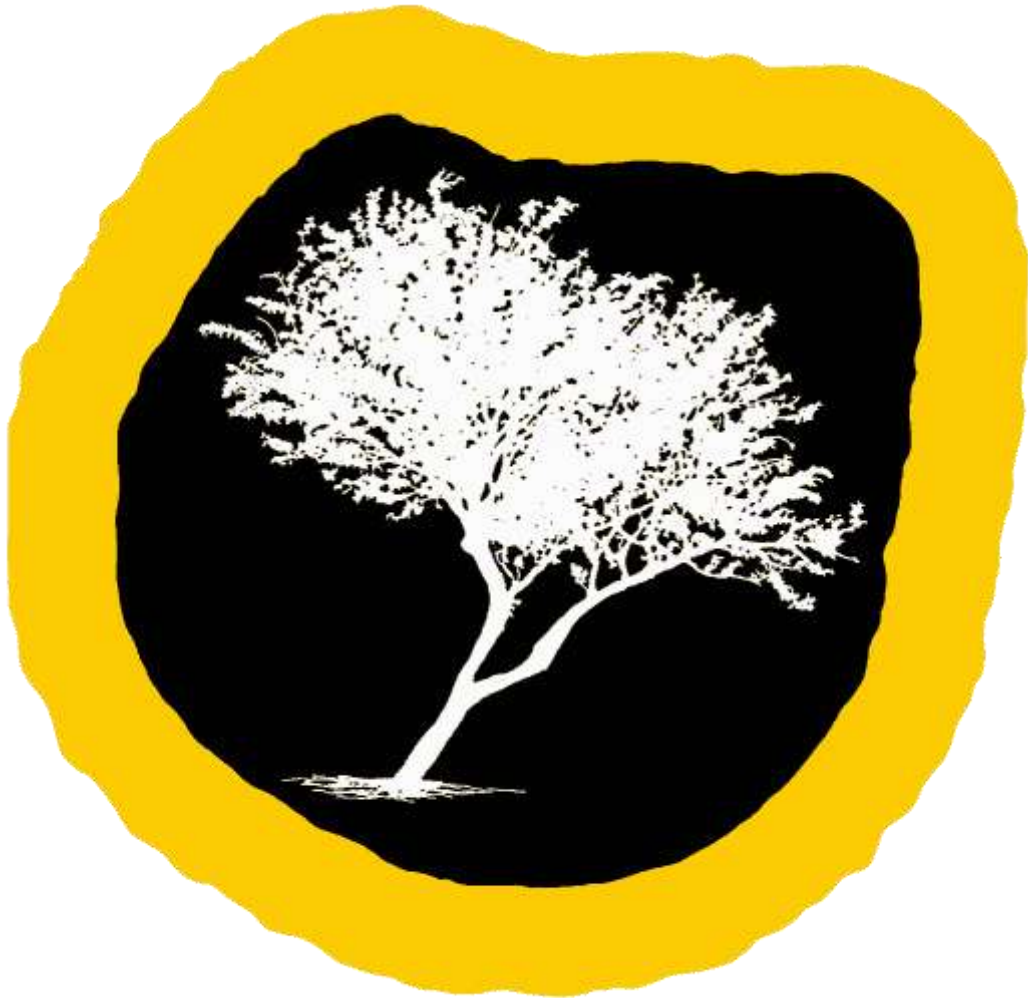

Mpingo Conservation & Development Initiative



**Strategy & Sustainability plan
July 2018 – June 2023**

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- The role played by the Government of Tanzania, and more specifically the work done by the Ministry of Tourism and Natural Resources of the Government of Tanzania, for continuously improving the legal framework of wildlife and natural resources management throughout the Country, thus creating the conditions for the expansion of sustainable (and community based) forest management;
- The superb collaboration of the Local Government Authorities from the areas where MCDI operates. In particular, the active contribution and the enthusiasm of the District Councils (Kilwa, Tunduru, Rufiji, Namtumbo and Liwale) has facilitated like no other things the speed-up and the step-up of MCDI activities in Tanzania.

