

Evaluation

Finnish Support to Forestry and Biological Resources

COUNTRY REPORTS

Parts: 5. Lao Peoples Democratic Republic, 6. Vietnam



Evaluation report 2010:5/II
(5. Lao Peoples Democratic Republic, 6. Vietnam)

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Country Reports Part 5. Lao Peoples Democratic Republic

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Evaluation report 2010:5/II (5. Lao Peoples Democratic Republic)

MINISTRY FOR FOREIGN AFFAIRS OF FINLAND

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ACRONYMS

ADB	Asian Development Bank
DAFO	District Agriculture and Forestry Offices
DOF	Department of Forestry
EQ	Evaluation Question
EUR	Euro
FIP	Forest Investment Programme
FMA	Forest Management Agreement
FOMACOP	Forest Management and Conservation Programme
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
GEF	Global Environment Facility
GoF	Government of Finland
GoL	Government of Laos
ha	Hectare
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome
IDA	International Development Assistance
JICA	Japanese International Cooperation Agency
JPO	Junior Professional Officer
Lao PDR	Laos Peoples Democratic Republic
LDC	Least Developed Country
MAF	Ministry of Agriculture and Forestry
MDG	Millennium Development Goal
MFA	Ministry for Foreign Affairs of Finland
MTR	Mid-Term Review
NAFES	National Agriculture and Forestry Extension Service
NGO	Non-Governmental Organisation
NGPES	National Growth and Poverty Eradication Strategy
NSEDP	National Socio-Economic Development Plan
NTFP	Non-Timber Forest Product
ODA	Official Development Assistance
PAFO	Provincial Agriculture and Forestry Offices
PDR	Peoples Democratic Republic
PFA	Production Forest Area
PM	Prime Minister
PSFM	Participatory Sustainable Forest Management
REDD	Reducing Emissions from Deforestation and Degradation
SFM	Sustainable forest management
SIDA	Swedish International Development Agency
STEA	Science, Technology and Environment Agency
SUFORD	Sustainable Forestry and Rural Development Project
TA	Technical Assistance

UNDP	United Nations Development Programme
USD	US Dollar
VDF	Village Development Fund
WB	World Bank

SUMMARY

The country synthesis draws on a desk based review of key country and project documents and a country mission that took place in April and June 2010 respectively. In addition, key stakeholders in Finland including MFA Headquarters, were consulted. Key stakeholders in Laos that were consulted include staff of the National Agriculture and Forestry Extension Service (NAFES) of the Ministry of Agriculture and Forestry (MAF), the Department of Forestry of MAF, the Ministry of Industry and Commerce, REDD Secretariat in the Ministry, staff of the Sustainable Forestry and Rural Development Project (SUFORD), District Forest Officers in Xebong Fai District and members of Village Development Committees in Xebong Fai District, representatives of World Bank and JICA, Swedish Embassy, and representative of the Embassy of Finland in Bangkok.

The evaluation assessed the Sustainable Forestry and Rural Development Project (SUFORD) Phase I (2003 to 2008) and Phase II (2009–2012). The project is implemented by the Department of Forestry of the Ministry of Agriculture and Forestry in collaboration with the National Agriculture and Forestry Extensions Services, with financial and technical support provided by the World Bank and the Government of Finland. The project objective is to implement participatory, sustainable forest management in Production Forest Areas throughout the country, thus helping to reduce rural poverty, protect biodiversity, and enhance the sustainable contribution of forestry to the development of local and national economies.

Key findings from the evaluation include:

- ❖ The SUFORD project is closely aligned with declared government objectives and commitments as reflected in the 5th and 6th National Socio-Economic Development Plans, the Decentralisation Policy (Government of Lao PDR 2000) and the Forestry Vision for 2020.
- ❖ The SUFORD project has coincided with, and helped stimulate, a coordinated approach to participatory forest management and its integration with other national Policies.
- ❖ Whilst the Government of Lao is committed to sustainable forest management (SFM), its national development policies and programmes (e.g. major infrastructural improvements and revenue generation opportunities at national scale) can result in conflict with SFM. The project operates within the smaller scale rural sector which makes it difficult for it to exert an influence on broader developmental debate and the conflict between national development priorities.
- ❖ Phase I placed 656,000ha of natural forest under participatory sustainable forest management and 412 villages adjacent to the forests have developed village development plans and implementing priorities development initiatives. Of this area, 45,000 ha had initially been certified to Forest Stewardship Council (FSC) standards – reflecting adherence to social, environmental and economic standards based on SFM. This area has subsequently been increased to over 81,000

ha. The total area corresponds to 33% of the total Production Forest Areas (PFA) of the country.

- ❖ The establishment of the Village Development Fund (VDF) has been well received and there is evidence that they are functioning and have delivered funds that are utilised in the communities. The project reports that a 9% improvement in rural wealth ranking of 131 sample householders.
- ❖ A small proportion of the total revenue generated from harvesting of Production Forest Areas is actually disbursed to CDF. Only that portion of the revenue that exceeds the value established by the Ministry of Trade and Industry is available to be subdivided for direct dispersal to communities.
- ❖ The SUFORD Phase I was implemented through a parallel structure to Government consisting of a National Project Management office at central level and Project Implementation Units at provincial and district levels. This hampered ownership by and coordination within implementing agencies. For Phase II, implementation is integrated into the work programme of the relevant government institutions.
- ❖ The project is a joint project of the World Bank and Government of Finland, with Finnish aid supporting the TA component provided by Indufor. The project is complex and the modality is innovative between partners.
- ❖ The project design and Phase I implementation has benefited from unique Finnish added value to terms of production forest management, revenue generation and achieving certification status. However, with the design in place and the project in its second phase it is uncertain how Finland has been able to exert any additional value to the project. The Finnish support and expertise is acknowledged positively by all staff and local institutions.
- ❖ Gender-based issues have been recognised and reflected in gender-based studies. However the lack of clear objectives, outcomes and targets within the project means that no specific actions are taken. Marginalised groups are recognised in the project design through an Ethnic Group Development Plan but little evidence of consideration during implementation and outcomes.

Looking ahead and considering the advent of REDD and possible flow of funds available for climate change mitigation and revenue from REDD-based projects, it is possible that a more cost-effective option is to simply pay communities directly from the revenue generated by preserving and protecting the forest and its specific conservation values, rather than trying to add value through certification during the exploitation of the forest. For this to be effective it will require the GoL to accept the basic principles of revenue sharing.

1 INTRODUCTION

Lao PDR is a landlocked Least Developed Country (LDC), which is in transition to a market economy. Subsistence agriculture accounts for about half of GDP and involves over 80% of the country's labour force. About 18% of GDP comes from manufacturing. The majority of the population (82.9%) lives in rural and remote areas often without access to basic infrastructure and services. The Government formulated its localized PRSP, the National Growth and Poverty Eradication Strategy (NGPES) in 2004. This document identifies the private sector as the main engine of growth and focuses on four key sectors, agriculture, infrastructure, education and health (UNDP 2010).

The economy has been growing at around 6% in the recent past. The overall rate of poverty fell from 46% in 1992/93 to 32% in 2002/03. The UNDP Human Development Index has shown consistent improvement since 1993; Lao PDR is currently ranked 130th out of 177 countries, and is classified in the "Medium Human Development" category. However, a significant part of the population has not partaken in the benefits accruing from the GDP growth. Poverty in rural areas is twice as high as in urban areas, and disparities are particularly marked among the rural poor, women and ethnic groups. Major challenges pertaining to the environment are also becoming evident. The economic expansion combined with population growth intensifies utilization of land and other natural resources and increases pressures on the environment (UNDP 2010).

1.1 Overview of Forestry Sector in Lao PDR

Because up to 80 percent of the Lao PDR population lives in rural areas, many people depend on forests for timber, medicinal plants and wildlife for their livelihoods. Lao PDR boasts an environment rich in natural resources, natural beauty and biological diversity. The country provides a habitat for an estimated 10,000 species of animals, fish, insects and plants. At least 25 of these are listed by the World Conservation Union as "endangered" and the country's once expansive forests are dwindling rapidly (UNDP 2010).

In 1996, a forest law and selected implementing regulations were introduced and in 1999–2000, national criteria and indicators for Sustainable Forest Management were developed. A PM Decree 59 on Sustainable Management of Production Forests, approved in May 2002, presents a concrete step forward in making participatory forestry management a dominant approach for bringing the country's production forests under sustainable management. In addition, a Forestry Strategy 2020 (Government of Lao PDR 2005) has been elaborated and the country has an objective of increasing forest cover to 60% by 2020 (Ruotsalainen 2010).

1.2 Overview of the History of Finnish Support in Forestry Sector in Lao PDR

Since 2000, Finland has supported the forestry sector in Lao PDR in cooperation with the World Bank through Sustainable Forestry and Rural Development Project (SUFORD). The project is a follow-up of the Forest Management and Conservation Programme (FOMACOP), implemented from 1995 to 2000 and funded collaboratively by Finland, World Bank, Global Environment Facility (GEF) and Government of Lao PDR. In addition, an initiative to pilot Criteria and Indicators for SFM and certification was linked to and emerged out of FOMACOP (Ruotsalainen 2010).

The FOMACOP was evaluated by several experts as a very successful project. It was also evaluated by the Evaluation of Finnish Forest Sector Cooperation of 2003. According to the evaluation, FOMACOP represented a piloting of new approaches in Lao PDR. It notes that through FOMACOP, MFA had played a significant role in difficult and politically sensitive “journey” of village involvement in SFM. Also, the partnership experiment between World Bank and Government of Finland through FOMACOP had been successful (LTS International 2003).

2 INTERVENTIONS IN THE FORESTRY AND BIOLOGICAL RESOURCES SECTOR

Table 6 gives a summary of Finland’s forestry sector interventions in Lao PDR in the period of 2000–2009.

Table 6 Forestry interventions in Lao PDR 2002–2012.

Title	MFA Code	Duration	Funding
Pilot Forest Certification Project	?	2002–2003	?
Sustainable Forestry and Rural Development Project (SUFORD), Phase I	74501201	2003–2008	EUR 7.95 Million
Sustainable Forestry and Rural Development Project (SUFORD), Phase II	74501201	2009–2012	EUR 9.0 Million

Source: Ruotsalainen 2010.

Sustainable Forestry and Rural Development Project (SUFORD)

MFA Code: 74501201

Duration: Phase I 2003–2008, Phase II 2009–2012

Type of intervention: Joint project by WB, Finland and Government of Lao

Financing:

Phase I: Original budget total of USD 16.8 million, of which IDA loan USD 9.9 million, GoF grant EUR 5.7 million (for TA purposes) and GoL funding USD 0.5 million. In 2007, GoF contribution increased by EUR 2.25 million to extend the TA until the closing date of IDA credit (end of 2008). Total GoF financing for Phase I: EUR 7.95 million (as per budget) No information about final project expenditure available in the documentation.

Phase II: Total project cost USD 20 million, of which WB-IDA grant USD 10.0 million, GoF grant EUR 9.0 million, GoL financing in-kind USD 0.5 million.

Implementing partners / organisational set-up:

- ❖ Phase I: Implementing agency = National Agriculture and Forestry Extension Service (NAFES, under Ministry of Agriculture and Forestry, MAF) / project structure consisting of National Project Management Office at central level and Project Implementation Units at provincial and district levels.
- ❖ Phase II: Implementing agency = Department of Forestry (DOF, under MAF) / project management to be integrated in DOF organisation (as per concept note).

Intervention Logic:

Overall Objective: To implement participatory, sustainable forest management in Production Forest Areas throughout the country, thus helping to reduce rural poverty, protect biodiversity, and enhance the sustainable contribution of forestry to the development of local and national economies.

Project Purpose:

- i) To improve the policy, legal and incentive framework enabling the expansion of sustainable, participatory forest management throughout the country;
- ii) To bring country's priority natural production forests under participatory sustainable management;
- iii) To improve villagers' well-being and livelihoods through benefits from sustainable forestry, community development and development of viable livelihood systems.

3 ASSESSMENT OF THE INTERVENTIONS AGAINST THE EVALUATION QUESTIONS

Evaluation Question 1

Did the respective budget appropriations, overall policy measures, sector policies and their implementation plans adequately reflect the development agenda in general, and in particular the major goal of poverty reduction?

Project design is based on partner country development plans

As indicated in the desk study the project was designed as a follow up to the FOMACOP project (1995–2000) which had designed and tried systems of participatory sustainable forest management (PSFM) in Laos.

Phase 1 of the project meets the requirements of, or coincides with, key GoL policy directives including:

- ❖ 5th National Socio-Economic Development Plan (NSEDP) 2001–2005: Poverty reduction is to be based on “economic growth with equity”, based on three pillars: economic growth, social/cultural development and ecologically sound resource management;
- ❖ Decentralisation policy (PM Order No. 1 of March 2000): bottom-up participatory approach to planning and management of natural resources, with the major focus on village and district levels; and
- ❖ Forestry Vision for 2020 (presented in 2000) – at the time of Phase I design no forestry policy was in place, but the Constitution, Forest Law (Government of Lao PDR 1996) and Land Law provided the overall framework for PSFM.

During the implementation of phase 1 of SUFORD additional policy and strategic plans were developed by GoL including:

- ❖ National Growth and Poverty Eradication Plan (Government of Lao PDR 2004) – which stressed the importance of forest resources for poverty eradication and highlighted the need for community participation in planning and environment resource management and cultural preservation;
- ❖ Forestry Strategy 2020 (GoL 2005) – which highlighted the significance of forest resources for the improvement of local livelihoods, and provides policy objectives and targets for sustainable forest development up to year 2020; and
- ❖ 6th National Socio-Economic Development Plan (NSEDP) 2006-2010 – which aims for the harmonisation of economic development policy with policy on protection and development of natural resources.

So, nationally, the SUFORD project is closely aligned with declared government objectives and commitments. The SUFORD project has coincided with – and helped stimulate – a coordinated approach to participatory forest management and its integration with other national Policies.

Having been developed under FOMACOP, the project design is unique and was redesigned specifically to meet the criticisms leveled at it by the donor partners, particularly the World Bank, and the GoL.

