,00	264.686,88	105,87%		264.686,88	106%	(14.686,88)
III (a)	Service Providers for activities covered under paragraphs 5.1 (a)	970.000,00	222.025,90	22,89%		222.025,90	23%	747.974,10
III (b)	Service Providers for activities covered under paragraphs 5.1 (c) of Schedule 1 and 5.3 of Schedule 1;					-		-
IV	On-farm Investment	2.570.000,00	3.277.529,65	127,53%	235.919,57	3.513.449,22	137%	(943.449,22)
V	Workshops and Training	1.600.000,00	1.955.064,67	122,19%		1.955.064,67	122%	(355.064,67)
VI (a)	Incremental Salaries, Allowances	800.000,00	471.760,30	58,97%		471.760,30	59%	328.239,70
VI (b)	Operational and Maintenance	680.000,00	670.072,56	98,54%		670.072,56	99%	9.927,44
VII	Unallocated	230.000,00		0,00%		-		230.000,00
	Sub total	7.150.000,00	6.914.080,43	96,70%	235.919,57	7.150.000,00	100%	0,00
	Initial deposit		235.919,57		(235.919,57)	-		
	Total	7.150.000,00	7.150.000,00	100,00%		7.150.000,00	100%	0,00

Notes: The conversion of outstanding advance adjustment of V/A 33 & 34 uses the prevailing exchange rate of initial advance payment 1 SDR = 1.436315 USD

Table 5C-2: Actual and Budgeted Loan Disbursements by Category of Expenditure (SDR)
IFAD Loan: L-I-646-A-NP

Category	Category Description	Original Allocation	Disbursement from IFAD as at 18 Feb 2014	% Disbursed	Projected Disbursement of FY13-14 (100% of AVWPB)	Total Projected Disbursement at the end of FY 2013-14	% Disbursed	Projected Disbursement of FY14-15 (up to September 2014)	Total Projected Disbursement at the end of September 2014	Balance	Projected % Disbursed
III	On-farm Investment	280.000,00	159.503,97	56,97%	187.021,50	346.525,47	123,76%		346.525,47	(66.525,47)	123,76%
V	Technical Support	390.000,00	-	0,00%	3.429,49	3.429,49	0,88%		3.429,49	386.570,51	0,88%
VIII	Operational and Maintenance	210.000,00	139.435,55	66,40%	120.737,63	260.173,18	123,89%	13.064,72	273.237,91	(63.237,91)	130,11%
IX	Unallocated	95.000,00		0,00%		-	0,00%		-	95.000,00	0,00%
	Total	975.000,00	298.939,52	30,66%	311.188,63	610.128,15	62,58%	13.064,72	623.192,87	351.807,13	63,92%

Notes: The conversion of projected expenditures of FY 2013-14 uses the exchange rate of 1 SDR = NPR 153.084 (www.imf.org, as at 26-02-2014). Projected disbursement of FY 2014-15 includes project closure expenses.

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Table 5D-1: Actual and Budgeted Grant Disbursement by Category of Expenditure (SDR)
IFAD Grant: G-I-C-727-NP

Category	Category Description	Allocation	Original		Outstanding advance adjustment of FY 2013-14 VVA 19	Total Disbursement as at 15 July 2013	% Disbursed	Projected Disbursement FY13-14	Total Projected Disbursement at the end of FY 2013-14	Balance	Projected % Disbursed
			Disbursement from IFAD Grant Account as at 18 Feb 2014	% Disbursed							
I	Vehicles										
II	Equipment and Materials										
III (a)	Service Providers for activities covered under paragraphs 5.1 (a)										
III (b)	Service Providers for activities covered under paragraphs 5.1 (c) of Schedule 1 and 5.3 of Schedule 1; Consultants and Studies	820.000,00	531.051,64	64,76%	63.559,66	594.611,30	72,51%	-	594.611,30	225.388,70	72,51%
IV	On-farm Investment										
V	Workshops and Training										
VI (a)	Incremental Salaries and Allowances										
VI (b)	Operational and Maintenance										
VII	Unallocated	20.000,00	-		-	-	-	-	-	20.000,00	
	Sub total	840.000,00	531.051,64	63,22%	63.559,66	594.611,30	70,79%	-	594.611,30	245.388,70	70,79%
	Advance deposit		93.225,00		(63.559,66)	29.665,34					
	Total	840.000,00	624.276,64	74,32%	(0,00)	624.276,64	74,32%	-	594.611,30	245.388,70	70,79%

Notes:

The conversion of outstanding advance adjustment of FY 2012-13 uses the exchange rate of 1 SDR = USD 1.55402

Table 5D-2: Actual and Budgeted Loan Disbursements by Category of Expenditure (SDR)
IFAD Grant: G-I-DSF-8100-NP