Also, MCDI is indebted to:

- Maliasili Initiatives (www.maliasili.org) for the high-quality facilitation, guidance, competence and tools provided by for structuring MCDI's Strategy & Sustainability plan. On top to the dedicated off-sites and workshops organized in the past months, the continuous support provided represents an essential capability building enabler for the improvement of MCDI's organization. In particular Hugh Doulton, Fred Nelson and Jessie Davie from Maliasili Initiatives have been vital thought partners in the past months for the definition of the Strategy & Sustainability document.
- All MCDI's present and past Partners/ Sponsors, without which mentoring, active collaboration as well as financial support MCDI would have never been able to fulfil the achievements which the Organization is so proud of since its inception.

Finally, MCDI also benefitted from the help of qualified international volunteers, with various profiles/ backgrounds (from conservation experts to business consultants): Farinoz Daneshpay, Sara Ferrario, Steve Woodward and Fabrizio Bacchini. Such ability to attract foreign talents for supporting our Organization and championing its value proposition around the world stems from the unicity of MCDI and its proven track record, and undeniably represents a flywheel of cross-fertilization (from other sectors, initiatives, etc.) and capability building for us all.

ABBREVIATIONS AND ACRONYMS

MCDI	Mpingo Conservation & Development Initiative
CEO	Chief Executive Officer
PFM	Participatory Forest Management
CBFM	Community Based Forest Management
VLFR	Village Land Forest Reserve
VNRC	Village Natural Resource Committee
VC	Village Council
VGA	Village General Assembly
DC	District Council
FSC	Forest Stewardship Council
WWF	World Wide Fund for Nature
FTE	Full Time Equivalent
P&L	Profit & Loss
UoM	Unit of measure
MLN	Million
BN	Billion
TZS	Tanzanian Shilling
M3	Cubic metres
KPI	Key performance indicator

EXECUTIVE SUMMARY

In recent years community based forest management has become a significant reality in Tanzania. MCDI, with its innovative forest conservation *theory of change* – focused on enabling the direct management of forest resources by rural communities, incentivized by the value that can be made from timber sale and deployed for the creation of community development projects – has played a vital role to this end, growing its area of operation and influence up to reaching:

- 45 communities supported, of which 23 through the direct set-up of VLFRs;
- More than 250,000 hectares of forest reserves directly supported;
- More than 50,000 people benefitting from PFM activities impact;
- TZS 0.5 bn revenues generated by villages from timber sale.

In the past years, MCDI has prioritized its activities (and the related donor funding search) around the following six strategic goals:

1. Scale-up of community-based forest resources management;
2. Increase of forest revenues for rural communities;
3. Enhancement of village governance and capacity building;
4. Step-up of monitoring and research impact (of biodiversity and rural community wellbeing);
5. Amplification of awareness and support for MCDI;
6. Improvement of MCDI organizational sustainability.

Considering that the Organization is still living a phase of consolidation and expansion (of activity volume and competences) of its core operations (community-based forest management), the abovementioned Strategic Goals shall keep informing MCDI actions for the next 5 fiscal years. However, MCDI is raising its ambition of impact on all dimensions, up to reaching (by June 2023):

- 70 communities supported, of which 37 through the direct set-up of VLFRs;
- ~300,000 hectares of forest reserves directly supported;
- ~100,000 people benefitting from PFM activities impact;
- TZS ~2.5 bn revenues generated by villages from timber sale.

During the next 5 years, MCDI also commits to improve the level of efficiency of its internal operations as well as the operating model of collaboration with villages (enabled by an enhancement of villages PFM management governance). This should be reflected in a significant improvement of the Organization financial health, meaning a (much) less increase of (core and structural) costs increase to sustain a significant increase of activity volume (e.g., 37 VLFRs directly supported vs. the current 23). The combination of enhanced financial efficiency and activity growth shall ultimately translate into an improvement of the synthetic KPI “*revenue generated by dollar (or shilling) raised*”¹: MCDI expects to meet the target of parity (1 dollar of revenue generated by each dollar of funding raised) already by 2020-2021, and then improve by a further ~30% before the end of the 5-years plan. The evolution of this indicator represents a great, simple way of tracking the progress of the Organization performance (by measuring the actual value of the KPI vs. the planned one).