The result was SUFORD, which superficially at least should have been more closely aligned to the donor’s and beneficiaries requirements although the redesign resulted in a series of new criticisms from disaffected individuals and NGOs because SUFORD was judged to have been compromised by the modifications, becoming a less effective vehicle for delivering its primary goals of enhanced rural incomes whilst ensuring environmental and social sustainability.

These concerns remain and there are a number of commonly cited factors which certainly identify issues that need to be addressed if the project is to have the optimum impact. These include:

- ❖ The small proportion of the total revenue generated from harvesting of PFAs that is actually disbursed to the VDF. Only that portion of the revenue which exceeds the value established by the Ministry of Trade and Industry is available to be subdivided for direct dispersal and of this sum on 25% is allocated for distribution to the rural communities through the VDF;
- ❖ The failure of GoL to allocate any of the revenue generated by salvage fellings (from large scale infrastructural development work) to villages or communities – even those affected directly by the development work. This accounts for 70% of all the revenue generated from forest and timber sales in Laos. The issue of salvage felling is excluded from the remit of the SUFORD project but this ‘compartmentalisation’ of issues limits the effectiveness of SUFORD and also highlights the GoL’s commitment to the fundamental principle of revenue sharing; a principle on which the SUFORD project is predicated and its success largely determined. Continuing shifts in government policies or activities which result from government decisions which clash with SUFORD’s participatory approach;
- ❖ The absence of any clear or transparent process for resolving the problems generated by these conflicting policy goals or activities; and
- ❖ Distribution of felling quotas prior to or without the completion of forest management plans – currently limited to 1 PFA in Attapeu.

The problem appears to be that the GoL accepts, and is committed to, the concept of PSFM for small-scale local rural development and is willing to delineate PFAs and pursue sustainable forest management within them.

At the same time the GoL also acknowledges the need for national development (major infrastructural improvements and revenue generating opportunities at the national scale) which can only be brought about by large scale interventions. Although never explicitly stated, the importance of these major development or revenue generating initiatives almost always over-rides the small scale rural development because of the contribution to broader national development goals, the level of revenue generated or the number of people impacted.

As a project that operates within the smaller scale rural sector, it is also difficult for SUFORD to exert an influence on this broader developmental debate and the conflicts of ‘big development’ vs ‘small development’.

This indicates that the current strategic framework for planning and managing land and natural resources within Laos is still deficient in certain key areas – particularly related to optimum utilisation of its forest resources and the integration of development and cross-cutting issues.

During the visit an example of this occurred when a major policy change was proposed by the National Land Management Authority to reduce the area available under PFAs (currently 3.1 million ha) by 1 million hectares and to transfer the area to Pro-

tection Forest. The rationale for this proposal remains uncertain and it could conceivably be beneficial, but it clearly has the capacity to significantly change the forest resource base as well as impacting directly on the SUFORD project. The fact that this proposal was rejected by the National Assembly after the conclusion of this visit does not change the fact that government policy relating to forest issues is not immutable and can be subject to significant and unpredictable influences.

This strategic and policy weakness is of considerable concern given the need to incorporate additional modalities related to Climate Change and REDD and the additional funds and obligations that will almost certainly be made on the GoL. Additionally, GoL has been selected as one of the 5 pilot countries to be supported by the multi-lateral funding mechanism the Forest Investment Programme (FIP) and this will be bound to stretch GoL's strategic coordination even further, even if the projects and interventions designed by the Readiness for REDD project fit logically within the government's portfolio of projects.

There is no doubt that the fundamental mechanism for delivering revenue directly to local communities is working and specific households within the local communities have benefited directly from the intervention. Indeed, during the field visit it was a commonly voiced request that greater funds be made available to the communities through the VDF to allow more substantial purchases and investments to be made. There is some confusion however, resulting from the difference between funds that are derived from the harvesting of the timber and grant funds provided initially by the project as 'start up' funding. So far it appears that grant funds are easily allocated and disbursed, but utilisation of the revenue generated by logging is more problematic.

At the same time the methodology for participatory inventory is contributing to a more sustainable form of harvesting, though a common complaint from the companies conducting the harvesting is that harvesting levels are barely commercially viable due to the low intensity of harvest.

The amount that communities actually participate in the actual decision-making processes is however less clear. In terms of selecting the trees for harvest, this is clearly a technical issue and one which possibly local communities are not well-equipped to contribute to, technically. But there are other areas where community input could make genuine contributions.

During the discussions – and from technical documents – a common theme is the lack of information and uncertain status of the sustainability of harvest of NTFPs. Phase 1 of the project included a participatory inventory of NTFPs. This is a useful start though it provides little clue as to what levels of harvesting are sustainable though it is clear that current levels of harvesting are not as it was not possible to identify any technical or policy documentation which used this inventory data to derive sustainable harvesting levels. The NTFPs provide a valuable additional source of benefits to communities and conceivably could also provide a viable income stream in

their own right, but the project is largely focussed on timber as the principal revenue generator and a broader vision of commercial forest products might usefully have been incorporated into the project design. If NTFPs are to generate sustainable revenue streams (in line with the model adopted for timber) the same level of rigour and detail needs to be applied to establishing the levels of harvesting that are sustainable and then policing the harvesting.

Evidence of consideration of MDG targets, international forest and biodiversity regimes (e.g. UNFF goals, SFM, indigenous peoples' rights, NBSAP and NFP) and country based environmental strategies and best practice in intervention design and assessment

MDGs are not explicitly considered but the project objectives are in line with them:

- ❖ MDG1: Poverty reduction is among the topmost objectives of the project; and
- ❖ MDG7: Project has been designed to support environmentally sustainable development.

Consideration of international forest and biodiversity regimes and best practice:

- ❖ Application of PSFM approach;
- ❖ Biodiversity conservation is one of the main objectives; and
- ❖ Indigenous peoples' rights (ethnic minorities) have also been taken into consideration in the project preparation document, but the issue seems not to have been prominent in the implementation. However the extension of the SUFORD project to other areas (9 provinces in total) will include provinces with ethnic minorities.

Extent and use of ecological and socioeconomic baseline data

A socio-economic baseline study was undertaken by the National Statistics Centre in July 2005.

The completion report of Phase 1 of the SUFORD project refers to the baseline support and produces some simple comparisons of project performance against the baseline. However, there is no comprehensive or formal reporting structure in either this report or the proposal for the project extension from 2009.

There is considerable literature on the relationships between forestry and poverty, but it appears difficult to establish a clear, objective and methodological structure to report against various aspects of poverty within the project.

The Completion Report states that although the apparent benefits for the project are significant and broadly shared equally by gender, the modality risks not being sustainable and failing to achieve its objective of sustainable poverty reduction due to the low share of benefits received by the village communities.

Currently less than 10% of the timber price reaches the VDF and the Completion Report indicates that if this could be increased to a flat fee of USD15 per m³ then there would be a significant decrease of between 4-10% in poverty for forest-dependent villages. The apparent inability of the project to change the proportion of revenue generated by timber sales means that this very simple method of enhancing benefits to the target beneficiaries is not possible and this constrains the project in achieving its fundamental objective.

The absence of a clear and quantifiable system for monitoring benefits also means that it is impossible to assess whether – and how effective – other modalities might have been at addressing this key project output. Given the focus of the target it is surprising that a more comprehensive analysis of the impact of different benefit sharing mechanisms had not been included as part of the evaluation of the previous phase – in particular an analysis of what would have been the impact on rural incomes to different proportions of revenue distributed to the VDF. As the Completion Report indicates if this element of the project were more flexible, benefit delivery and poverty alleviation could be impacted in a more focussed manner.

Other aspects of poverty alleviation have not been defined or addressed within Phase 1 or the extension of the SUFORD project.

An Environmental Impact Assessment was conducted prior to the project extension in 2008. This was comprehensive and looked at a range of issues that were broader than simple environmental impact. It made a number of recommendations – some of which coincided with issues identified in the Completion of Phase 1 - but it is unclear how these have been addressed within the extended project.

Evaluation Question 2

Are the interventions responding to the priorities and strategic objectives of the cooperating party, are they additional or complementary to those done by others, or are they completely detached and stand-alone – in other words, what is the particular Finnish value-added in terms of quality and quantity or presence or absence of benefits, and in terms of sustainability of the benefits and in terms of filling a gap in the development endeavour of the partner country?

Evidence of engagement and synergies with Government/Donor Coordination mechanisms at design and implementation stage?

Production forestry was identified as an area where other donors are not active (as opposed to industrial timber plantation development by ADB and agricultural development by various agencies).

Effectively the project fits well within the broad strategic framework outlined by the GoL. It is a single vehicle which targets specific needs and has a set of clearly defined and limited goals within a discrete part of the national forest resource.

However, the sector is complex and the project has, and continues to experience, problems with conflicting policies and land use expectations. However, a single vehi-

cle intervention limits its ability to expand upwards into a more policy influencing vehicle without considerable redesign of the project.

Given the increasingly complex demands on the forest sector and the currently insufficient level of planning and coordination it would appear that GoF support could beneficially be expanded into the area of strategic planning and institutional development and that this may be a more cost effective intervention that would yield more lasting and tangible benefits, as well as corresponding more closely to Finland's own technical strengths.

Support for assistance to this broader strategic and planning role would clearly need to be articulated by the GoL but the clear need and the better fit with Finland's own skill base and the ability to generate real and concrete Finnish added value indicates that this is an area of support that should be investigated more closely.

Level of harmonisation reported and recorded

SUFORD is a joint project by WB and GoF. A joint review of the production forestry sector was undertaken by WB, SIDA and GoF in 2001.

However, the change of emphasis in the MFA policy, the increasingly complex natural resource sector and additional obligations resulting from the need to accommodate climate change plus the additional funds that will be available to the sector through REDD, FIP and other donor ODA, is rapidly changing the operating environment and it is likely that the SUFORD project will be unable to accommodate all of these changes.

Although the SUFORD intervention was appropriate - and may still have a role to play in terms of effective utilisation of the Forest Production Areas – the forest resource base will shortly be subjected to changing demands and expectations in which the PFAs may have to serve multiple roles.

Extent and relevance of Finnish expertise included in and provided to interventions All MFA funding to SUFORD has been directed to the TA component. The project was transferred to Savcor/Indufor when Stora Enso closed its operations. Indufor is implementing the TA component in Phase II as well. Some Finnish consultants have been working in the project, but most of the international TA personnel have not come from Finland. Finnish experts have regularly participated in the supervision missions.

The project is complex and the modality is unusual in that revenue is generated by the sustainable harvesting of Production Forest Areas with a proportion of the revenue being distributed directly (more or less) to rural communities.

At the same time the project comprises an integrated series of activities related to ensuring the sustainability of the resource and its management and a range of support activities including village development. The expansion of the second phase into for-

est protection is logical and will hopefully result in a better balance within the project and a more effective and coherent management of the forest resource as a whole.

But this is not the area of expertise of any one particular nation or group of experts. The design of the original concept – and precursor project, FOMACOP – clearly benefited from the institutional and project design skills of the Finnish consultants employed, who were able to bring these skills to bear in a unique, and at the time revolutionary, project design which was able to address the specific issue of rural poverty alleviation – whilst also incorporating the concepts of sustainability and community development.

This model has been extensively tried in Laos and the current donor partnership (WB and GoF) has now accumulated considerable expertise in this type of project. The continuity of project management and relationships with GoL are clearly critical to the success of this project and the GoF's long-term commitment and continued support has been beneficial to the project.

However, it is difficult to assess whether, or how, after the original project design GoF support and involvement has had a unique impact or added any additional value. If the project had a downstream processing component, where further value could be added to the timber with the additional revenue generated being passed on to the communities, then Finland's considerable skills in this area might have been optimised. The project has sought to accomplish a value added component by adopting certification, in which Finland also has familiarity and skills. The approach has been limited to simply pursuing certification through an existing certification scheme, which neither builds on Finland's unique skills base nor explores more fully the benefits that SUFORD might be able to accrue through a more innovative approach to certification. There are a number of ways in which certification and other market mechanisms could have been utilised to add value – either to the timber or the project as a whole.

The opportunity to generate revenue from the provision of environmental services is another area which is now becoming a real possibility although as yet only carbon has a tradable value. But the proximity to major hydro-power schemes, the value of water provision and soil stability and the maintenance of vegetation offer a range of environmental-based opportunities that Finland expertise is well suited to support and develop.

Level of Finnish initiatives / value added which have led to benefits in forest sector

As indicated above the development of this unique model of forest intervention is possibly the major added value component of the Finland contribution. However, with the design in place – and the project in its second phase – it is uncertain how Finland has been able to exert any additional value to the project. The support of the GoF is acknowledged by the staff of the project and the institutions and Technical Assistance has been provided to all 4 components of the project and there is no doubt that considerable technical ability now resides within the project and the for-

estry institutions that contribute staff to the projects. But the specific added value is not evident.

Evaluation Question 3

How have the three dimensions of sustainability been addressed and were the aim, modalities and instruments conducive to optimal materialisation of the objectives of the aid intervention?

The SUFORD project is focused on one part of the forest resource – the productive forests. This is logical and has clearly been designed specifically to try and ensure the long-term sustainability of a part of the forest resource that is commonly exploited rather than actively managed with a long-term productive vision.

The overall modality and the technical interventions developed are highly relevant and appropriate and it is clear from the field visit that the key technical components of this part of the project (inventories, selection of trees to ensure sustainable yields etc) are being applied – at least in the area visited. The key weakness is that the PFAs account for only 33% of the total forest area and so the impact of the project, though significant, has a limited impact.

The key question is whether the project interventions represent the most efficient way of ensuring the sustainability of the resource, its productive capacity, the broader environment and the communities that live adjacent to it and rely on it.

During a single field visit it is not possible to assess whether or not a project or a series of interventions will prove to be sustainable in the long term.

If the SUFORD project remains completely self-contained, operates strictly according to its design principles and is able to exclude external non-planned interventions, then it is possible that this model would be able to deliver a sustainable harvest of timber which would generate a regular income, a proportion of which can be channeled to the local communities to ensure enhanced living conditions and elevate the communities from poverty.