Category	Category Description	Allocation	Original		Projected Disbursement of FY13-14 (100% of AWPB)	Total Projected Disbursement at the end of FY 2013-14	% Disbursed	Projected Disbursement of FY14-15 (up to September 2014)	Total Projected Disbursement at the end of September 2014	Balance	Projected % Disbursed
			Disbursement from IFAD as at 18 Feb 2014	% Disbursed							
II	Equipment and Materials	45.000,00	28.693,73	63,76%	15.370,65	44.064,38	97,92%		44.064,38	935,62	97,92%
IV	Service Providers, Studies	345.000,00	134.678,19	39,04%	152.648,22	287.326,41	83,28%	4.572,65	291.899,06	53.100,94	84,61%
VI	Workshops and Training	450.000,00	215.031,40	47,78%	63.305,11	278.336,51	61,85%	124.942,55	403.279,06	46.720,94	89,62%
VII	Salaries and Allowances	40.000,00	67.628,39	169,07%	75.958,30	143.586,69	358,97%	2.025,03	145.611,72	(105.611,72)	364,03%
IX	Unallocated	95.000,00		0,00%		-	0,00%		-	95.000,00	
	Total	975.000,00	446.031,71	45,75%	307.282,28	753.313,99	77,26%	131.540,23	884.854,22	90.145,78	90,75%

Notes:

The conversion of projected expenditures of FY 2013-14 uses the exchange rate of 1 SDR = NPR 153.084 (www.imf.org, as at 26-02-2014). Projected disbursement of FY 2014-15 includes project closure expenses.

Table 5 E: Status of Budget and Expenditure (NPR)

Fiscal Year	Annual Budget	Actual Expenditures	%
2005-06	84,867,000	48,925,393.16	58
2006-07	104,905,000	79,378,533.25	76
2007-08	162,719,000	152,632,980.68	94
2008-09	185,000,000	146,356,465.72	79
2009-10	199,005,000	183,898,184.28	92
2010-11	201,499,000	161,854,150.70	80
2011-12	189,245,000	157,613,570.87	83
2012-13	115,336,767	102,458,188.22	89
Total	1,242,576,767	1,033,117,466.88	83
2013-14	103,485,000		

Appendix 6: Compliance with legal covenants: Status of implementation

SECTION	COVENANT	COMPLIANCE STATUS
2.03	<i>Special Account</i> (a) The Borrower shall open and maintain an account denominated in the Kathmandu Banking Office of the Nepal Rastra Bank, or other bank accepted by the Fund, as Special Account, denominated in US dollars, for the purpose of receiving Loan proceeds to finance the Programme.	Complied with
	(b) After the Special Account has been duly opened, upon the request of the Borrower, the Fund shall make one withdrawal or more withdrawals of USD 500 000 in the aggregate from the Loan Account and deposit such amount in the Special Account.	Complied with. At present Zero Balance in SPA Loan
	(d) The Programme Coordinator shall be fully authorised to operate the Special Account jointly with the Project Accounts Officer of the Lead Programme Agency in accordance with Section 4.08 of the General conditions.	Complied with
2.04	<i>Grant Bank Account</i> (a) The Borrower shall open and maintain in the Kathmandu Banking Office of the Nepal Rastra Bank, or another proposed accepted by the Fund, a Grant Bank Account denominated in USD for the purpose of receiving Grant proceeds to finance the Programme.	Complied with
	(b) As from the Effective Date, the Borrower may request withdrawals from the Grant Account yearly in advance during the Programme Implementation Period. The amount so requested shall not exceed the amount of expenditures which is included in the AWPB for the relevant Programme Year to be financed from the Grant. Replenish or use of Grant proceeds from the Grant Bank Account shall be on the basis of the AWPBs. The Borrower shall make payments out of or use the proceeds of the Grant Bank Account exclusively for Eligible Expenditures.	Complied with
	(c) The Programme Coordinator shall be fully authorised to operate the Grant Account jointly with the Project Accounts Officer of the Lead Programme Agency.	Complied with
2.05	<i>Use of Proceeds</i> The Borrower and each Programme Party shall use the proceeds of the Loan and Grant exclusively to finance Eligible Expenditures in accordance with the Loan Agreement and the General Conditions.	Complied with
3.02	<i>Annual Workplan and Budgets</i> (a) Each Lead Programme Agency shall prepare a draft AWPB for each Fiscal Year, comprising a detailed description of planned Programmed activities during the coming year and the sources and uses of fund, based on the lower level work plans and budget.	Being complied with.
	(b) The Lead Programme Agency shall submit each draft consolidated AWPB to the PCC for its approval. Once Approved, the Lead Programme Agency shall submit the draft AWPB to the Fund for their comments and approval at no later than 45 days (i.e. 31 May) before the relevant Programme Year.	Being complied with but not in the deadline set on Financing Agreement. FY 2012-13 AWPB was sent to CPO on 6 Aug 2012 & FY 2013-14 on 9 July 2013.