¹ This indicator has: at the numerator, the total timber sales revenues generated by villages in a year; at the denominator, the minimum donors' funds needed to finance all MCDI enabling activities in scope

INTRODUCTION

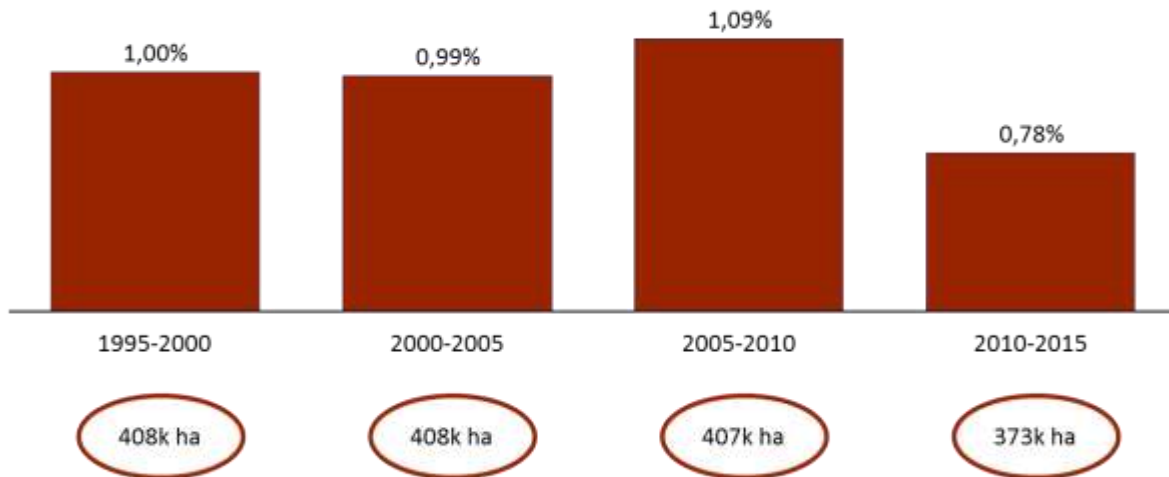
Tanzanian forests management

Nearly half of Tanzania’s forests occur on village lands, and forested areas are home to some of the poorest rural communities in which people rely heavily on forest products to support their livelihoods. On top to providing fuel, food, income and other ecosystem services to millions of Tanzanians in rural areas, Tanzania's forests are also ecologically significant: they play a vital role in mitigating climate change due to the carbon they store, and provide important ground for biodiversity, with between 9% and 11% of species they harbour found nowhere else in the world.

Despite the importance of Tanzania's forests, the country experienced the fifth largest global annual net losses of forest cover from 2010-2015 (slightly improving the trend from past decades, yet very significant – see graph below), primarily due to conversion to agriculture, charcoal production, illegal logging, and forest fires. These pressures on forests are only set to increase, with the population in Tanzania expanding at a rate of around one million people per year.

Table 1 – Deforestation in Tanzania: trend over past decades

Average yearly decrease of total forest available (hectares, percent on total)



SOURCE: MNRT (Ministry of National Resources and Tourism (2015), "Realities on Deforestation in Tanzania" publication (J. R. Kideghesho, 2015)

There is a major opportunity and need to support rural Tanzanian communities to own and economically benefit from their forests, which will provide incentives for local people to manage them sustainably. Accordingly, Tanzania's Forest Act (2002) enables rural communities to secure ownership of their natural forests. They do this by setting up and sustainably managing VLFs. Upon approval of their forest management plan by the Local Government Authority (District Council), full control of the local forest resources is devolved to the village government (from which the label *participatory forest management*).

To date, community-based (participatory) forest management had resulted in around 2.3 million hectares of natural forests in Tanzania. There is evidence that these village forest reserves are better managed, healthier and bring more social benefits to local people than forests under alternative

management regimes². There are also substantial economic benefits that rural communities stand to gain from their local forests, which should be sufficient to finance and create incentives for local people to continue managing them sustainably. However, since rural communities often have inadequate skills, equipment and access to markets and finance to sustainably harvest and sell forest products on a commercial scale, the local economic and development value of their village forests remains largely untapped.