However, these conditions are unlikely to prevail. It is neither realistic nor feasible to expect a project to remain immune from external factors and the impact of activities within the broader forestry sector. The project has already experienced a number of occurrences which have upset the carefully pre-determined assumptions. The resettling of repatriated minority ethnic communities is both unfortunate and unforeseeable but it is unlikely to become a repeat occurrence. More worrying is the perception that the project is not addressing some core issues related to the sustainability of Laos' broader forestry resource. It is of little value to develop a complex intervention which requires special skills and a high level of technical input to one part of the resource, if at the same time key decisions are taken which effectively permit or sanction non-sustainable practices on other parts of the resource – the so-called salvage logging of large-scale development areas which possess good forest. In terms of the national forest resource the advantages gained by the SUFORD project interventions

could be easily negated by injudicious acts on the part of the GoL, even in its legitimate pursuit of large scale development.

The achievement of independent third party certification by arguably the most rigorous certification scheme in forestry - the FSC- provides a useful objective indicator that the three dimensions of sustainability are being adequately addressed.

The Phase 1 Completion Report contains an analysis of the effectiveness of the project and an indicative table of the cost-effectiveness of the various project components. The Completion Report concludes that ratio of benefits to costs are high and transaction costs relating to the VDFs are very high. The overall level of contribution – and thus reduction of poverty, is very low.

Evaluation Question 4

What are the major discernible changes (positive or negative, intended or unintended, direct or indirect) and are these changes likely to be sustainable, and to what extent these sustainable changes may be attributed to the Finnish aid interventions or to interventions in which Finnish aid have been a significant contributing factor?

The establishment of the VDF has been well received and there is evidence that they are functioning and have delivered funds that are utilized in the communities. The fact that PFA have variable community sizes attached to them means that the benefits will be variable.

The certification of 45,000ha of PFAs supported by SUFORD provides independent evidence that the three defining components of sustainability (social, environmental and economic) are being met for those areas that have applied for certification.

Given the consistency of the management approach it is fairly certain that certification could, in principle, be gained for all areas managed under the SUFORD project and this would provide concrete and objective evidence of the sustainability of the intervention.

Evaluation Question 5

Have the financial and human resources, as well as the modalities of management and administration of aid been enabling or hindering the achievement of the set objectives in the form of outputs, outcomes, results or effects?

Funds allocated and expended, level over time

Phase I: Original budget total of USD 16.8 million, of which IDA loan USD 9.9 million, MFA grant EUR 5.7 million and GoL funding USD 0.5 million. In 2007, MFA contribution increased by EUR 2.25 million to extend the TA until the closing date of IDA credit (end of 2008). Total GoF financing for Phase I: EUR 7.95 million (as per budget). No information about final project expenditure available in the documentation.

Phase II: Total project cost USD 20 million, of which WB-IDA grant USD 10.0 million, MFA grant EUR 9.0 million, GoL financing in-kind USD 0.5 million. The funds appear to be sufficient to support the activities planned under Phase II.

Appropriateness of modalities defined in Agreements and Project Documents to country and intervention, consideration of alternatives

In phase I the project was implemented through a project structure consisting of National Project Management Office at central level and Project Implementation Units at provincial and district levels. A key problem observed during project implementation was that the project organisation was not sufficiently owned by and coordinated with the implementing agencies. To tackle this, in Phase II the project activities were to be integrated into the work programme of relevant government bodies.

Concerns how well the various activities have transformed the available resources into the intended outputs (i.e. results) in terms of quantity, quality and time.

Relates to good management and value for money

The Phase I Completion Report summarises a 9% improvement in rural wealth ranking of the sample of 131 households. It is uncertain whether this is an acceptable or cost effective return for the disbursement of USD20 million. It does appear to be a disproportionately small ratio.

The report does produce a table of progress against outputs but this does not permit a detailed breakdown or analysis of the benefits (financial, environmental and social) that have been generated by the project and assigning a value to the enhanced sustainability that the project has brought about is difficult.

Evaluation Question 6

What are the discernible factors, such as exit strategies, local budgetary appropriations, capacity development of local counterpart organisations or personnel, which can be considered necessary for the sustainability of results and continuance of benefits after the closure of a development intervention?

Changes in institutional architecture, size & systems (procedures, programme prioritisation, budgets and staff development)

Based on the Concept note for Phase II, the Phase I had some important shortcomings in terms of securing sustainability of project activities. The project had improved skills of staff members in the participating organisations at all levels. However, the project had not created adequate facilities and structures to maintain these skills and capacities. Potential drainage of knowledge was identified as a risk which would hinder replication of the models and tools in other provinces.

In Phase I the project structure dominated in the decision-making and implementation. In Phase II this was to be rectified through better integration of project management into DOF organisation and other participating Government agencies. Also the implementing agency was changed from NAFES to DOF, as recommended e.g. in the External MTR Report. DOF was seen better placed to lead the project implementation, having a central role in policy development, as opposed to NAFES whose role

is to implement extension services at district level. Project strategy was to be modified in Phase II to better ensure capacity development of counterpart organisations and personnel. It was underlined that the project should be progress and process oriented, not activity oriented.

Level, changes and consistency of counterpart funding

Phase I budget originally included requirement for USD 0.5 Million GoL funding. However, this requirement was dropped in August 2005 (no reasons for this given in the documentation or in-country visit). Phase II budget includes USD 0.5 Million GoL financing in-kind.

Analysis of wider sectoral changes

Phase I contributed to the development of policy and legal framework to support PSFM as well as forestry monitoring and control systems. No major institutional changes in the sector are reported in the documentation.

Evaluation Question 7

What has been the role of cross-cutting issues of Finish development policy in terms of contributing to the sustainability of development results and poverty reduction; has there been any particular value-added in the promotion of environmentally sustainable development?

Gender-based issues have been recognised and this is reflected in gender-based studies built into the SUFORD project. The balance of male/female members within village organisations, the balance of people trained and focus of the village development groups is reported on.

However, the lack of clear objectives, outcomes or targets within the project (either quantitative or qualitative) means that project staff who are unfamiliar with the concept and the principles of gender mainstreaming, let alone the means, are unable to recognise, assess or address gender-related issues in a relevant way at the operational level.

Field staff of SUFORD simply have insufficient experience in how to effectively incorporate gender-related issues and design into appropriate project components or interventions, or to reflect the different aspirations and requirements of men and women within the project. The SUFORD project has recognised this and is gradually developing appropriate methodologies.

Additionally, without this conceptual understanding or the practical skills, the focus on benefit delivery to households makes it difficult to refine field techniques to make them gender-specific. Households are perceived as the target beneficiary and although gender-specific expectations within a household may be recognised by some of the beneficiaries, there is little attempt to ensure that benefit sharing reflects these differing expectations.

The result is that the majority of funds distributed to the VDF within the project, goes to reinforce 'traditional' forms of household wealth – principally the purchase of animals.

The field visit did provide an opportunity to see this in action. A member of the Women's Union was present at the meeting with one project-assisted community. Of the 18 members attending one was a woman who, when given the opportunity, was able to elaborate some gender-specific aspirations. But unless this issue is addressed with specific interventions, incorporated into the project design, and there are clear gender-related targets, it is difficult (and may not even be desirable) for benefit delivery to break away from traditional practices and perceptions.

This is important because from the limited discussion it was clear that the ideas expressed by the lady were more likely to result in innovative and developmental benefits (small industries etc) than the current pattern of fund utilisation, which simply reinforces existing agricultural practice.

Marginalized groups have been recognised in the design of the SUFORD project and this is broadly achieved by ensuring as wide a geographic spread of the project as possible. With the extension of the project in 2009, nine provinces are now covered by project activities. Within these provinces the project does not discriminate between beneficiaries.

In addition the project contains an Ethnic Group Development Plan, though it is uncertain how this is to be applied and the GoL's commitment to it. However, the Proposal for the Project Extension also recognises that though the extension of area will now include more ethnically and socio-economically diverse communities and the project incorporates elements to ensure traditional land use concepts are catered for, the project could be seen to be supporting some of the GoL policies which are more controversial – such as the eradication of the traditional shifting cultivation land use and relocation of communities.

The project is not specifically designed to reach the poorest of the poor nor does it have an ethnic focus, but it has attempted to incorporate these elements into its implementation.

During the field visit it was not possible to establish how or whether the SUFORD project was having a significant impact on health or specific health-related issues. The project appears to have no specific components for HIV/AIDS although within this area it is probable that addictive drugs and the cultivation or extraction of narcotics and drug-catalysts is a more pressing and relevant issue and one that could be more effectively targeted by a project of this type.

Evaluation Question 8

Are there any concrete identifiable examples of interventions, which maybe classified to be environmentally, economically and socially sustainable, which have lead to poverty reduction or alleviation of consequences of poverty?

The field visit provided the opportunity to gather evidence that the interventions were achieving the declared objectives at the community level and consequently were achieving some of the gains anticipated.

The village community visited showed a good understanding of the project's aims and objectives and were forthcoming with suggestions and comments relating to the design and outcomes of the projects. It was clear that the benefits generated - and fed through the Village Development Fund - had been used and were being used to support traditional concepts and values of wealth and household improvements. The purchase of animals (for fattening and breeding) was the end use of most of the funds made available as grants during the first tranche of funding.

Some problems were encountered in recovering the money to the revolving part of the fund but essentially the community understood and utilised the funds to enhance their wealth in ways which were most appropriate for the households and the community.

This is both a strength and weakness of the project because although it meets the financial needs of the households and is culturally appropriate, it does not necessarily provide a means for generating or stimulating more effective use of the added wealth. The enhanced wealth remains fixed and there is no automatic multiplier effect, which there could be if the revenue generated could be channelled into a range of different, more entrepreneurial end uses.

A repeated request was that a greater level of funding was required in order to allow the community to undertake more 'infrastructural' investments that would benefit the community as a whole. Irrigation was mentioned as a priority, which would then enable gains in rice production to be made which would enhance household livelihoods as well as the whole community.

This is reinforced by the conclusion of the Phase 1 Completion Report which has stated that the key element of the modality – the benefit sharing of revenue generated from timber sales – is simply insufficient and jeopardises the achievement of the project's principal goal of poverty alleviation.

Evaluation Question 9

Have interventions which support economic development or private sector, been able to contribute towards sustainable economic results, let alone, raising people from poverty.

The completion report indicates that there is no concrete evidence of the sustainability of the interventions or the gains made to date. The report makes it clear that the majority of outputs and financial disbursements have been achieved but the staff are assuming that these benefits will be sustainable in the long term and the expected impacts will materialise in the future.

The field visit provided little hard evidence that this assumption was guaranteed. Additional income had clearly been available through the ring-fenced proportion of the revenue generated by the sale of timber. But it was unclear whether the final utilisation of this revenue stream had been optimised by the committee overseeing the disbursements of funds and whether alternative methods could have ensured more effective use of these funds. It is probably disadvantageous for a project to be overly prescriptive about how revenue should be used, at least until communities can be reassured that revenue streams are assured and that the project and its staff are genuine about their commitment to the communities' well-being.

Even then, designing an appropriate framework for the optimum small scale financing and implementing this is an enormous technical challenge that SUFORD has clearly avoided with good reason. The set up and transaction costs are likely to be high and will require a completely different set of skills to be made available through the project.

Moreover, farmers and rural communities are traditional and conservative by nature, and rural life frequently penalises unusual or unorthodox thinking and choices. So the default position is to do more of the same and stick with traditional tried and tested options. This limits the effectiveness of this unique project and depresses the potential gains that it could make. More original and unconventional cropping options could yield significant gains and the project is in the position of being able (through the use of project funds) to limit the downside to communities should these fail or prove to be worse than the existing options.

Evidence of ecological, social and economic gains in national level MDGs (or in poverty reduction)

The Closing Report has shown that finance generated from the sustainable use of forests has been generated and dispensed to local communities. Livelihoods have improved and the physical evidence is that communities have benefited and if the management plans are adhered to this should ensure, or contribute to, the sustainable use of the timber component of the forest resource.

Commercial investments and forestry businesses: Has the intervention helped to increase commercial investment, added value to and quality standards in forestry businesses, which has led to increased employment and higher contribution from the forest sector to GDP

Phase I placed 656 000 ha of natural forests under PSFM and helped to secure the attainment of forest certification in 45 000 ha, which is a starting point for Lao becoming a major producer of FSC certified wood. However, the wood processing industry needs to start creating Chain-of-Custody systems to realise this potential.

The limitations of the project in this regard are self evident. The project is not designed to optimise the marketing of timber or non-timber forest products and it would be imprudent to try and expand the project to accomplish this without considerable planning and the development of some new project components.

However, the potential does exist for adding value. It is important to realise that certification is a trade mechanism. Consequently, a good understanding of the trade is required if the project intends to use forest certification as a tool for added value, rather than as an indicator of the overall sustainability of the project.

In fact the biggest benefit from certification is the independent confirmation this provides of the sustainability of the management of the forest - even for a limited area of the whole FPA network. It provides an objective and internationally acknowledged indicator that the forest management meets the three basic elements of genuinely sustainable forest management.

In fact the whole question of whether certification can add value at all is very pertinent. To do this requires the investment of considerable technical and managerial investments plus a high front end cost. These are not elements that directly benefit households or communities and the level of added value that they would achieve is likely to be extremely small. Their participation in this process is neither required nor very beneficial.

Even if the timber can command a higher price the proportion of this that will go to communities and households is so small (25% or less of any added value) that it is uncertain whether this is the most appropriate use of the project's limited resources.

With the advent of REDD and funds available for climate change mitigation and revenue from simply ensuring that forest areas are protected, it might be more cost-effective to simply generate revenue from the protection and maintenance of forests and pay this directly to the community in the form of a trust fund, rather than trying to add value to the productive component through certification.

Decentralisation, accountability and transparency (Has the intervention supported processes that aim to increase decentralisation, accountability and transparency that have improved governance and community empowerment, and greater democracy in decision-making)

Related Phase I outputs: PSFM policy and guidelines developed, village development guidelines developed, district and village institutions for sustainable forestry and rural development established and operational (Concept note for Phase II.)

However, the External MTR Report (Governments of Lao PDR and Finland and World Bank 2005) reported major problems related to the interpretation of 'participation' and controversy over GoL decentralisation policy (see above EQ10). There is no information about these issues in the documentation related to the latter part of Phase I implementation and the Phase II.

Given the evidence of the field trip Phase II is unlikely to generate additional benefits in relation to accountability or transparency. However, the geographic spread of the project will significantly increase the project's impact and assist with decentralisation

through being implemented in another 5 provinces. The levels of empowerment and democracy in decision-making will not be increased, but existing benefits should be disseminated more widely.