SECTION	COVENANT	COMPLIANCE STATUS
	(c) The Programme Parties shall adopt the AWPBs substantially in the form approved by the Fund.	Being complied with
	(d) If required, the Lead Programme Agency may propose adjustments to the AWPBs subject to approval by PCC. Such adjustments shall become effective upon approval by the Fund.	Changes are not made to the AWPB during the year
3.03	<i>DOF Programme Account.</i> As soon as practicable but in no event later than 60 days after the Effective Date, the Lead Programme Agency shall open and thereafter maintain in the Kathmandu Banking Office of the Nepal Rastra Bank, or another bank proposed by the Recipient and accepted by the Fund, an account denominated in Nepalese Rupees to receive Loan and Grant proceeds for Programme activities (the "DOF Programme Account"). The DOF Programme Account shall be protected against set-off, seizure, or attachment on terms and conditions proposed by the Borrower and accepted by the Fund. The Lead Programme Agency shall designate the following officials as authorised signatories for the DOF Programme Account: (i) Programme Coordinator; and (ii) Programme Accounts Officer, DOF. Both of the aforesaid authorised signatories shall be required for any transaction relating to the DOF Programme Account.	The funds flow in Nepal does not require the use of Programme Account. There is no need for this covenant.
3.04	<i>Availability of Loan and Grant Fund</i> The Borrower shall make the proceeds of the Financing available to the Lead Programme Agency in accordance with the approved AWPBs and its customary national procedures for development assistance to carry out the Programme.	Being complied with
3.05	<i>Availability of Additional Resources</i> (a) In addition to proceeds of the Financing, the Borrower shall make available to the Programme Lead Agency and each other Programme Party such funds, facilities, services and other resources as may be required from time to time to carry out the Programme.	Being complied with
	(b) The Borrower shall make available to the Lead Programme Agency during the Programme Implementation Period counterpart funds from its own resources in an aggregate amount of approximately USD 1 048000 equivalent (including duties and taxes), in accordance with its customary national procedures for development assistance. For such purpose, the Borrower shall make budgetary allocations for each Fiscal Year equal to the counterpart funds called for in the AWPB for the relevant Programme Year and make such allocations available to the Lead Programme Agency promptly as required to carry out the Programme.	Being complied with
3.06	The Lead Programme Agency and each of the Programme Party shall procure all goods and services financed by the loan and the grant in accordance with Schedule 4 of the Financing Agreement.	Being complied with
3.07	<i>Programme Completion Date.</i> The Programme Parties shall complete the implementation of the Programme on or before the Programme Completion Date.	Not yet applicable
4.01	<i>Monitoring.</i> As soon as practical but no later than 12 months after the Effective Date, the Lead Programme Agency shall establish and maintain an appropriate information management system to enable it to continuously monitor the Programme.	Not complied with
4.02	<i>Progress Report.</i> The Lead Programme Agency shall submit to the Fund, trimester and annual progress reports on Programme Implementation no later than 2 months after end of each reporting period during the Programme Implementation Period.	Being complied with

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4.03	<i>Mid-Term Review</i> (a) The Lead Programme Agency the Fund shall jointly carry out a review of Programme implementation no later than 48 months after the Effective Date (the “Mid-Term Review”) based on terms of reference prepared by the Borrower and approved by the Fund and the Cooperating Institution. Among other things, the Mid-Term Review shall consider the achievement of Programme objectives and the constraints thereon, and the matters specifically referred to in paragraph 10 of Schedule 3, and recommend such reorientation as may be required to achieve such objectives and remove such constraints.	Complied with
	(b) The Borrower shall ensure that the recommendations resulting from the Mid-Term Review are implemented within a reasonable time thereafter and to the satisfaction of the Fund following a consultative process. It is agreed and understood that such recommendations may result in modifications to the Loan Documents or cancellation of the Loan and/or Grant.	Being complied with
4.04	<i>Completion Report.</i> The Lead Programme Agency shall submit to the Fund the completion report on the Programme required by Section 8.04 (Completion Report) of the General Conditions no later than six (6) months after the Programme Completion Date. In addition to those matters specified in said Section 8.04, the completion report shall detail those matters that have been agreed by the Lead Programme Agency prior to the Programme Completion Date.	Not yet applicable
4.05	<i>Evaluations.</i> The Borrower and each Programme Party shall facilitate all evaluations and reviews of the Programme that the Fund may carry out during the Programme Implementation Period and for ten (10) years thereafter, as required by Section 10.05 (Evaluations of the Project) of the General Conditions.	Being complied with
5.01	<i>Financial Statements</i> The Lead Programme Agency shall prepare consolidated financial statements of the operations, resources and expenditures related to the Programme for each Fiscal Year. Within 3 months of each Fiscal Year end, such financial statements shall be delivered to the Fund.	Not complied. FY 2012-13 PFS is dues to IFAD.
5.02	<i>Audit Reports</i> (a) The Auditor-General of the Borrower shall be responsible for the audit of the accounts and financial statements relating to the Programme, or the Borrower may, through the Auditor-General, may appoint independent auditors, selected based on IFAD’s guidelines.	Being complied
	(b) The Borrower shall have the financial statements relating to the Programme in each Province audited each Fiscal Year in accordance with ISA. The auditor shall provide an opinion on the statements of expenditure, utilization of the Special Account and the Grant Bank Account, and shall contain a separate management letter, addressing the adequacy of the accounting and internal control systems. The audit reports are to be provided to the Fund and Fund within 6 months after each Fiscal Year.	Not complied Audit report along with Management Letter & Audited Project Account of FY 2012-13 is dues to IFAD.
6.04	<i>Audits.</i> If the Borrower does not timely furnish any audit report required by Section 5.02, and the Fund, after consultation with the Borrower, determines that the Borrower is unlikely to do so within a reasonable period thereafter, the Fund, or the Cooperating Institution on behalf of the Fund, may engage independent auditors to audit the accounts relating to the Programme. For such purpose, the Borrower and the Programme Parties shall make their financial and other records available	Not yet applicable