Participatory forest management: MCDI theory of change

With Tanzanian forests having long been owned and controlled by the government (until 2002, see above), rural people historically have not had clear rights to manage or benefit from these resources. This, coupled with the inadequate of skills, equipment and access to markets and finance, did not give rural communities the incentive to care for forests on village lands, instead exposing them to overexploitation and illegal practices. Rural people have ultimately been caught in a vicious cycle where the more forests degrade, the more they entrench in poverty. However, with adequate financial investment, equipment, skills and market access, rural communities can be empowered to generate income from forests to fund their own sustainable development.

MCDI works to empower rural communities to profit from their natural forests by setting up locally-managed forest reserves (under a strict scheme of quotas where they can touch not more than a certain – previously defined – number of trees per year, see table below), and supporting sustainable forest resources harvesting (primarily timber), marketing and sales.

Table 2 – Sustainable harvesting quotas by FSC certified villages

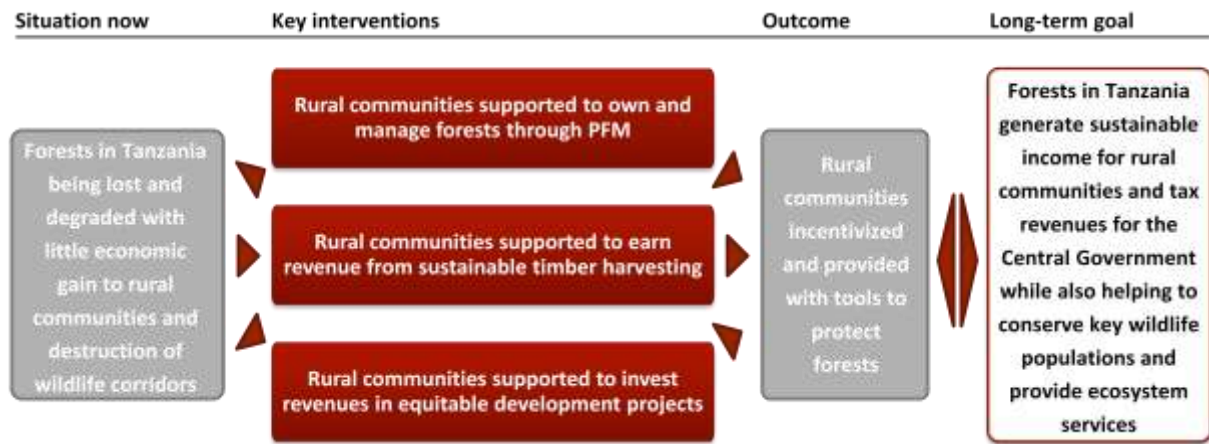
Village	Name of VLFR	Area (ha)	5 Year Quota (m3)	Annual Quota (m3)	Quota Density (m3/ha)
1	Kikole	916	1,708	342	0.37
2	Kisangi	1,367	1,673	335	0.24
3	Nainokwe A	8,502	7,302	1,460	0.17
3	Nainokwe B	1,629	1,857	371	0.23
4	Liwiti	9,306	8,922	1,784	0.19
5	Nyamwage	1,644	6,229	1,246	0.76
6	Tawi	2,787	1,174	235	0.08
7	Nangirinji A-Mbumbila A	65,065	46,056	9,211	0.14
7	Nangirinji A-Mbumbila B	19,258	25,561	5,112	0.27
8	Likawage	31,024	31,300	6,260	0.20
9	Ngea	3,329	3,256	651	0.20
10	Mchakama	5,639	5,646	1,129	0.20
11	Sauti Moja	21,966	17,592	3,518	0.16
12	Machemba	4,612	11,379	2,276	0.49
13	Namatewa A	6,656	7,289	1,458	0.22
13	Namatewa B	3,359	3,005	601	0.18
Total		187,059	179,950	35,990	0.19

Engaging communities in forest conservation requires that local people derive substantial short and long-term benefits from managing the forest (they use the income generated to fund locally-prioritised development projects that improve access to key services, such as clean water, healthcare

² Kalonga S. K. Midtgaard F. and Eid T. 2015. Does forest certification enhance forest structure? Empirical evidence from certified community-based forest management in Kiliwa District, Tanzania. International Forestry Review 17, 182-194.

and education), and that the benefits becomes an incentive for them to look after the forest more responsibly. Enabling the trigger of such virtuous cycle is a paramount goal of MCDI’s activity.