Levels of household income derived from forestry-related enterprises (Has the intervention helped to increase the levels of household income derived from forestry-related enterprises, ensuring that poor people have secure access to land for forestry purposes, and the skills, advice and investments needed to improve productivity and develop sustainable livelihoods)

Phase I placed 656 000 ha of natural forests under PSFM and 412 villages adjacent to these forests developed village development plans and were implementing priority development. However, important questions remain as to actual benefits to the villagers. External MTR Report pointed out that only 10 per cent of net forest revenues are distributed to villagers according to the prevailing legislation. This was considered as a serious imbalance of revenue distribution which may not provide sufficient incentive for PFM.

The Concept Note for Phase II also states that only few sub-FMAs can provide significant benefit sharing opportunities to adjacent villages as the distribution of forests and villages are variable. There are many forest areas with small populations and many areas of habitation that have limited access to FMAs.

Access by marginalised groups to natural forest resources (Has the intervention helped to secure access by marginalised groups to natural forest resources for fuel-wood, water, building materials, forest foods, grazing and herbal medicines, and improve management of natural forests in reserves and private forests)

NTFPs have been identified as a significant issue in the project design, but there is no evidence in the documentation as to whether the project has helped in conserving the resource base for NTFPs or ensure their sustainable use.

Communities have recognized the difficulty in utilizing these resources sustainably. There is no baseline or database for NTFPs nationally or at a local level and so monitoring and ensuring sustainable utilization is almost impossible. To add a participatory inventory of Non-Timber Forests Products would be a useful addition to the project ToRs, but for this to be effective such an inventory would need to be extended to degraded and protected forest areas as well as FMAs. Thereafter considerable technical work would be needed to assess the level of harvesting that would be sustainable to be able to monitor this.

Marginalised groups – During the project preparation an Ethnic Group Development Plan was prepared to ensure that ethnic minorities do not suffer negative impacts and they receive social and economic benefits appropriate to their cultures and circumstances. At the time of the MTR few field level activities had taken place among the ethnic minority villages; implementation had mainly advanced in the better-off and more easily accessible districts and villages populated predominantly by Lao and Tai-

Kadai ethnic groups (Governments of Lao PDR and Finland and the World Bank 2005).

The completion report does not mention any activities specifically targeted at marginalized groups.

Level & type of private sector engagement during intervention

The project sought to reduce excess sawmill capacity and prevent illegal logging by establishing monitoring and law enforcement systems. PSFM implementation and forest certification created opportunities for production of certified wood.

Finnish financial allocations, levels and timing

Phase I (original plan 2003–2007): EUR 5.7 Million

Phase I (extension 2007–2008): EUR 2.25 Million

Phase II (2009–2012): EUR 9.0 Million

No information about expenditure is available in the documentation.

Scale and quality of TA inputs invested in relation to outcomes

All Finnish funding was directed to TA inputs. In Phase I there were 5 international long-term consultants, 1 JPO and about 10 local consultants working on the project. One more international long-term consultant was added to the team with the project extension in 2007. In addition there were several short-term consultancies (both international and national).

With regards to the quality of TA delivery, documentation includes references to problems related to administrative restrictions and inadequate coordination at national level which hampered effective use of TA in the Phase I. The advisors were operating through a parallel type of organisation structure, instead of being embedded in the line agencies where they could have worked with counterpart teams, instead of certain individuals. It is also pointed out that the advisors had been often compelled to engage themselves in project implementation owing to the need to clear the huge backlog in project activities. This had resulted in limited transfer of skills to local staff, especially the managers at higher levels of administration. Efforts were made to shift the emphasis of TA towards capacity building and mentoring of local managers, instead of direct involvement in the implementation.

Evaluation Question 10

How is the society touched upon by the development interventions taken into account in the strategic and project/programme plans, and what have been the major modalities for the society to influence and affect the development interventions and the decision-making on them?

Number of and range of institutional affiliations engaged in project design, implementation and monitoring

In Phase I, the implementing agency was National Agriculture and Forestry Extension Service (NAFES, under Ministry of Agriculture and Forestry, MAF). In Phase II,

the implementing agency is Department of Forestry (DOF, also under MAF). Main collaborating agencies in both Phases have been: other departments under MAF, Ministry of Industry and Commerce, Ministry of Finance, Science, Technology and Environment Agency (STEA), Lao National Front for Construction, Lao Women's Union.

NAFES, which provides the support for the forestry extension activities, appears to have a huge mandate but has insufficient capacity to tackle all of its functions.

In the field the main institutions were Provincial/District Agriculture and Forestry Offices (PAFO, DAFO), Provincial/District Agriculture and Forestry Extension Service (PAFES, DAFES) and Provincial/District Departments of Planning.

Possibly the most glaring omission is the National Land Management Authority. This has (or should have) a critical role to play in allocating land use and offers a forum for improved coordination with other land uses which impact on forestry.

SUFORD has attempted to address the issue of REDD through the development of a system of forest monitoring that can be utilised for multiple end uses.

Evidence of change in intervention, design and implementation arising from participation

In the early phases of Phase I implementation, the very concept of 'participation' was found to be controversial and understood differently by different stakeholders (External Mid-Term Review Report).

Lao stakeholders had emphasised that SUFORD is not a project managed by villagers but by the Government with participation of villagers.

The joint WB/MFA supervision missions in Oct 2004 and Sep 2005 raised concerns over PSFM and village development activities being less participatory than was agreed during the project preparation.

Having completed the technical design and satisfactorily begun implementing the 'production forest system' dealing with productive elements of forestry and the distribution of its benefits, a component of the extended project is now looking at developing a complementary management system for the Protection Forests.

In addition SUFORD will seek to add value to the timbers produced by promoting lesser known species and promoting chain of custody systems to permit the certified timber to find a place in the market. Though these may add value, it is unlikely that these will directly enhance the revenue passed on to households or contribute towards greater sustainability. These are areas of downstream processing which are outside of the control of participatory forest management.

Extension of the SUFORD model to 5 new provinces should significantly increase the project's impact and clearly the GoL are broadly satisfied with the project design

and its impact to permit its geographic extension and the adoption of this modality for all PFAs.

However, there appear to be no discernible changes to the project design that have derived specifically from the participation of the local communities.

Structures and opportunities for participation included and used by intervention

Formal structures for participation included: National Steering Committee, Provincial Steering Committees, District Steering Committees. According to the original project design, work planning was to be a participatory, bottom-up process involving all the implementation levels (villages, districts and provinces). However, this approach had not been realised according to the mid-term review of 2005.

The project design, though unusual, has embraced multiple stakeholder participation but the levels of participation now appear well defined and fairly inflexible. The project has been extended into a second 3 year phase and this is clearly the result of broad satisfaction of two stakeholder groups, the GoL and the two principal donors providing ODA.

But having established the modality of the intervention, there now appears little opportunity to modify the details of the intervention. Radical modifications are unlikely under this second phase as it consists of rolling out the model to other geographic locations and the emphasis on technical development will now be on the protection forest areas.

Certain stakeholders or beneficiaries may be able to influence and modify the design - for instance if timber prices drop then a reallocation of revenues may be required - but the ability for the lowest level beneficiaries, the households and communities, to change the design are clearly limited.

4 CONCLUSIONS

- ❖ The SUFORD project is closely aligned with declared government objectives and commitments as reflected in the 5th and 6th National Socio-Economic Development Plans, the Decentralisation Policy (Lao PDR 2000) and the Forestry Vision for 2020.
- ❖ The SUFORD project has coincided with, and helped stimulate, a coordinated approach to participatory forest management and its integration with other national Policies.
- ❖ Whilst the GoL is committed to sustainable forest management (SFM), its national development policies and programmes (e.g. major infrastructural improvements and revenue generation opportunities at national scale) can result in conflict with SFM. The project operates within the smaller scale rural sector

which makes it difficult for it to exert an influence on broader developmental debate and the conflict between national development priorities.

- ❖ Phase I placed 656,000ha of natural forest under participatory sustainable forest management and 412 villages adjacent to the forests have developed village development plans and implementing priorities development initiatives. Of this area, 45,000ha have been certified as Forest Stewardship Council (FSC) compliant – reflecting adherence to social, environmental and economic standards based on SFM. However, the total area corresponds to only 33% of the total Production Forest Areas (PFA) of the country.
- ❖ The establishment of the Village Development Fund (VDF) has been well received and there is evidence that they are functioning and have delivered funds that are utilised in the communities. The project reports that a 9% improvement in rural wealth ranking of 131 sample householders.
- ❖ A small proportion of the total revenue generated from harvesting of Production Forest Areas is actually disbursed to VDF. Only that portion of the revenue that exceeds the value established by the Ministry of Trade and Industry is available to be subdivided for direct dispersal to communities.
- ❖ The SUFORD Phase I was implemented through a parallel structure to Government consisting of a National Project Management office at central level and Project Implementation Units at provincial and district levels. This hampered ownership by and coordination within implementing agencies. For Phase II, implementation is integrated into the work programme of the relevant government institutions.
- ❖ The project is a joint project of the World Bank and Government of Finland, with Finnish aid supporting the TA component provided by Indufor. The project is complex and the modality is innovative between partners.
- ❖ The project design and Phase I implementation has benefited from unique Finnish added value to terms of production forest management, revenue generation and achieving certification status. However, with the design in place and the project in its second phase it is uncertain how Finland has been able to exert any additional value to the project. The Finnish support and expertise is acknowledged positively by all staff and local institutions.
- ❖ Gender-based issues have been recognised and reflected in gender-based studies. However the lack of clear objectives, outcomes and targets within the project means that no specific actions are taken. Marginalised groups are recognised in the project design through an Ethnic Group Development Plan but little evidence of consideration during implementation and outcomes.
- ❖ Looking ahead and considering the advent of REDD and possible flow of funds available for climate change mitigation and revenue from simply ensuring that forest areas are protected, it might be more cost-effective to simply generate revenue from the protection and maintenance of forests and pay this directly to the community rather than trying to add value to the productive component through certification.

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Evaluation

**Finnish Support to Forestry and
Biological Resources**

**Country Reports
Part 6. Vietnam**

Evaluation report 2010:5/II (6. Vietnam)

Evaluation

Finnish Support to Forestry and Biological Resources

Country Reports Part 6. Vietnam

James Sandom
Kaisu Tuominen

Evaluation report 2010:5/II (6. Vietnam)

MINISTRY FOR FOREIGN AFFAIRS OF FINLAND

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ACRONYMS

ADB	Asian Development Bank
BoD	Board of Directors
CTA	Chief Technical Advisor
DARD	Department of Agriculture and Rural Development
EC	European Commission
FIM	Finnish Markka
FLITCH	Forestry for Livelihood Improvement in the Central Highlands Project
FOMIS	Forest Sector Monitoring and Information Systems Project
FORMIS	Development of Management Information System for Forestry Sector Project
FSDP	Forest Sector Development Strategy
FSSP	Forest Sector Support and Partnership Programme
FSSP&P	Forest Sector Support Programme and Partnership
5MHRP	Five Million Hectares Reforestation Programme
GDP	Gross Domestic Product
GEF	Global Environment Facility
GoF	Government of Finland
GoV	Government of Vietnam
GR	Grant Recipient
HCS	Hanoi Core Statement
HIV / AIDS	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome
IDA	International Development Assistance
M&E	Monitoring and Evaluation
MARD	Ministry of Agriculture and Rural Development
MDG	Millennium Development Goal
MDTFF	Multi-Donor Trust Fund for Forests
MFA	Ministry for Foreign Affairs of Finland
MoA	Memorandum of Agreement
MOU	Memorandum of Understanding
MU	Management Unit
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD-DAC	Organisation for Economic Co-operation and Development – Development Assistance Committee
PMU	Project Management Unit
PRA	Participatory rural appraisal
REDD	Reduced Emissions from Deforestation and Degradation
SWAp	Sector Wide Approach
TA	Technical Assistance
TFF	Trust Fund for Forests

TOR	Terms Of Reference
UN	United Nations
UNDP	United Nations Development Programme
VBP	Vietnamese Bank for the Poor
VFFP	Vietnam Finland Forestry Sector Co-operation Programme
VND	Vietnam Dong
VNFF	Forest Protection and Development Fund
WB	World Bank
WU	Women's Union

SUMMARY

The country synthesis draws on an initial desk based review of key country and project documents, and a country mission that took place between April and June 2010. Staff of MFA Headquarters and Finland based consulting companies were also consulted. Key stakeholders that were consulted in Vietnam include staff of the Forestry Department in the Ministry of Agriculture and Rural Development (MARD), the Ambassador and staff of the Embassy of Finland, donor and partner institutions and civil society.

The Government of Finland (GoF) has had a long standing cooperation programme with Vietnam. The evaluation assessed the: Vietnam Finland Forestry Sector Co-operation Programme (VFFP), Phase II 1999–2003; Forest Sector Support and Partnership Programme (FSSP) and Forest Sector Development Strategy (FSDS): 2003–2007; and the Multi-Donor Trust Fund for Forests (MDTFF) 2004–2011.

Key findings from the evaluation mission include:

- ❖ Finland's ODA to the forestry sector are fully aligned with Government of Vietnam (GoV) policies and strategy. All the interventions are, however, in principle geared towards poverty reduction and sustainable use of natural resources. However, there are hardly any explicit references to MDGs or international forest and biodiversity regimes in the documents.
- ❖ The extent to which baselines have been used in the WB and ADB projects co-financed by Finland through MDTFF is unclear and the VFFP baseline information was not systematically established at the beginning of the project. Linked to this is that reporting of project progress was against project outputs as opposed to outcomes. As a result linking the forestry sector to poverty alleviation becomes difficult to ascertain. Furthermore, within both programmes the definition of poverty remains a purely financial one and consequently issues related to other forms of poverty, such as poverty of knowledge, poverty of resources, power or livelihood options, remain either unaddressed or the benefits unrecorded. Even within the limited definition of financial poverty it remains uncertain whether the preferred modality – increased income generation through the establishment of forests and the sale of wood products – is the most effective or appropriate means of achieving the goal.
- ❖ Under the current modality GoF's ODA is unable to apply its expertise effectively or be able to effectively direct its support to those areas of particular concern thus compromising on effective value addition. However there is an opportunity under the Development of Management Information System for Forestry Sector (FORMIS) project in term of provision of broad benefits to the forestry sector as a whole.
- ❖ There were recorded successes in the facilitation of enhanced dialogue and in the creation of consensus on sector goals and programme framework. However, there was less success in the establishment of active coordination mecha-

nisms with interventions using parallel and different donor procedures, funding routes, and classifications for budgeting and reporting.