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	to such auditors promptly upon request, accord them full rights and privileges as agents of the Fund under Section 10.03 (Visits, Inspections and Enquiries) of the General Conditions and otherwise cooperate fully with such audit. The Fund shall make the audit report available to the Borrower promptly upon its completion. The Fund shall finance the cost of such audit by withdrawal from the Loan Account on behalf of the Borrower, and the Borrower hereby authorises the Fund to make such withdrawals.	
Schedule 2 Para. 3	<i>Minimum Withdrawal Amounts.</i> Withdrawals from the Loan Account and the Grant Account, with the exception of those withdrawals relating to the replenishment of the Special Account and the Grant Bank Account, respectively, shall be made in amounts no less than USD 20 000 or its equivalent, or such other amount as the Fund may designate from time to time.	Being complied with
Schedule 2 Para. 4	<i>Statements of Expenditure.</i> Withdrawals from the Loan Account and the Grant Account may be made against certified statements of expenditures as the Fund may designate from time to time by notice to the Borrower. The records evidencing such expenditures need not be submitted to the Fund, but shall be retained by the Borrower for inspection by the representatives of the Fund, in accordance with Sections 4.07 (Statements of Expenditure) and 10.03 (Visits, Inspections and Enquiries) of the General Conditions.	Being complied with
Schedule 3 Para. 1.1	<i>Designation and Responsibilities.</i> The Department of Forests (DOF), within the Ministry of Forests and Soil Conservation of the Borrower, in its capacity as the Lead Programme Agency, shall have overall responsibility for the implementation of the Programme. The Lead Programme Agency shall be assisted by the DLS, within the Ministry of Agriculture and Cooperatives of the Borrower, which shall have overall responsibility for the implementation of the Livestock Development Component, and the Rural Finance Service Provider who shall have the overall responsibility, under contract with the DOF, of the Rural Financial Services Component.	Being complied with
Schedule 3 Para. 2.1	<i>Programme Coordination Committee Establishment</i> The Borrower shall establish and maintain throughout the Programme Implementation a Programme Coordination Committee	Being complied with
Schedule 3 Para. 2.2	<i>Composition.</i> The PCC shall be chaired by the Secretary of the Ministry of Forests and Soil Conservation of the Borrower (MFSC), and shall be comprised of : the Director Generals and Deputy Director Generals (Planning) from the Lead Programme Agency and the DLS; the Head of the Foreign Aid Coordination Division, MFSC; Chief Planning Officers, MFSC and the Ministry of Agriculture and Cooperatives; the Chief, Leasehold Forestry Section/Division; Deputy Director General, Leasehold Forestry Section/Division; the Livestock Coordinator; and representatives of the Ministry of Finance and National Planning Commission at Under-Secretary level. The Programme Coordinator shall serve as the Secretary of the PCC. The PCC will meet as and when necessary but at least once during each Programme Year.	Being complied with
Schedule 3 Para. 2.3	<i>Responsibilities.</i> The PCC shall ensure that Programme activities are carried out in accordance with the Loan Documents and relevant policies of the Borrower. To this end, the PCC shall, <i>inter alia</i> : (a) provide policy guidance in respect of government's poverty reduction and leasehold forestry strategies; (b) review and approve AWPBs, progress and audit reports; and (c) resolve Programme implementation issues that have been referred by the Programme Coordination Working Group.	Being complied with