Table 3 – MCDI “theory of change”



MCDI’s approach to expand PFM throughout the area where it operates is based on a “niche & innovation” scheme of work – focused on the application of innovative and sustainable CBFM methodologies at village level – and on the ambition to scale its deployment to as many rural communities (and the related forest) as possible over time.

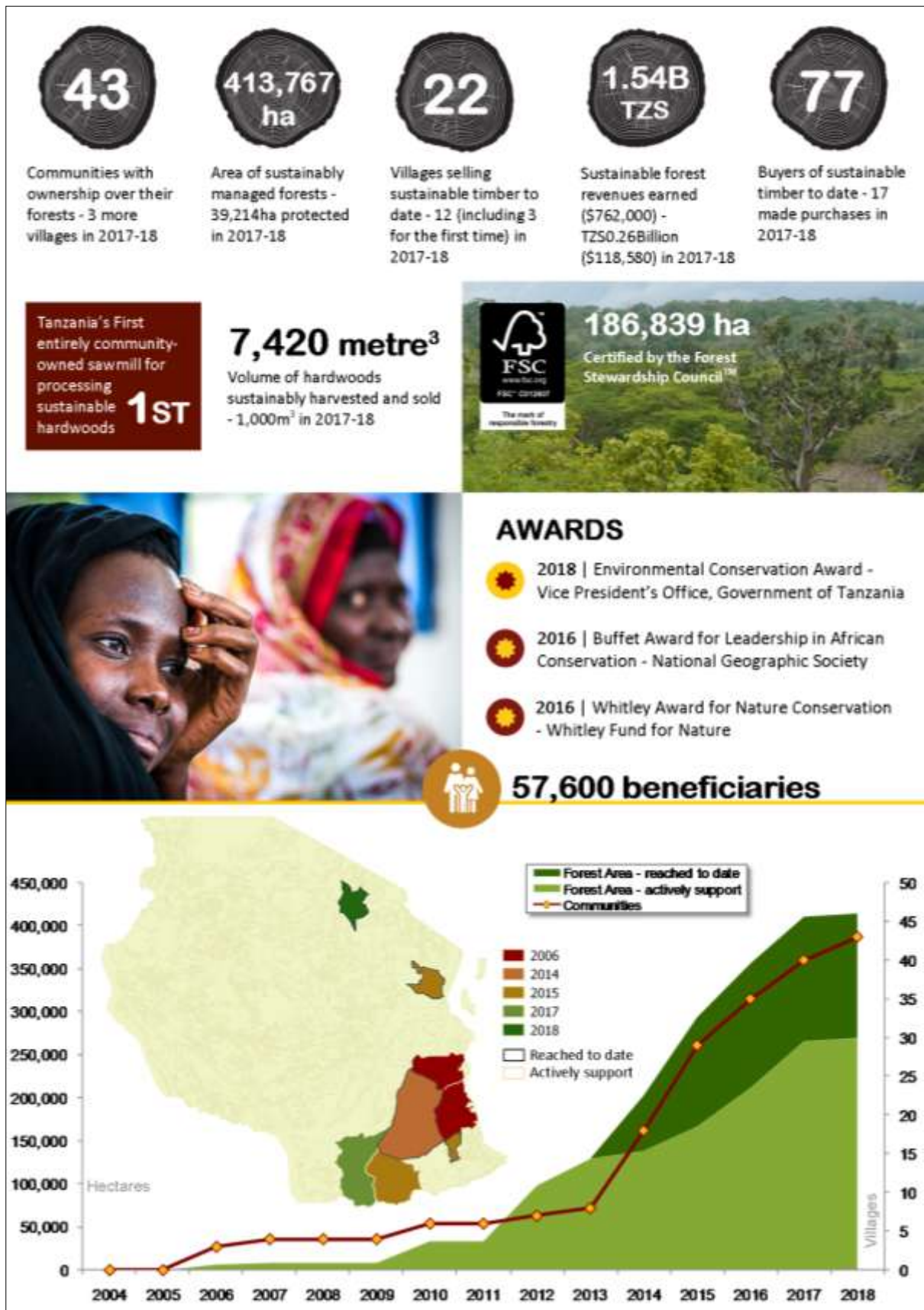
Niche & innovation – MCDI’s work combines environmental, social and economic sustainability. By showing rural communities how to unlock the value in forests, MCDI is empowering rural Tanzanians to leverage these as assets to pursue their own development aspirations. This is more sustainable than traditional approaches that issue direct payments to fund rural community development ventures. Instead, it provides a means for villages to generate this income on their own, in a way that is directly linked to conserving the natural resources that surround them. This also fosters resilience in rural communities, by reducing their dependence on external public and private funding which can be sporadic, short-lived and difficult to secure.