- ❖ The objectives of interventions include reference to all three dimensions of sustainability of forestry and forest management. However, the attention given to sustainability dimensions in the follow-up documents is less clear.
- ❖ With respect to funding modalities FSSP and MD'TFF has been implemented through pooled funding. Whilst aimed at improving aid harmonisation and co-ordination, the practical impact of utilising this modality has been that it is difficult to identify the specific benefits that GoF ODA has contributed to the key goals of poverty alleviation and sustainability. In addition as the GoF has no direct involvement in the day to day management of the interventions it loses the opportunity to add Finnish value.
- ❖ For the FSSP and MD'TFF the existence of the partnership, together with the availability of funding from partners and from the TFF, has enabled strategic interventions in order to support the development of the policy and legislative framework of the forestry sector, including piloting new approaches.
- ❖ Under the VFFP there was an increase in the coverage of forests through the land allocation to farmers. In addition with respect to cross cutting issues support of the Women' Union enhanced the Union's performance having been better, especially in reaching the neediest and female borrowers.
- ❖ The 2009 Evaluation rated the effectiveness of TFF in achieving its goal of protection of environment as "good", indicating that TFF's effectiveness in terms of environmental protection was better than in terms of improved livelihoods for forests-dependent populations or increased contribution from forests to national economy. Furthermore through FSDP Finnish funds have contributed towards the establishment of 30,000ha of high yielding plantation forest, the income from which is directly benefiting rural households.
- ❖ There was also evidence of enhanced partnerships under the FSSP as donors, multilateral agencies, international non-governmental organisations, the Ministry of Agriculture and Rural Development (MARD), local organisations, national non-governmental organisations, and the private sector, including both domestic and foreign enterprises and investors were involved.
- ❖ With respect to conservation of biological resources although goals do exist for protection and conservation of the forest, the absence of an equally clear vision and targets for activities related to conservation and protection could result in an over-emphasis of resources being applied to the production aspect of 'development' and donors in general should be aware of the need to offer a 'balanced' programme of support to the sector and ensure that GoV applies the same energy and focus to the protective and conservation aspects of its forest resources.

In summary, forestry can clearly provide a means alleviating rural poverty, but the linkages between forestry and poverty are complex and they can only be made with a system that develops clear indicators and that collects the required information systematically.

1 INTRODUCTION

1.1 Overview of Vietnam's Development Needs and Priorities

The overall development trend in Vietnam has been very positive during recent years. In the last 15 years the poverty incidence has been reduced from 58% in 1993 to around 12–13% in 2008. This is a remarkable achievement in an international comparison. In terms of the MDG goals Vietnam has also done well. The GoV estimates it has achieved or is likely to achieve most of the MDGs by 2015. Challenges remain in some of the MDG goals and thematic areas, for instance related to environmental sustainability (sanitation, waste management) and combating HIV/AIDS. Economically, Vietnam is about to achieve the status of a lower middle income country. The Government's official target is that Vietnam will be a developed industrialised country by 2020 (Ministry for Foreign Affairs of Finland 2010).

Although recorded poverty levels have decreased sharply, there are still deep pockets of poverty. Many households have risen barely above the poverty line and therefore remain vulnerable to falling back into poverty. Growth has also been associated with an increase in inequality, particularly a widening rural-urban income gap. About 90 percent of the poor live in the rural areas. Ethnic minorities, which comprise 14 percent of the population and live mainly in remote upland areas, are disproportionately affected by poverty, representing almost 30 percent of the poor (UNDP 2010).

1.2 Overview of Forestry Sector in Vietnam

Forests and forest land occupy about two-thirds of the total area of the country. It is the main asset of, and provides most of the work opportunities for more than 24 million people belonging to some 50 ethnic groups who live in or close to the forests. High population growth rates, relatively high population densities for the limited areas of productive agricultural land and rural poverty have contributed to rapid environmental degradation in Vietnam. During the last 50 years, timber extraction and subsistence forest use contributed to the deforestation of nearly half of Vietnam's forests (Ruotsalainen 2010).

Since the 1990s, the Vietnamese Government has made significant efforts to halt forest loss and reforest the country. One of the most important efforts has been the Five Million Hectares Reforestation Programme (5MHRP) of 1998 which seeks to raise forest cover in the country to 43 percent. In 1999, first steps towards partnership were taken when 18 donor countries and the Vietnamese Government signed a Memorandum of Agreement (MoA) in which the signatory countries, including Finland, committed in supporting the 5MHRP (Ruotsalainen 2010).

As a separate process, the Ministry of Agriculture and Rural Development (MARD) prepared a new Forestry Sector Strategy up to the year 2010. Subsequently, a Vietnam Forest Sector Support Programme and Partnership (FSSP) was developed to provide a framework and support for the new Strategy, including the 5MHRP. In 2007, the new Vietnam Sector Forestry Development Strategy (FSDP) for the years 2006–2020 was approved (Ministry of Agriculture and Rural Development 2007).

1.3 Overview of the History Finnish Support and Forestry Sector Involvement in Vietnam

Vietnam has been Finland's partner country since 1979. In 2006, Finland set an intermediate country strategy for Vietnam, which aimed at concentrating aid to fewer sectors and projects. Forestry was then defined as one of the priority sectors. Other co-operation sectors currently are water management, rural development, poverty programmes and Vietnam's One UN process. In 2008, project planning started on a new cooperation sector in the field of science and technology, the goal of which is to create a so-called innovation partnership (Ministry for Foreign Affairs of Finland 2010; Ruotsalainen 2010).

Finnish interest in the forest sector began with an initial feasibility study in 1992 at a time when there was very limited donor support to the sector. From 1996 to 2003, MFA supported the Vietnam Finland Forestry Sector Co-operation Programme (VFFP) working in pilot communes in Bac Kan Province. As a small part of this project, Finland supported national level policy processes and participated in the building of the donor partnership on forestry sector (FSSP). Since 2000, Finnish support to the forestry sector has been channeled through multi-donor arrangements: FSSP and the Trust Fund for Forests (TFF) funding mechanism (LTS International 2003).

TFF continues to be the main channel of aid in the 2009-2011 period. Besides a financial contribution to the TFF, Finland is launching a new technical assistance project for MARD on developing a forest information system. Climate change adaptation and mitigation are new elements of the TFF MoU revised in 2009, and Finland has expressed its readiness to provide additional support to climate change activities through the TFF (Ministry for Foreign Affairs of Finland 2010).

2 INTERVENTIONS IN FORESTRY AND BIOLOGICAL RESOURCES SECTOR

Table 7 summarises Finland’s involvement in the forestry sector in Vietnam in 2000–2009.

Table 7 Summary of forestry sector interventions in Vietnam 2000–2009 supported by Finland.

Title	MFA Code	Duration	Funding
Viet Nam - Finland Forestry Sector Co-operation Programme (VFFP), Phase II (1)	76902603	1999–2003	EUR 2.5 Million
Forest Sector Support and Partnership Programme (FSSP)	76905501	2003–2007	EUR 3.0 Million
Multi-Donor Trust Fund for Forests (MDTFF)	76906501	2004–2011	EUR 17.5 Million

(1) Note: This project was partly assessed by the evaluation of Finnish forest sector development Co-operation of 2003 (LTS International 2003, pp. 65–67).

Source: Ruotsalainen 2010.

Vietnam – Finland Forestry Sector Co-operation Programme (VFFP), Phase II

MFA Code: 76902603

Duration: 1999-2003 (Phase I 1996–1999)

Type of intervention: Project (9 communes in Bac Kan Province, north central Vietnam)

Financing: Total budget for Phase II – Finnish Markka (FIM) 17.7 million (USD 3,5 million)

MFA grant: FIM 15.4 million (USD 3.0 million)

GoV contribution: FIM 2.3 million (USD 0.5 million)

MFA contribution: Original budget FIM 15.4 million, actual utilisation EUR 2.513 million, equivalent to FIM 14.9 million

Implementing partners / organisational set-up:

Department of Agriculture and Rural Development (DARD) for Bac Kan Province, working with the DARD of Cho Don District and the DARD of Ba Be District, in collaboration with other local institutions, communities and local residents

Overall Objective:

To contribute to sustainable rural development in the mountainous regions of Vietnam, through the integration of forestry activities in the rural land-use and economy
Project Purpose, Original: To continue to support, develop, and expand management solutions for sustainable use of forest resources and forest land in order to improve living standards and to protect the environment (in the project document)

Revised purpose: By the end of the Phase II, poor and hungry households of the Programme communes have access to financing, training, forest land, markets and sustained extension support, and are able to generate income with available production factors.

Forest Sector Support and Partnership Programme (FSSP) and Forest Sector Development Strategy (FSDS)

MFA Code: 76905501

Duration: 2003–2007

Type of intervention: Project (institutional support + TA)

Financing: FSSP Coordination Office EUR 737,000 (M&E Specialist for 2 years 400,000 + Lump-sum contribution to Trust Fund 337,000), other donors: Netherlands and Switzerland and Sweden, total budget USD 997,794 over 3 years 2004-2006 (agreement signed in 2003).

Total Finnish funding 2003-2007: EUR 3.0 million (as per MFA list ODA funding in 2007 and 2006)

2003: Finnish support USD 120 000 (Forest Sector Development Strategy)

2006: Finnish support USD 860 000 (Forest Sector Development Strategy)

2007: Finnish support USD 1,09 million (Support to Forest Sector Development)

2008: Finnish support USD 40 000 million (Forestry Development).

Implementing partners / organisational set-up:

FSSP Coordination Office of the Ministry of Agriculture and Rural Development (MARD)

Overall Objective: Development and integration of FSSP coordination and monitoring capabilities into concerned institutions

Project Purpose: To support the implementation of FSSP Coordination Office activities

Multi-Donor Trust Fund for Forests (MDTFF) 2004-2011

MFA Code: 76906501

Duration: 2004–2011

Type of intervention: Basket funding + earmarked support to WB project

Financing/Total Finnish Support :-

2004–2011 – EUR 17.5 million (as per MFA list of ODA funding in 2008)

2004–2010 – EUR 4.2 million (as per MFA list of ODA funding in 2007)

Note: the project is listed for the first time in the MFA list of ODA funding in 2007.

Agreement on Multi Donor Trust Fund EUR 1,869,914 for 2004–07

Earmarked support to WB Forest Sector Development Project/TA component (2005–2011) USD 5.3 million (equivalent to USD 5.79 million in 2009) – 2.8 million disbursed by Nov 09.

Total budget of USD 71.3 million (Table 8), financed by an IDA Credit of USD 39.5 million, a Grant from the Global Environment Facility (GEF) of USD 9 million, a Grant from the Trust Fund for Forests (TFF) in the amount of EUR9.2 million (consisting of two child trust funds), and a Grant from the EC of EUR1.96 million. (Note, there are slightly different figures given in different documents.)

Table 8 Funding disbursement to the MD'TFF.

Financier	Original allocation	Cumulative disbursement Nov. 2009	% of total	Total disbursement by March 2011	Expected unspent balance at closing
	USD			USD	
IDA	43.4	15.36	36	27.0	16.4
GEF	9.00	1.97	22	6.5	2.5
TFF (Finland)	5.79	2.8	48	5.0	0.79
TFF (mult. donors)	6.35	2.9	42	6.1	0.25
EC	2.37	0.55	23	1.0	1.37
GOV	4.4	1.49	34	2.5	1.9
Total	71.3	25.7	36	48.1	23.2

Source: Indufor Oy 2009a.

Pre-study/OECD-DAC:

2007: USD 1,5 million

2008: USD 0,7 million

Organisational set-up:

2004-2006/07: TFF was managed by FSSP CO

2009: TFF's governance and organisation structure includes the Board of Directors (BoD) as decision making body, TFF Management Unit (MU) as the executive body (FSSP CO), and the Project Management Units (PMUs) established by the grant recipients (GR).

TFF Overall goal:

The sustainable management of forests and the conservation of biodiversity to achieve: a) protection of the environment, b) improved livelihoods of people in forest dependent areas, c) enhanced contribution of the forest sector to the national economy, and d) increased contribution of forests in terms of climate change mitigation and adaptation. (Objective d was added in the MoU 2009).

TFF Objectives:

- i) Aligning ODA support more closely with the agreed priorities identified in the FSSP framework;
- ii) Improving the poverty targeting of ODA support to the forest sector, consistent with the CPRGS;
- iii) Harmonizing aid delivery from ODA to the forest sector through reducing transaction costs on GoV;
- iv) Supporting a transition towards a sector wide approach to ODA support in the forest sector. (New MoU of 2009 revised the 4th objective).

Serving as a pilot to develop experience and lessons beneficial to the establishment of a fully GoV-owned Forestry Protection and Development Fund.

3 ASSESSMENT OF INTERVENTIONS AGAINST THE EVALUATION QUESTIONS

Evaluation Question 1

Did the respective budget appropriations, overall policy measures, sector policies and their implementation plans adequately reflect the development agenda in general, and in particular the major goal of poverty reduction?

Project design is based on partner country development plans

The field visit was able to verify that the interventions that form the major elements of Finland's ODA to the forestry sector are fully aligned with GoV policies and strategy as they were elaborated at the time the interventions were designed and put in place.

The 5 Million Hectare Reforestation Programme of 1998 and the Forestry Development Strategies for 2001–2010 and 2006–2020 remain the key policy documents. The government strategies which define the operating environment and establish the strategic development mechanisms are logically and intimately linked with the policies and the result is an integrated and coherent vision and development strategy for forestry that provides a solid platform for ODA support that operates across the forest sector, even if a Sector-Wide Approach (SWAp) is still considered unfeasible.

The key strategic themes are fully described in the Comprehensive Poverty Reduction and Growth Strategy, CPRGS 2001; 10-year Socio-Economic Development Strategy 2001–2010; 5-year Socio-Economic Development Plans 2001–2005 and 2006–2010.