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Schedule 3 Para. 3.1	<i>Programme Coordinator</i> <i>Appointment and Tenure:</i> The Lead Programme Agency shall appoint a Programme Coordinator (PC), acceptable to the Fund, on or before the Effective Date. The PC may only be transferred by the Lead Programme Agency in consultation with the Fund, and his successor, who shall be acceptable to the Fund, shall have the same qualifications.	Being complied with
Schedule 3 Para. 3.2	<i>Responsibilities.</i> The PC shall report directly to the Director General of DOF and shall be responsible for the day-to-day Programme operations. To this end the PC shall, <i>inter alia</i> : (a) ensure that the PCC, Project Coordination Working Group and Regional Coordination Group carry out their functions; (b) operate the Special Account, the Grant Bank Account and the DOF Programme Account; (c) coordinate the finalisation of AWPBs; (d) ensure timely submission of withdrawal applications; (e) coordinate and manage implementation of Programme components; (f) organize Programme staff training programmes; (g) undertake the procurement of major goods and services under the Programme and supervise the procurement of other goods and services; and (h) ensure that the Monitoring and Evaluation System is established.	Complied with
Schedule 3 Para. 4.1	<i>Programme Coordination Working Group</i> <i>Establishment</i> The Lead Programme Agency shall establish and maintain throughout the Programme Implementation Period a Programme Coordination Working Group (PCWG).	Complied with
Schedule 3 Para. 4.2	<i>Composition.</i> The PCWG shall be chaired by the Director General, Lead Programme Agency, and shall be comprised of the Deputy Director General, Department of Livestock Services; the Livestock Coordinator; representatives of the Ministry of Finance and the National Planning Commission at Section Officer level; and representatives from the Implementing Agencies. The PCWG may co-opt members as necessary. The Programme Coordinator shall serve as the Secretary of the PCWG. The PCWG shall meet at least three times a year.	Being complied with
Schedule 3 Para. 4.3	<i>Responsibilities.</i> The PCWG shall review and discuss the progress of Programme's implementation. To this end, the PCWG shall: (a) review district and national level Programme plans for consolidation and inclusion in the AWPB and the Borrower's counterpart contribution as referred to in Section 3.05; (b) review progress reports for consolidation and inclusion in the Programme's progress reports for submission to the PCC, the Fund and the Cooperating Institution; (c) review Programme targeting criteria and arrangements to ensure that Programme activities benefit the target group; and (d) resolve any implementation issues that cannot be resolved at regional or district levels.	Being complied with
Schedule 3 Para. 5.1	<i>Regional Coordination Group</i> <i>Establishment</i> The Lead Programme Agency shall establish in each of the five (5) development regions (i.e., Eastern, Central, Western, Mid-Western and Far-Western) in which the Programme Area is located a Regional Coordination Group (RCG), which shall include representatives from each of the Programme Districts.	Complied with
Schedule 3 Para. 5.2	<i>Composition.</i> The RCG shall be chaired by the Regional Forest Director, and shall be comprised of: the Regional Livestock Director, Leasehold Forestry Section/Division; one Regional Livestock Training Officer; the Monitoring and Evaluation Officer of the Regional Forests Directorate (the "M&E Officer"); District Forest Officers; District Livestock Services Officers; and the Regional Forestry Training Officer of the Regional	Being complied with

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	Forestry Training Centre. The M&E Officer, or any other officer nominated by the Regional Forest Director, shall serve as the Secretary of the RCG. The RCG shall meet at least twice a year.	
Schedule 3 Para. 5.3	<i>Responsibilities.</i> Each RCG shall monitor the Programme's progress within the relevant development region of the Programme Area and the training programmes based on the reports from the districts, and shall consolidate six-monthly progress reports for onward transmission to the Leasehold Forestry Section/Division and DLS at national level for consolidation into the Programme's progress reports as described in Section 4.02.	Being complied with
Schedule 3 Para. 6.1	<i>District Programme Coordination Committee Establishment</i> In those Programme Districts where a District Forest Coordination Committee does not exist, the Lead Programme Agency shall establish a District Programme Coordination Committee (DPCC).	Complied with
Schedule 3 Para. 6.2	<i>Composition.</i> The DPCC shall be chaired by a representative of the District Development Committee, and shall be comprised of: the District Forest Officer; the District Livestock Services Officer; District Veterinary Officer; District Cooperative Officer; District Education Officer; Women Development Officer; Assistant Chief District Officer; Local Development Officer and two leasehold farmers (one man and one woman). The DPCC shall meet at least three (3) times a year.	Being complied with
Schedule 3 Para. 6.3	<i>Responsibilities.</i> The DPCC shall monitor the Programme activities in the Programme District based on reports prepared by the District Forest Officer and the District Livestock Services Officer, and shall ensure that Programme activities are coordinated with other development activities within the relevant Programme District.	Being complied with
Schedule 3 Para. 6.4	In those Programme Districts where a District Forest Coordination Committee exists, the Borrower shall ensure that it shall play the role of the DPCC in such Programme District.	Being complied with
Schedule 3 Para. 7.1	<i>District Programme Coordination Group Establishment</i> In those Programme Districts where a District Forest Working Group does not exist, the Lead Programme Agency shall establish a District Programme Coordination Working Group (DPCWG).	Complied with
Schedule 3 Para. 7.2	<i>Composition and Responsibilities.</i> The DPCWG shall be comprised of the District Forest Officer, and the District Livestock Services Officer, whom shall meet at least every two months to review ongoing and future Programme activities and provide coordination support to field staff. Where there is a District Forest Working Group, then they shall take over the responsibilities of the DPCWG, and the District Livestock Services Officer shall be invited to attend the District Forest Working Group meetings.	Being complied with
Schedule 3 Para. 7.3	In those Programme Districts where a District Forest Working Group exists, the Borrower shall ensure that it shall play the role of the DPCWG in such Programme District.	Being complied with
Schedule 3 Para. 8.1	<i>Field Coordination Group Establishment</i> The Lead Programme Agency shall establish in the Programme Districts at the level of range post, a Field Coordination Group (FCG). comprised of the Forest Ranger; the Junior Technician and/or the Junior Technical Assistant of the District Livestock Services Office; Group Promoters; VLAs; Implementing Agencies staff; and two (2) leasehold farmers (one man and one woman). The FCG shall meet at least every 4 months at all range posts where Programme activities are being	Complied with

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	implemented.	
Schedule 3 Para. 8.2	<i>Responsibilities.</i> The FCG shall review the progress of Programme activities for the previous period and prepare the field activities/ programme for the forthcoming period and ensure that Programme activities are coordinated with other forestry (e.g. community forestry) and livestock development activities within the Programme Area.	Being complied with
Schedule 3 Para. 9.1	The Programme's activities will be part of the regular central programmes of the DOF and the DLS. The DOF shall contract the services of following service providers: (i) a Rural Financial Institutions Service Provider to support the development of savings and credit groups and VFAs; (ii) Social Mobilisation Service Provider/s for identification and training of the female Group Promoters; and (iii) Mapping and Planning Service Provider/s to map and rank the areas of forestry leasehold in line with Programme needs.	Complied with. At present FAO TA is assisting on rural finance activities.
Schedule 3 Para. 9.2	<i>Leasehold Forestry and Group Formation Component.</i> The existing Leasehold Forestry Section, DOF shall implement the Programme's forestry activities and coordinate Programme activities, until the Leasehold Forestry Division is established.	Being complied with: Leasehold Forestry Section exists in DOF.
Schedule 3 Para. 9.3	<i>Livestock Development Component.</i> The National Pasture and Animal Feed Centre, DLS shall implement the Programme's livestock activities, coordinate Programme activities under the Livestock Development Component and operate the DLS Operations Account (see paragraph 9.3.1 below). The main implementation responsibility shall be with District Livestock Services Officers and their staff.	Partial compliance as programme account is not part of the fund flow system in Nepal.
Schedule 3 Para. 9.3.1	<i>DLS Operations Account:</i> As soon as practicable but no later than 60 days after the Effective Date, the DLS shall open and maintain in the Kathmandu Banking Office of the Nepal Rastra Bank, or another bank accepted by the Fund, an account denominated in Nepalese Rupees to receive Loan proceeds from the DOF Programme Account to finance Programme activities under the responsibility of DLS.	The fund flows in Nepal does not require the use of Programme Account. There is no need for this covenant.
Schedule 3 Para. 9.4	<i>The Rural Financial Services Component.</i> The Programme shall support two (2) types of financial service providers: (a) Leasehold Forestry Groups (LFGs), who shall set their own savings and credit guidelines, appoint their officeholders (usually volunteers) and make independent loan decisions based on the established guidelines. External oversight by the Rural Financial Institutions Service Provider shall consist of quarterly monitoring exercises and annual external audits. Group Promoters (GPs) shall assist the leasehold forestry groups start and operate their savings and credit operations and the GPs shall ensure the LFGs receive appropriate training; and (b) <i>Village Finance Associations</i> shall be formed when the Rural Finance Service Providers (see below) assess that a number of mature leasehold forestry groups have met criteria including: (i) combined membership of more than 100 and accumulated savings of NPR 50 000 (currently equivalent to USD 675); (ii) good qualitative performance in terms of ownership, governance and loan repayment discipline; and (iii) no other existing member-based specialised financial institution within easy reach. The Rural Finance Service Provider (through VFA Facilitators, assisted by the Rural Finance Officers and the M&E Officer) shall provide training and advice	Partial compliance as no VFAs formed, GPs are assisting & undertaking monitoring of the LFGs savings and credit operations.