As for VFFP (designed in the late 1990s), the project was aligned with the GoV increased emphasis on agriculture and rural development, and associated programmes to alleviate rural poverty, particularly targeted at remote mountainous communes with high populations of ethnic minorities (National Programme for Hunger Elimination and Poverty Alleviation; Socio-Economic Development Programme for Disadvantaged Communes in the Mountainous and Remote Areas). VFFP was also linked with the on-going national programme of land allocations and the promotion of sustainable management of natural forests and forest lands by individual households, local communities and other entities.

Evidence of consideration of MDG targets, international forest and biodiversity regimes (e.g. UNFF goals, SFM, indigenous peoples' rights, NBSAP and NFP) and country based environmental strategies and best practice in intervention design and assessment

The field trip reaffirmed that as identified in the Desk Study there are hardly any explicit references to MDGs or international forest and biodiversity regimes in the documents. All the interventions are, however, in principle geared towards poverty reduction (MDG1) and sustainable use of natural resources (MDG7).

The development of the forest sector is clearly elaborated in a number of documents but from the documents and discussions during the field visit it clear that when development is mentioned the underlying assumption is that it is economic and industrial development based on forest resources that is the implicit objective. This is understandable given the success of the Vietnam timber industry which though largely based on timber imports has shown a remarkable expansion and provided an increasing volume of timber-based exports. The logic for enhanced development through increased production and processing is clearly evident. Consequently, the clearest targets and the majority of the dialogue are focused on expanding timber production, enhanced manufacturing and processing, and the export of forest products.

Although goals do exist for protection and conservation of the forest, the absence of an equally clear vision and targets for activities related to conservation and protection could result in an over-emphasis of resources being applied to the production aspect of 'development' and donors in general should be aware of the need to offer a 'balanced' programme of support to the sector and ensure that GoV applies the same energy and focus to the protective and conservation aspects of its forest resources. This is particularly important given the change of emphasis within donor programmes and the increasing importance of climate change and environmental and social sustainability.

Donors need to recognise that it is easy for interventions with a productive and commercial emphasis to be focussed on preferentially by the public and NGOs, and thereby attract negative publicity. GoF has already experienced this as have the World Bank and a number of other forestry support programmes. Some of this is inevitable but a conscious or unconscious bias exists in favour of one definition of 'development' within the development debate then there is an increased danger that progress on development becomes unbalanced.

The opportunities and challenges related to climate change and REDD financing have been taken into consideration. The key institutions are aware of these opportunities and a National Target Programme to Respond to Climate Change (Decision No. 158/QD-TTđ) was produced in 2008 by GoV.

However, the activities related to Climate Change and for REDD are vested within different Ministries within the GoV and the need for coordination of these activities

– and with existing interventions, is clear. REDD related activities are vested within MARD and this should ensure coordination with existing forest sector programmes.

Extent and use of ecological and socioeconomic baseline data

Forest Sector Monitoring and Information System (FOMIS) was developed with FSSP support. It consists of 32 key forest sector indicators that are being collected by various organisations as a part of their regular duties. In 2006, FOMIS was not yet an operational M&E tool for the forestry sector (Forest Sector Support Programme and Partnership Coordination Office 2006). In 2009 Finland was planning to launch a new technical assistance project for MARD on developing a forest information system (Ministry for Foreign Affairs of Finland 2010, to be followed up).

As identified in the desk study it is not clear from documentation to what extent baselines have been used in the WB and ADB projects co-financed by Finland through MDTFF. VFFP: Baselines were not systematically established at the beginning of the project, but annexes to the Project Completion Report (MARD & MFA 2003a) contain an impressive amount of data (e.g. comparisons of poverty situations in the project area in 2001 and 2002). PRA methods were also used in the planning and in order to assess progress/impact of the project.

Additionally, reporting by the TFF also contains detailed statistics and reporting of project outputs. The Trust Fund for Forests – 2nd major evaluation (Indufor 2009b) identified that progress against the majority of targets was fairly good to excellent. But closer investigation reveals that this really reflects progress against targets rather than desired outcomes and it proved impossible to find quantitatively how much the TFF activities had contributed to poverty alleviation or sustainability – even though nationally, the poverty rate (based on household survey data) had dropped from 58.1% in 1993 to 16.0% in 2006 whilst the proportion of people living below the official poverty line had fallen from 20.2% in 2005 to 12.3% in 2009. Indicators of changes in rural poverty are more difficult to find.

Forestry can clearly provide a means of alleviating rural poverty, but the linkages between forestry and poverty are complex and this is highlighted in the most comprehensive summary of the situation – the 2005 publication *Poverty Alleviation and Forestry in Vietnam* by Sunderlin and Thu Ba. This was an output from the Forest Sector Support Programme & Partnership (FSSP & P), the precursor of the current FSSP and the Finland TA at the time provided considerable input as the acknowledgements show.

This report highlighted a number of issues but emphasises the need to recognise and define the different types of poverty, so that that meaningful targets and indicators could be established and measured against a solid baseline.

The current interventions, particularly the two supported by the Government of Finland – FSDP and Forest for Livelihood Improvement in the Central Highlands

Project (FLITCH) – all have poverty alleviation as a key goal, but there is no definitive baseline against which to measure progress objectively or in detail. Hopefully, this can be rectified through the new FORMIS project which is being supported by GoF. It is vital that if poverty alleviation remains a key development goal then some form of objective evaluation – based on indicators of variables whose relationship to rural poverty are clearly and quantifiably linked. This forms a key part of the FORMIS project.

The complex relationship of forestry with poverty and the absence of a consistent baseline mean that it is still not possible to establish what proportion of the poverty gains made so far can be attributed directly, or indirectly, to the various forestry interventions.

Indicators, such as improvements in rural incomes and number of households impacted are, at best, surrogate indicators that can in some cases be misleading. The absence of clear linkages and indicators also means that it is not possible to assess the relative effectiveness of alternative poverty alleviation strategies that might have been more effective.

Furthermore, within both programmes the definition of poverty remains a purely financial one and consequently issues related to other forms of poverty, such as poverty of knowledge, poverty of resources, power or livelihood options, remain either unaddressed or the benefits unrecorded. In fact these interventions actually address one aspect of poverty – resource poverty – by ensuring land title and use rights over the land. This is clearly a significant benefit but given the focus on the financial definition of poverty, this benefit does not appear as a significant outcome of the GoF's ODA.

Even within the limited definition of financial poverty it remains uncertain whether the preferred modality – increased income generation through the establishment of forests and the sale of wood products – is the most effective or appropriate means of achieving the goal. Certainly the current interventions, however effective they may be at establishing tree cover, do not focus on alleviation of the poorest of the poor and instead focus on a relatively wealthy section of the rural community.

It is clear that this model has been adopted in large part because it meets the other strategic goal of an assured supply base for its existing forest industry, and this is reinforced by the certification component of FSDP and FLITCH which is designed to ensure market access for Vietnam forest products – a secondary objective repeatedly highlighted in project documentation. This is an area where although the twin objectives of poverty alleviation and the maintenance of a timber industry are being met by a single intervention, it is a compromise that may not be the optimum approach for poverty alleviation or one which is sustainable in the long term. This is particularly true for the interventions which rely on supplying markets with cheap product.

Evaluation Question 2

Are the interventions responding to the priorities and strategic objectives of the cooperating party, are they additional or complementary to those done by others, or are they completely detached and stand-alone – in other words, what is the particular Finnish value-added in terms of quality and quantity or presence or absence of benefits, and in terms of sustainability of the benefits and in terms of filling a gap in the development endeavour of the partner country?

Value addition

Finland was one of four donors (in addition to Netherlands, Sweden and Switzerland) piloting joint/pooled funding mechanisms to the forestry sector (FSSP Coordination Office Trust Fund, MDTFF). It is not possible to assess from the documents what the Finnish added value has been in the process.

Finland's financial contribution to the TFF is clearly delineated and broken down into earmarked and unearmarked funding, which enables the Finnish contributions to FSDP and FLITCH to be broadly identified.

Finland provided parallel support to finance an M&E Adviser for FSSP Coordination Office, and the TOR's were later converted into those of Coordination Office CTA. This TA component was contracted to a Finnish company (Indufor); the consultant, however, was not a Finn.

Through MDTFF Finland has given earmarked support towards a large-scale WB forestry project – FSDP. Funds have been directed to TA and training related to the project component aiming at biodiversity conservation in special use forests. The right of use of funds has been delegated to WB, and the TA implementation has been contracted to SKM consulting company of Australia. Through MDTFF Finland is also supporting another large-scale loan project implemented by ADB (from unearmarked contribution).

VFFP was solely funded by Finland and the related TA implementation was contracted to a Finnish company (Indufor – Metsähallitus Group, in partnership with Jaakko Pöyry Development, Scanagri Finland Oy and Viet Thong Co. Ltd).

The GoV's consistent support for the forestry sector, the congruence of objectives and the maturity of its relationship with its development partners means that a broader, almost sectoral approach to forest development is feasible, desirable and practicable. This enables the GoV and its agencies to lead many of the programmes and interventions as well as adopting a genuine partnership in the way it uses financial and physical resources – such as the multi-donor Trust Fund for Forests (TFF).

The commitment of GoF to a wider, if not fully sectoral approach, working through shared institutions and providing funds for its two largest interventions through the multi-lateral TFF, has had three unintended results:

- ❖ Firstly it limits Finland's ability to positively influence the day to day performance of the projects that it is supporting. Whether the funds are earmarked or

unearmarked, GoF's support is effectively limited to providing funds but is unable to target the utilisation of those funds to ensure that its specific objectives (in this instance poverty alleviation) are targeted or addressed with optimum efficiency.

- ❖ Additionally, when problems are identified – either with the project design or with delivery – GoF is unable to effect or directly influence the delivery of timely solutions. During the brief field visit a number of technical issues and potential problems became evident. Identifying the problems and providing timely solutions is the function of the TAs and the steering and management committees. Regular monitoring by the steering and management committees mean that most of the issues are identified, but the application of an appropriate solution can be delayed. This problem was highlighted by the previous CTA to the FSSP but the problem is systemic and remains a contributory barrier to more effective delivery of expected outcomes.
- ❖ The loss of direct involvement in the day to day management of the interventions that GoF is supporting financially means that its programme has lost its unique identity and finds it impossible to add Finnish value. The rationale for Finnish support to the two interventions is unconvincing and limited in scope – put simply the rationale is ‘adding to the value chain’. Quality end products (whether wood or environmental services) requires quality planting stock and inputs and these are a Finnish speciality. The logic is questionable and the effectiveness of this particular form of intervention and its contribution to poverty alleviation very uncertain. The practical result is that the 2 components that GoF is supporting through the TFF are focussed on the timber production components of the forestry programme and GoF support has inadvertently strayed from its original focus of poverty alleviation and environmental and social sustainability.

This third point is very important as although all GoV institutions met during the field visit expressed their satisfaction with Finnish support and the contribution it has been making to the sector, a number (particularly MARD) expressed a strong desire for Finland's acknowledged strengths and specialities in forestry to be better reflected in the current programme.

It is clear that under the current modality GoF's ODA is unable to apply its expertise effectively or be able to effectively direct its support to those areas of particular concern. This means that GoF is failing to meet its goal of adding Finnish value.

Evidence of engagement and synergies with Government/Donor Coordination mechanisms at design and implementation stage

The focus of FSSP and MDITFF has been to promote harmonisation and coordination of donors in the forestry sector. There are more than 20 donors involved in the sector (MoU on FSSP was originally signed by 18 donors in 2001; by 2006 there were 25 signatories). Finland was one of four donors facilitating the setting up of the FSSP Coordination Office in 2002.

In 2004, MDFFF was established with the following objectives:

- i) Aligning ODA support more closely with the agreed priorities identified in the FSSP framework;
- ii) Improving the poverty targeting of ODA support to the forest sector, consistent with the CPRGS;
- iii) Harmonizing aid delivery from ODA to the forest sector through reducing transaction costs on GoV; and
- iv) Supporting a transition towards a sector wide approach to ODA support in the forest sector.

As SWAp was later deemed unfeasible, the 4th objective was revised in the new MoU in 2009 into: “Serving as a pilot to develop experience and lessons beneficial to the establishment of a fully GoV-owned Forestry Protection and Development Fund.”

VFFP: The project was designed prior to the aid harmonisation era and there is no evidence of efforts to coordinate the implementation with other donors. However, project funds facilitated Finnish participation and policy inputs in the FSSP preparation at national level.

The TFF has been a key vehicle for the delivery of support to the forestry sector and it has clearly achieved its primary objective of ensuring ODA support is aligned with agreed priorities for the forestry sector. But it is less clear whether or how it has improved the targeting of poverty within the forest sector.

Currently ODA from the MFA is being channelled to sub-components of FSDP and FLITCH which are essentially designed to accomplish similar objectives and through a similar modality: the enhancement of rural income generation through the establishment of forest resources which can be sold to generate income.

Even if the logic is sound there are a number of areas in which the underlying methodologies could be improved to ensure improved income generation or greater sustainability. Given the current design and assumptions, the end result of these two project components is effectively pre-determined: the establishment of fast growing exotic monocultures for pulp and chip. During the visit it was a common conclusion that 90% of plantations planted with the FSDP (and probably FLITCH) will have this same configuration.

It is clear that this also meets the secondary (or possibly primary) objective of securing supply for existing timber industries but it may not be the optimal land use choice that farmers would prefer to select or the most effective method of alleviating poverty in the long term, particularly as it is highly reliant on external factors. This may be the fault of the design of the individual components that comprise the FSDP and FLITCH rather than the TFF, but clearly in its commitment to FSSP and TFF the Finland programme has lost control of the ability to focus the delivery of its own funds to those areas which it regards as a priority.

The TFF appears to be an acceptable means of financial disbursement. Its structure means that it could be used to ensure funds to be targeted at specific objectives – provided that the Board of Management agrees on the target.

It is clear that funding through the TFF has not, so far, permitted added-value objectives to be met effectively.

The record keeping and presentations have permitted lessons to be learned and which can be used in the development of similar fund for the management of the protected forests (Forest Protection and Development Fund – VNFF). In this the TFF have been diligent and it is likely that the VNFF will be a considerably more effective mechanism as a result.