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	to the VFAs, who shall largely follow the cooperative structure.	
Schedule 3 Para. 10	In addition to the requirements detailed in Section 4.03, the Mid-Term Review shall review the following: (i) loans disbursed, on-time repayment rates and savings mobilised by VFAs; (ii) implementation capacity of the Implementing Agency; (iii) gender impact; (iv) potential for VLAs to be trained as Village Animal Health Workers; (v) incomes of the leaseholder groups to confirm capacity to pay 50% of the annual lease fee after five (5) years, and the remaining 50% of the full official lease five (5) years thereafter; (vi) the number and capacity of leasehold forestry groups formed; and (vi) the need to include HIV/AIDS awareness training for the beneficiaries.	Partial compliance as no VFAs formed, no lease fees will be levied and HIV/AIDS training deleted.
Schedule 3 Para. 11	<i>Monitoring and Evaluation</i> The DOF shall have overall responsibility for establishing a financial and physical Monitoring and Evaluation System from the community to the national level, satisfactory to IFAD, no later than (12) months after the Effective Date. The Monitoring and Evaluation System shall be based on the Fund's requirements for measuring and reporting on the results and impact on the Programme. The DOF shall monitor the Leasehold Forestry and Group Formation Component, the DLS shall monitor the Livestock Development Component, and the RFSP shall monitor the Rural Financial Services Component	Not being complied with as any effective M&E system in place. FAO TA is assisting on preparation of periodic M & E reports of the Project.
Schedule 3A Para. 1	<i>Additional Staff-Department of Forests</i> DOF shall provide qualified Programme staff in adequate numbers to implement Programme activities, and shall hire approximately 44 additional Forest Rangers and the Department of Livestock shall hire approximately 22 additional Junior Technicians and/or Junior Technical Assistants on a temporary basis for the duration of the Programme.	Complied with
Schedule 3A Para. 2	<i>Key Programme Staff.</i> The following key Programme staff (i.e. Programme Coordinator, Livestock Coordinator (Class 1), Forest Officer (Class 2), Senior Livestock Development Officer (Class 2) and the Accounts Officer (Class 3)) shall, in normal cases, be retained until at least the completion of the Mid-Term Review. The Lead Programme Agency shall consult with the Fund before transferring the Programme Coordinator (see paragraph 3.1 of Schedule 3).	Not complied with
Schedule 3A Para. 3	<i>Financial Statements.</i> The Lead Programme Agency shall ensure that the records of the Programme's financial statements shall reflect all financial transactions during the Programme Implementation Period, both by Programme Component and by standard expenditure categories.	Partially complied with. No record of component wise expenditures in the district and the centre LFS & DLS.
Schedule 3A Para. 4	<i>Leasehold Fees.</i> The DOF shall charge leaseholders half the official lease fee commencing five (5) years after their lease is granted and the remaining 50% of the full official lease five (5) years thereafter, subject to review during the Mid-Term Review. The obligation to pay the official lease fee shall be communicated to the leasehold groups at the commencement of their involvement with the Programme.	Not complied with; LFUGs are unaware of the lease fee: a fee is contrary to the Government's policy for Leasehold Forestry
Schedule 3A Para. 5	<i>Leasehold Forestry Policy.</i> The Borrower shall, in line with the Leasehold Forestry Policy of the Borrower (2002), ensure that, for the Programme Implementation Period, the District Forest Office of DOF is authorised to:	Partially complied with: DFOs have

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	(i) register leasehold groups; (ii) issue leasehold certificates; (iii) approve operational plans and revise those operational plans; and (iv) permit some proportion of the income generated from the old trees within the leasehold forestry plots to accrue to the leaseholder groups in return for safeguarding the old trees.	delegated authority for (i), (ii) and (iii): but no change in respect of (iv).
Schedule 3A Para. 6	<i>Lease Transfer.</i> The DOF shall approve the constitutions of leasehold forestry groups that provide for the transfer of the leasehold, in the event of a member's death, or where a leaseholder group member fails to meet his/her membership obligations.	Not complied with
Schedule 3A Para. 7	<i>Lease Certificates.</i> The DOF shall ensure that leasehold certificates issued to leasehold forestry groups shall include the names of both the husband and wife of the participating households (where appropriate).	Complied with
Schedule 3A Para. 8	<i>Village Livestock Assistants.</i> The DLS shall, within three (3) months of the successful completion of the training, issue the VLAs with certificates to show that they have satisfactorily completed their training.	Complied with
Schedule 3A Para. 9	<i>Saving and Credits Cooperatives.</i> The Borrower shall expedite the resolution of the current uncertainty of the legal status and obligations of savings and credit cooperatives.	Complied with
Schedule 3A Para. 10	<i>Gender Focus.</i> The Borrower shall ensure that women are represented in the organisation and management of the Programme and shall facilitate their access to the Programme activities and benefits.	Being complied with
Schedule 4 Para. 1	Procurement of goods financed by the Loan and Grant shall be subject to the provisions of the Borrower's Financial Administration Regulation with respect to procurement, to the extent consistent with the "Guidelines for Procurement under Financial Assistance from International Fund for Agricultural Development of 1982, as they may be amended for time to time by the Fund.	Being complied with
Schedule 4 Para. 2	Procurement of consultant services financed from the proceeds of the Loan and the Grant shall be undertaken in accordance with procedures approved by the Fund.	Being complied with
Schedule 4 Para. 3	To the extent possible, the goods, civil works and services shall be bulked into sizeable bid packages in such a manner as to permit the optimal use of competitive bidding. Before the commencement of procurement, the Borrower shall furnish to Fund, for approval: (i) a list or lists of goods and services to be procured; (ii) the proposed grouping of these goods and services; and (iii) the proposed number and scope of civil works contracts to be awarded.	Being complied with
Schedule 4 Para. 6	The threshold amounts specified in this Schedule 4 exclude Taxes.	Being complied with
Schedule 4 Para. 7	<i>Local Competitive Bidding (LCB)</i> Each contract for the supply of goods estimated to cost USD 15 000 equivalent or more shall be awarded on the basis of competitive bidding advertised locally in accordance with procedures approved by Fund.	Being complied with.
Schedule 4 Para. 8	<i>Local Shopping</i> Each contract for the supply of goods estimated to cost less than USD 15 000 equivalent but more than USD 1,500 shall be awarded on the basis of evaluating and comparing bids invited from at least 3 suppliers in accordance with procedures approved by Fund.	Local Shopping will be applied from FY 2011/12 as GON amended the PPR
Schedule	<i>Direct Contracting</i> Each contract for consultant service ⁵ estimated to cost	Complied with.