Level of harmonisation reported and recorded

Joint Review on FSSP in 2006 concluded that there had been little progress towards the objective of introducing a SWAp (FSSP & PCO 2006). FSSP had had some success in facilitating processes of exchange, of policy dialogue, of developing guidelines, in creating a consensus on sector goals and programme framework. However, it had not yet succeeded in establishing mechanisms for active coordination. Rather, FSSP had supported a parallel planning framework to that of Government and had developed no process to review sector performance or to programme resources towards Government-led plans. Government had not taken a lead to coordinate aid to the sector, partly because donors had been reluctant to commit themselves as to their likely spending. Coordination had rested on the informal initiative of individual donors.

In the Joint Review of TFF of 2006, the Trust Fund was seen as having been a backward step by introducing burdensome procedures that had caused delays and further duplicative processes (FSSP CO 2006). Rather than being a vehicle for providing support to the sector, it had administered its own grant scheme using procedures different from and additional to those of the Government.

On the other hand, according to the Second Major Evaluation of the TFF of 2009, the Trust Fund had indeed contributed towards implementing the Hanoi Core Statement (HCS) on aid effectiveness and harmonisation; at least as far as the contributing 3-4 donors were concerned (Indufor 2009b). The evaluation states that there are indications that TFF has served as a role model for implementing HCS, and that both TFF and FSSP are recognized also outside the forest sector as an innovative model from which lessons are learned and also outside Vietnam. However, there was no progress towards sector support because no such process was feasible, given the forest sector being much too decentralised, the role of Official Development Assistance (ODA) in the overall sector financing too small, role and volumes of ODA to forest sector declining, and the role of private sector increasing.

The World Bank and the ADB projects co-financed through TFF were being implemented using parallel and different donor procedures, funding routes, and classifications for budgeting and reporting purposes.

VFFP: Programme completion report (Ministry of Agriculture and Rural Development & Ministry for Foreign Affairs of Finland 2003c) states that attempts were made to harmonise the Vietnamese accounting and cost control system with MFA requirements but this did not materialise. Chief TA (a Finn) was responsible for financial management of the Finnish contribution.

Extent and relevance of Finnish expertise included in and provided to interventions

It is not possible to assess the full extent and relevance of Finnish expertise based on the documentation review. A few examples of the use of Finnish expertise have been identified:

- ❖ Finnish experts have participated in joint supervision and review missions of FSSP, TFF and the WB forestry sector project.
- ❖ FSSP: Finland funded Chief Technical Advisor to the Coordination Office. This component was contracted to a Finnish company (Indufor); the consultant, however, was not a Finn.
- ❖ VFFP was solely funded by Finland and the related TA implementation was contracted to a Finnish company (Indufor – Metsähallitus Group, in partnership with Jaakko Pöyry Development, Scanagri Finland Oy and Viet Thong Co. Ltd). There were 2 international TAs, 1 national TA and 8 months of international short-term consultants; international TA took up 37 % of project budget.

Level of Finnish initiatives / value added which have led to benefits in forest sector

It is not possible to assess the added value based on the documentation. The Evaluation of the Finnish Forest Sector Development Cooperation (LTS International 2003) assessed MFA's contribution to the formulation of FSSP, concluding by the statement that in general terms MFA has been a valued supporter (rather than a shaper) to the debates and processes on forest sector development.

This conclusion is borne out by the field visit. The one significant area where Finnish Added Value can possibly be reflected is in the FORMIS project. It is important to note that this project is an area where Finnish expertise can really be brought to bear and have a significant added value and provide broad benefits to the forestry sector as a whole. But that in doing so its contribution to poverty alleviation and sustainability, though assured, are more diffuse and second hand.

Evaluation Question 3

How have the three dimensions of sustainability been addressed in the interventions and were the aim modalities and instruments conducive to optimal materialisation of the objectives of the aid intervention?

Extent of attention to all three dimensions of sustainability in project documents

The objectives of interventions include reference to all three dimensions of sustainability of forestry and forest management. However, the attention given to sustainability dimensions in the follow-up documents is less clear.

The field visit concentrated on the two current interventions, support for the FSDP and FLITCH. Although the issue of sustainability (economic, environmental and social) are clearly embedded in the two projects it is unclear how these can be assured particularly given the two specific interventions which Finnish funds are supporting. Here the underlying rationale is for village communities to benefit from the growing of forest plantations and the sale of the resultant timber products.

The key indicator of changes in poverty levels is the level of income generated by the sale of timber. This principal financial benefit is wholly dependent on the market price for timber. Given that the timber produced is principally fast growing fibre suitable for the pulp and paper markets this means that the farmer is relying on an income from the poorest sector of the market, where prices are low, margins are thin and demand notoriously volatile. The choice of species, largely acacia (an imported exotic) though suitable for the degraded sites mostly available, has limited opportunities for added value although there are opportunities for it to be used for furniture in larger dimensions.

But the volatility of price and the preferred growing conditions for this species (even-aged monocultures) mean that fulfilling the definitions of sustainability that are currently utilised in the project documentation may be difficult.

Within the FSDP project is embedded a common encountered misunderstanding. Sustainability = use of indigenous species. So above a fixed area of land a proportion of planting must compromise indigenous species. This does not contribute to enhancing sustainability whilst constraining the financial returns. A more subtle and varied approach is required and during the visit the farmers interviewed proposed a number of alternative remedies: some of which enhanced revenue generation while others could be used for ensuring sustainability. But given the structure of the project modifying the project design was difficult.

Analysis of rationale for selection of modalities and instruments

The selected modality for FSSP and MD'TFF has been pooled funding. The choice of the funding modality has been an important part of the intervention strategy, aiming at improving aid harmonisation and coordination, and a response to the Hanoi Core Statement. The modality in itself has been a subject of external reviews (Joint Reviews of FSSP and TFF 2006; Second Major Evaluation of TFF (Indufor Oy 2009b) – main conclusions of these are discussed under 3.2 c).

With regards to the channelling of support to the WB and ADB projects through TFF, the 2009 evaluation states that as a financing mechanism TFF would have been “better-off” if the co-financing would have been done through regular direct co-financing agreements between respective donors and international financing institutions. On the other hand, these large co-financings were seen as bringing added value to the forest sector development.

For VFFP, no analysis on the selection of modalities and instruments is presented in the documentation.

The practical impact of utilising this modality has been that it is difficult to identify the specific benefits that GoF ODA has contributed to the key goals of poverty alleviation and sustainability.

Vietnam has clearly made striking improvements in reducing poverty and national statistics are indicating that Vietnam is meeting its targets of achieving pre-determined status within its declared time frames. But precisely how the forest sector is contributing is less clear – as is Finland’s contribution to the forestry sector.

At present the interventions are mediated through the FSSP and the TFF. Both ensure compatibility and coherence with GoV objectives and to a lesser extent donor consistency. But the absence of clear indicators (other than attainment of physical or activity related targets and disbursement profiles) means that it is difficult to assess the true impact of GoF’s interventions and thus whether alternative interventions or modalities might be more effective or appropriate.

Evaluation Question 4

What are the major discernible changes (positive or negative, intended or unintended, direct or indirect) and are these changes likely to be sustainable, and to what extent these sustainable changes may be attributed to the Finnish aid interventions or to interventions in which Finnish aid have been a significant contributing factor?

FSSP and MDTFP: The existence of the partnership, together with the availability of funding from partners and from the TFF, has enabled strategic interventions in order to support the development of the policy and legislative framework of the forestry sector, including piloting new approaches. Such strategic support has been very effective and efficient in speeding up policy instrument development and issuance. One example was the participatory formulation of the Forestry Development Strategy for 2006-2020 which responded to the concerns expressed by donors and other stakeholders. In particular, the Strategy addresses the need to clarify ownership and use rights to forest lands, with a stronger role for households and the private sector, and with scope for piloting community forestry arrangements, a particular concern for some of the donors.

In addition the smaller projects funded under TFF, for which GoF did not provide funds, were rated as very good by the TFF second evaluation mission in 2009. However, concerns were expressed about the 2 major components (FSDP and FLITCH) which were funded under TFF and which were partly supported by GoF funds.

More recently TFF has focused more on piloting potentially significant forest management and conservation approaches at provincial and local levels apparently with the aim of reaching good results that would be converted into national policies. Pilot-

ing strategy is a long and often winding road that may lead to significant results with national level impact. Such a strategy requires stamina and long commitment by all the stakeholders. Examples of such TFF interventions include e.g. the Tam Dao conservation pilot, Community forestry pilot, Biodiversity training curricula pilot, and Multiple-use forest management pilot in Lam Dong. The true significance in terms of policy impacts of all these pilots remain to be seen.

The two co-financing (FSDP and FLITCH) and the Pro-poor forestry in North-Central Agroecological zone projects have a different approach: they are mainstreaming projects that aim to up-scale already piloted forest management and conservation models: true investment projects. They have true potential to reach significant development impacts, including policy impacts through feeding back the lessons learnt to policy making. However, all these three projects (apart from FSDP) are still in their initial stages due to long delays in getting such large projects operational, and the significance of their achievements cannot be assessed yet.

Finland's specific role in bringing about these achievements is unclear. The project design and implementation strategy is more clearly elaborated for the FSDP component. Finland's inputs are principally in the form of the earmarked funds that are provided to the FSDP project. There is no mechanism for identifying how donor-specific funds are dispersed at the field level or how effective these funds are.

However, the outputs are clear and the plantations visited during the field visit were well planted and maintained and provided they suffer no catastrophic loss (a clear risk from interviews with farmers and progress reports) the plantations should yield timber that generates a good income. It is clear that these are solid and tangible benefits that benefit the forest owners as well as the state and that the tree plantations should be broadly sustainable, though they may not represent the optimum tree cover. If one assumes that rural income generation is equivalent to the alleviation of poverty then it is clear that this component of the FSDP project is broadly meeting MFA's developmental goals.

Within FLITCH the situation is less clear. Long delays have meant that the project is really only just beginning and the bulk of the work has been related to procurement and establishing the basic project structures necessary to implement the field operations: so the assumptions on which the project is based and the level of benefits remain largely theoretical.

The most recent report does not indicate how the M&E will attempt to assign project benefits to specific inputs and this may make identifying the impact of GoF funds used in the project difficult to track.

The project comprises a range of specific activities including participatory land use zoning, forest inventories and community management plans; the development of degraded areas through the establishment of improved tree plantations, the conserva-

tion of areas of natural forest forests and the enhanced production from natural forests (possibly mutually exclusive goals); and the development of enhanced business models for forest resource owners and managers.

In principle the FLITCH project is a project that fits very well with the aims and focus of MFA development goals and is receiving Finnish derived funds, through the TFF. The project's aims and methodology are fully congruent with the MFA's development goals of poverty alleviation and sustainability and the project aims to deliver these benefits to the communities of the Highland provinces of Vietnam; traditionally the home of the ethnic minorities and the poorest rural communities. But as yet it is too early to say whether the benefits will be generated as anticipated.

VFFP: In the absence of final evaluation (or any documentation after the project closure in 2003) it is not possible to verify the impact and the sustainability of the project. According to the Programme Completion Report (MARD & MFA 2003c), the project succeeded well in terms of land allocation and land use planning as well as creating a sustainable financing source (credit scheme) for the poorer strata of farmers. MFA was the sole funder of the project, so any changes can be at least partly attributed to the Finnish aid.

Evaluation Question 5

Have the financial and human resources, as well as the modalities of management and administration of aid been enabling or hindering the achievement of the set objectives in the form of outputs, outcomes, results or effects?

Funds allocated and expended, level over time

Full information about allocations and expenditure is not available in the documentation.

FSSP: Total funding by MFA over 2003–2007 has been indicated as EUR 3.0 million (MFA 2006; MFA 2007).

- ❖ Original total budget of the Coordination Office Trust Fund over 2004–2006 was USD 1.0 million, of which MFA contribution was EUR 337,000 (other donors: Netherlands, Sweden and Switzerland).
- ❖ In addition, MFA funded separately M&E Specialist for 2 years at EUR 400,000 (TORs were later converted into Coordination Office Chief Technical Advisor and the contract was extended until 2008).

MDTFF: Total funding by MFA over 2004–2011 has been indicated as EUR 17.5 million (MFA 2008).

- ❖ Initial agreement on Multi Donor Trust Fund included MFA contribution at EUR 1,869,914 for 2004–2007. (Donor commitments to TFF for the period were approx. EUR 8.6 million in total.);
- ❖ Replenishment for 2008–2011: EUR 9.8 million;
- ❖ Earmarked support to WB Forest Sector Development Project for 2005–2011: EUR 4.2 million. (Total budget of the WB-FSDP is USD 71.3 million, financed

by an IDA Credit of USD 43.4 million, a GEF grant of USD 9 million, a TFF grant of EUR 9.2 million, an EC grant of EUR 1.96 million and GoV contribution of USD 4.4 million.);

- ❖ The status of TFF as of 2009: Presently the TFF has total financing commitments by donors of about EUR 32.6 million of which EUR 31.5 million are approved to 28 projects of which 8 were still on-going or to be mobilized and another 20 have been already closed, leaving about EUR 1 million to be allocated to new project(s). Allocations to two large co-financing projects (WB-FSDP and ADB-FLITCH) take 66% of the funding approvals. TFF donors include, in the order of commitments, Finland (49%), Netherlands (26%), Switzerland (18%) and Sweden (5%). The three largest donors continue as signatories of the present MoU (March 2009 – end of 2012) (Second Major Evaluation, Indufor 2009b).

VFFP: MFA contribution as per original budget FIM 15.4 million, actual utilisation EUR 2.513 million (equivalent to FIM 14.9 million). GoV contribution as per budget FIM 2.3 million (USD 0.5 million).

Appropriateness of modalities defined in Agreements and Project Documents to country and intervention, consideration of alternatives

FSSP: Pooled funding to Coordination Office Trust Fund and parallel funding for related TA. The setting up of Coordination office and the modality of pooled funding was selected in order to support the aims of aid effectiveness and donor harmonisation. The Joint Review of 2006 discusses different options for funding modalities, concluding that SWAp is not feasible and giving recommendations for further coordination of project funding and the use of basket/pooled funding modalities.