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4 Para. 9	USD 1 500 equivalent or less may be awarded through direct contracting with the consultant on terms and conditions approved by Fund.	
Schedule 4 Para. 10	<i>Local Competitive Bidding (LCB)</i> Each contract for consultant services estimated to cost USD 15 000 equivalent or more shall be awarded on the basis of competitive bidding advertised locally, in accordance with procedures approved by Fund.	Being complied with
Schedule 4 Para. 11	<i>Local Shopping</i> Each contract for consultant services estimated to cost less than USD 15 000 equivalent but more than USD 1 500 equivalent shall be awarded on the basis of evaluating and comparing bids invited from at least 3 suppliers, in accordance with procedures approved by Fund.	Local Shopping will be applied from FY 2011/12 as GON amended the PPR
Schedule 4 Para. 12	<i>Direct Contracting</i> Each contract for consultant services estimated to cost USD 1 500 equivalent or less may be awarded through direct contracting with the consultant, on terms and conditions approved by Fund.	Complied with; but see Schedule 4 Para. 9
Schedule 4 Para. 13	The award of any contract for goods or consultancy services referred to in paragraphs 8 and 10 estimated to cost USD 60 000 or more shall be subject to prior review by Fund.	Being complied with. No such package in this period
Schedule 4 Para. 14	With respect to any other contract for goods or consultancy services, the Borrower shall furnish two certified or conformed copies of such contract to the Cooperating Institution, together with the analysis of the respective bids and the recommendations for award, promptly after its signature and before the submission to the Cooperating Institution of the first application for withdrawal of funds from the Loan Account or the Grant Account in respect of such contract.	Being complied with.
Schedule 4 Para.15	Before agreeing to any material modification or waiver of the terms and conditions of any contract referred to in paragraph 13 above, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) that would increase the cost of the contract by more than 15% of the original price, the Recipient shall inform the Cooperating Institution of the proposed modification, waiver, extension or change order and the reasons therefore. The Cooperating Institution, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Recipient and state the reasons for its determination.	Being complied with. Not applicable in this review period

Appendix 7: Knowledge management: Learning and Innovation

Learning

115. Elements of lessons learned from the Programme include:

- The concept of leasehold forestry, combined with livestock development, if properly implemented, is a proper tool for poverty alleviation. The main elements contributing to this are i) the concept of a leasehold, ii) its duration of 40 years iii) the recovery of the forest area and iv) the development of goat raising. It is noted that part of the incremental household income from LF is invested in agriculture (vegetable production) or other livestock such as cattle.
- Positive group dynamics are essential for the success of the approach. Hence the need for social mobilisation. In LFLP, social mobilisation was provided after groups had already been established as a function of available degraded forest resources. Improper group formation and lack of community acceptance of groups are important constraints and may have resulted in passive groups. The lesson therefore is that social mobilisation should be provided prior and during group formation by social mobilisers rather than forestry staff to ensure greater group coherence.
- Support from government line agencies in forestry and livestock is essential for proper management by the groups of their forest and livestock resources. Even with project resources and dedicated field staff, it seems that there is still a further need for capacity building in these technical fields. Future programmes thus need to further strengthen the capacities of these line agencies, rendering them at the same time more demand driven.
- Practically all groups have developed savings and credit activities and group members are borrowing from the group funds. The design approach to federate groups into saving and credit cooperatives has been only very partially successful because of a lack of an appropriate service provider and the absence of transparent governance in cooperatives. The practice noted in some groups to deposit the whole of their group fund in cooperatives may undermine the group cohesion. It should be noted that at least one-third of LFUGs have established such links on their own initiative.
- The Programme area covers all the Development Regions in the country. While this might have been the appropriate choice during design, with the present concentration of practically all major donors in the Western, Mid- and Far Western Regions, government capacities in these regions seem to be overburdened. Future interventions might be focusing on the Central and Eastern areas in the country.

Innovation

116. The single most important innovation in the Programme is the provision of groups of poor households with a formal lease agreement of (degraded) forest areas for a period of 40 years, renewable once. As subsequent missions could verify, this created a very strong sense of ownership with LFUG members and is the fundamental reason for the sustainability of the programme results.

117. During the implementation period of LFLP, a policy dialogue with Government was entertained aiming at equal priority for Leasehold Forestry as compared to Community Forestry and at institutional adjustments in the Ministry of Forest and Soil Conservation reflecting this. Adjustments in the Forestry Act had been prepared but were not passed in Parliament, partly due to the difficult political environment in the country and to strong lobbying by the Community Forestry Federation. At present, the Ministry is adjusting its organisation and creates a Participatory Forestry Development department with units for both LF and CF. As the political situation has been stabilised, the opportunities to adjust the Forest Law and its regulations seem positive.

118. Since the project has demonstrated that the leasehold approach has a positive impact on poverty, it may be interesting to develop similar leasehold approaches for the poor with other resources than forests, such as public crop land or e.g. riverbed farming. Some experience in both has been established by NGOs with external funding.

119. Both the learning and innovation aspects have been rate 5, Satisfactory.