MDTFF: Trust Fund consisting of un-earmarked contributions (pooled in one bank account) and earmarked contributions to WB-FSDP (less than 15 % of all commitments as of 2009). Both the Joint Review of 2006 and the Second Major Evaluation of 2009 contain extensive discussion on the modalities, including recommendations based on international best practices. According to the 2009 Evaluation, (Indufor 2009c) recommendations of the 2006 Review were generally implemented.

VFFP: Project was implemented through a PMU. International TA accounted for 37% of the budget. Programme Completion Report (MARD & MFA 2003c) concludes that the arrangements for the programme implementation are generally appropriate; programme management at all levels has been closely organised with appropriate work contents and regulations etc. No evidence on consideration of alternatives in the documentation.

Evaluation Question 6

What are the discernible factors, such as exit strategies, local budgetary appropriations, capacity development of local counterpart organisations or personnel, which can be considered necessary for the sustainability of results and continuance of benefits after the closure of a development intervention?

Changes in institutional architecture, size & systems (procedures, programme prioritisation, budgets and staff development)

FSSP and TFF: Joint Review of 2006 found that the lack of integration of FSSP within the central departments of Ministry of Agriculture and Rural Development (MARD) had meant that the programme had become focused around the activities of the Coordination Office and the provision of Trust Fund grants, without an institutionalised role in discussing overall sector policies, plans, performance and budgets. Similarly, the TFF was found not having been adequately integrated in the government structure. Rather, it operated as a parallel, PMU-type of body.

FSSP Coordination Office (CO) links were strengthened through secondment of staff of MARD's Forestry Department. The director-General of the Forestry Department serves as the CO Director. The establishment of TFF Board of Directors chaired by the MARD Vice-Minister and the related re-structuring in 2007 was a step towards integration in the government structure, and the 2009 Evaluation recommended eventual full integration of TFF into the GoV-owned Forest Protection and Development Fund.

VFFP: Programme completion report (MARD & MFA 2003a) states that staff capabilities had been improved, but as most of the project staff had been contracted staff the results may not benefit the organisations in the long-term.

Level, changes and consistency of counterpart funding

FSSP and MD'TFF: The level of counterpart funding is not clear from the documents.

VFFP: GoV contribution was budgeted at Vietnam Dong (VND) 6.3 billion, the actual final expenditure was estimated to be VND 2.9 billion in the Programme Completion Report (MARD & MFA 2003c).

Analysis of wider sectoral changes

FSSP and MD'TFF: Refer to section 3.6 above for sector level changes in the policy and legislative framework achieved through the partnership.

Evaluation Question 7

What has been the role of considering the cross-cutting issues of Finnish development policy in terms of contributing to the sustainability of development results and poverty reduction; has there been any particular value-added in the promotion of environmentally sustainable development?

Evidence of participation by women and girls in intervention design and their rights and issues incorporated in intervention / programme design

FSSP and MD'TFF: TFF funded a gender study which contributed to Forestry Development Strategy formulation. Apart from that, no clear evidence of consideration of gender issues in the documentation.

VFFP: Project document identifies gender issues requiring more attention during Phase II; specific training courses and study tours for women as well as gender awareness training at all levels are among planned activities (MARD & MFA 2003b). It also notes that the issuance of credits in the name of the household head (usually male) is potentially putting women at disadvantage.

Evidence of changes relating to women's and girl's rights arising from intervention / programme outcomes

FSSP and MDTFP: No evidence in the documentation.

VFFP: Women's Union operated a credit scheme under the Programme; Vietnamese Bank for Poor being the other operator). External Appraisal of the Credit Scheme found WU's performance having been better, especially in reaching the neediest and female borrowers. The appraisal recommended that WU become the sole operator of the revolving fund after the closure of the programme.

Evidence of participation by minority groups in intervention design and their issues incorporated in intervention / programme design

FSSP and MDTFP: In line with the Forestry Development Strategy, one out of five TFF priorities is Sustainable Forest Management and Development, under which mountainous ethnic minorities are identified as requiring particular attention. However, there is no clear evidence in the documentation how minority groups and their issues have been taken into consideration.

VFFP: In the Bac Kan province where the project was implemented, 80 % of the population belongs to ethnic minorities.

However there is no evidence of changes relating to minority groups in the documentation.

Evidence of HIV/AIDS issues in intervention / programme design and related changes

There is no reference to HIV/AIDS issues in the documentation or any changes relating to HIV/AIDS.

Evidence of country based environmental strategies and best practice incorporated in intervention design

FSSP and MDTFP: Interventions are aligned with the Forestry Development Strategy which in turn has incorporated national environmental issues.

VFFP: The project focused on improving environmental management of forest lands.

Evidence that outcomes are positive or neutral on environmentally sustainable development

FSSP and MDITFF: The 2009 Evaluation rated the effectiveness of TFF in achieving its goal of protection of environment as "good", indicating that TFF's effectiveness in terms of environmental protection was better than in terms of improved livelihoods for forests-dependent populations or increased contribution from forests to national economy. Apart from this, there is no clear evidence on the environmental impact of the interventions.

VFFP: Programme completion report (MARD & MFA 2003a) states that the programme has helped to increase the coverage of forests through the land allocation to farmers. Programme covered all aspects of environmental issues such as soil, water and forest resource protection.

Evidence of engagement in and consideration of best practice from international environmental regimes

Opportunities and challenges related to climate change and REDD financing have been taken into consideration in mapping the future of TFF:

Evaluation Question 8

Are there any concrete identifiable examples of interventions, which maybe classified to be environmentally, economically and socially sustainable, which have lead to poverty reduction or alleviation of consequences of poverty?

FSSP and MDITFF: There is no documentation available to establish links between policy formulation and concrete impact on poverty on the ground.

Within the FSSP and TFF GoF funds are being utilised for the FSDP and FLITCH. FLITCH is intending to produce outputs which will enhance rural income and thereby reduce poverty and if the project design and logframe is achieved then these should be sustainable. Fifty eight Commune Investment Plans have been developed (46 approved) and these will provide the basis for sustainable development of the forest resource.

Within FSDP Finnish funds have contributed towards the establishment of 30,000ha of high yielding plantation forest the income from which is directly benefiting rural households.

Evaluation Question 9

Have interventions which support economic development or private sector, been able to contribute towards sustainable economic results, let alone, raising people from poverty?

There is no documentation available to verify this. The 30,000ha under the FSDP will be expanded to 90,000ha with commensurate increases in rural income through the sale of timber products from these areas.

Evidence of ecological, social and economic gains in national level MDGs (or in poverty reduction)

National Level indicators show impressive gains but it is impossible to assign the contribution of forestry to these gains.

Commercial investments and forestry businesses: Has the intervention helped to increase commercial investment, added value to and quality standards in forestry businesses, which has led to increased employment and higher contribution from the forest sector to GDP

There is no documentation available to verify this.

Decentralisation, accountability and transparency (Has the intervention supported processes that aim to increase decentralisation, accountability and transparency that have improved governance and community empowerment, and greater democracy in decision-making)

There is no documentation available to verify this.

Levels of household income derived from forestry-related enterprises (Has the intervention helped to increase the levels of household income derived from forestry-related enterprises, ensuring that poor people have secure access to land for forestry purposes, and the skills, advice and investments needed to improve productivity and develop sustainable livelihoods)

There is no documentation available to verify this.

Access by marginalised groups to natural forest resources (Has the intervention helped to secure access by marginalised groups to natural forest resources for fuel-wood, water, building materials, forest foods, grazing and herbal medicines, and improve management of natural forests in reserves and private forests)

There is no documentation available to verify this.

Level & type of private sector engagement during intervention

FSSP partnership was extended to include private sector after the Joint Review 2006. However, there is no documentation available to assess the experiences and the impact of private sector engagement.

Evaluation Question 10

How is the society touched upon by the development interventions taken into account in the strategic and project/programme plans, and what have been the major modalities for the society to influence and affect the development interventions and the decision-making on them?

Number and range of institutional affiliations engaged in project design, implementation and monitoring

FSSP was originally established as a partnership between international ODA partners, such as donors, multilateral agencies, and international non-governmental organisa-

tions, and the Ministry of Agriculture and Rural Development (MARD), but in 2006, it was agreed to broaden the Partnership to include other stakeholders, such as local organisations, national non-governmental organisations, and the private sector, including both domestic and foreign enterprises and investors.

MDTFF changed its decision-making structure after the 2006 Review (FSSP CO 2006). While at first it was guided by the FSSP Partnership Steering Committee (hence dominated by donors), the new Board of Directors is chaired by MARD Vice Minister, responsible for the forest sector, and the members include representatives from different MARD departments together with a representative of TFF donors.

VFFP: The following institutions were represented in the Steering Committee: Ministry of Agriculture and Rural Development, Ministry of Planning and Investment, MFA, People's Committee of Bac Kan Province, Provincial Departments of Agriculture and Rural Development, Planning and investment, Finance, District People's Committees. The programme worked informally with extension staff from the Farmers' Union and the Women's Union (WU); WU and Vietnamese Bank for the Poor (VBP) operated the credit scheme under the project.

The Programme document for VFFP Phase II was prepared through a participatory planning process facilitated by three consultants (one international and two local). Representatives of the province, districts and villages involved in VFFP also participated in the process.

The field visit provided the opportunity to assess local participation in the implementation of the project and it is clear that through the FSSP and provincial and District Planning Units, down to the level of the commune, there is considerable understanding and commitment to the FSDP project visited. Individuals displayed a commendable understanding of the technical interventions and the knowledge and understanding at the technical level was impressive.

It is clear that the design of the intervention was in line with local expectations and understanding.

Evidence of change in intervention, design and implementation arising from participation

FSSP and MDTFF: Cooperation, information exchange and dialogue between donors and the Government is a core principle activity of these interventions; in that sense all the implementation has been guided by this "participation". Review documents suggest that to a certain extent dialogue and cooperation between donors has dominated and the Government's role has been less active. There is no documentation available to assess how the extended partnership post-2006 Review has worked.

VFFP: Participatory methods were used throughout the project, and the approach was adjusted to address issues arising.

From the field visit it is clear that within the 2 principal interventions (FSDP and FLITCH) considerable effort has been taken to try and ensure that the primary beneficiaries' requirements and expectations are met. Within FSDP and FLITCH a range of forestry models are offered to the participant farmer and he/she can select a preferred model. As mentioned previously, given the project design the preferred options rarely deviate and the result is that farmers select fast growing monocultures of exotic species.

Within the project area visited a number of other land uses practises were being pursued by both private and state including rubber, pine resin tapping and cropping mixtures. The latter include mixtures of crops including agarwood. This is a model offered under the project but rarely selected by land owners in spite of its potential to generate considerable returns well in excess of that provided by timber. This is inevitable as farmers need revenue streams that are assured and will rarely select risky land use investments if their livelihood depends on it. But agarwood technology and cropping systems had been perfected in Vietnam (under a previous EU funded project).

4 CONCLUSIONS

Finland's ODA to the forestry sector are fully aligned with GoV policies and strategy. However, all the interventions are, in principle, geared towards poverty reduction and sustainable use of natural resources. There are hardly any explicit references to MDGs or international forest and biodiversity regimes in the documents.

The extent to which baselines have been used in the WB and ADB projects co-financed by Finland through MDTFF is unclear and the VFFP baseline information was not systematically established at the beginning of the project. Linked to this is that reporting of project progress was against project outputs as opposed to outcomes. As a result, linking the forestry sector to poverty alleviation becomes difficult to ascertain. Furthermore, within both programmes the definition of poverty remains a purely financial one and consequently issues related to other forms of poverty, such as poverty of knowledge, poverty of resources, power or livelihood options, remain either unaddressed or the benefits unrecorded. Even within the limited definition of financial poverty it remains uncertain whether the preferred modality – increased income generation through the establishment of forests and the sale of wood products - is the most effective or appropriate means of achieving the goal.

Under the current modality GoF's ODA is unable to apply its expertise effectively or be able to effectively direct its support to those areas of particular concern thus compromising on effective value addition. However, there is an opportunity under the FORMIS project in terms of provision of broad benefits to the forestry sector as a whole.

There were recorded successes in the facilitation of enhanced dialogue and in the creation of consensus on sector goals and programme framework. However, there was less success in the establishment of active coordination mechanisms with interventions using parallel and different donor procedures, funding routes, and classifications for budgeting and reporting.

The objectives of interventions include reference to all three dimensions of forestry sustainability and management. However, the attention given to sustainability dimensions in the follow-up documents is less clear.

With respect to funding modalities FSSP and MDTFP has been implemented through pooled funding. Whilst aimed at improving aid harmonisation and coordination, the practical impact of utilising this modality has been that it is difficult to identify the specific benefits that GoF ODA has contributed to the key goals of poverty alleviation and sustainability. In addition, as the GoF has no direct involvement in the day to day management of the interventions it loses the opportunity to add Finnish value.

For the FSSP and MDTFP the existence of the partnership, together with the availability of funding from partners and from the TFF, has enabled strategic interventions in order to support the development of the policy and legislative framework of the forestry sector, including piloting new approaches.

Under the VFFP there was an increase in the coverage of forests through the land allocation to farmers. In addition with respect to cross cutting issues support of the Women's Union enhanced the Union's performance especially in reaching the neediest and female borrowers.

The 2009 Evaluation rated the effectiveness of TFF in achieving its goal of protection of environment as "good", indicating that TFF's effectiveness in terms of environmental protection was better than in terms of improved livelihoods for forest-dependent populations or increased contribution from forests to national economy. Furthermore through FSDP Finnish funds have contributed towards the establishment of 30,000ha of high yielding plantation forest, the income from which is directly benefiting rural households.

There was also evidence of enhanced partnerships under the FSSP as donors, multi-lateral agencies, international non-governmental organisations, the Ministry of Agriculture and Rural Development (MARD), local organisations, national non-governmental organisations, and the private sector, including both domestic and foreign enterprises and investors were involved.

With respect to conservation of biological resources, although goals do exist for protection and conservation of the forest, the absence of an equally clear vision and targets for activities related to conservation and protection could result in an over-emphasis of resources being applied to the production aspect of 'development'. Donors

in general should be aware of the need to offer a 'balanced' programme of support to the sector and ensure that GoV applies the same energy and focus to the protective and conservation aspects of its forest resources.

In summary, forestry can clearly provide a means alleviating rural poverty, but the linkages between forestry and poverty are complex and they can only be made with a system that develops clear indicators and that collects the required information systematically.

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