MCDI is primarily opportunity-led rather than problem-driven, it expands its work into new areas based on the opportunity for sustainable community forestry to bring about significant economic benefits to rural communities. Through the same logic, it focuses on areas based on the extent of remaining natural forest cover, rather than on the magnitude of threats faced or the biodiversity values present in the forest.

Mpingo - Just a name?

MCDI is named after the East African Blackwood tree (*Dalbergia melanoxylon*), which is known as 'Mpingo' in Tanzania's national language, Swahili. Mpingo is one of the most prized timbers in the world due to its use for making high-value woodwind musical instruments, such as clarinets, oboes and bagpipes, internationally. Alongside Mpingo, MCDI also supports rural communities to sustainably exploit a range of other valuable hardwoods that grow in Tanzania's natural forests.

Table 4 – MCDI impact in a nutshell



Scalability – MCDI has expanded its reach and enhanced its impact through a combination of long-term collaborations with key partners as well as shorter term consultancy contracts aimed at establishing the foundations for effective community-based forest management. The list of milestones below shall give an idea of the impact growth pace that characterized MCDI's activity in the past years:

- 2004-2009: *development of community-based forest management in Kilwa District* (working closely with Kilwa District Council) – 10 active villages at the moment.
- 2009: *expansion to Rufiji District* (bordering Kilwa to the North), which had set up their village forest reserves with support from WWF –community-based forest management in 2 villages.
- 2013-2016: *consulting role to bring community-based forest management in other areas:*
 - Liwale District (bordering Kilwa to the West). Support to Lindi and Mtwara Agribusiness Support (LIMAS) to set-up CBFM in 140,000 hectares of Angai forest (by 2016, supported 15 of the 24 communities in scope, setting aside 128,700 hectares – more than 90% of the area – for sustainable management).
 - Ruangwa, Handeni and Nachingwea Districts. Support to establish village land forest reserves and/or support sustainable timber harvesting by rural communities under the National Forest and Beekeeping Programme.
- 2014-2016: *expansion to Tunduru (2014) and Namtumbo Districts*. Support in partnership with the WWF, MJUMITA and Local Government Authorities – currently seven and two villages with active CBFM, respectively.

MCDI has now replicated its model in eight forest-rich districts in Tanzania, where it is supporting rural communities to secure their forest user rights and generate income from timber sales in under 12 months. Beyond this, there is significant potential for MCDI to bring its model to scale in the other areas with unprotected forest on village lands in Tanzania.

Table 5 – MCDI activity area in Tanzania

Recent changes in context and legislation

Overall, the context of sustainable timber management and sale in Tanzania hasn't changed much in the past few years.

- PFM as a practice – an approach to forestry conservation and community-wealth enhancement – has seen its awareness raising both in public and in private environments. On top of that, the worsening issue of deforestation emphasizes even further the increase of its adoption throughout the country. This provides MCDI with a favourable setting to operate in the areas where it already has a foothold, expand to new Districts and more generally advocate to remove obstacles and create positive enablers at institutional level.
- The “competition” to MCDI (in terms of comparable non-profit organizations that seek to build PFM ecosystem in rural Tanzanian areas) hasn't increased, with MCDI keeping being among (credible) actors operating at (ever larger) scale in the country.
- The main threats to MCDI operations have kept the same, and not seen their impact worsen in the areas where it operates. For instance:
 - Illegal logging: putting at risk the viability of PFM, providing buyers with cheaper timber that is easier to source. Through market research and analysis MCDI is trying to identify the most likely pricing and marketing strategy to combat this threat.
 - Shifting cultivation and grazing degrading forests within the VLFRs: MCDI is increasing its support to communities to counter these threats..
 - Intense late season forest fires which suppress regeneration, causing conversion of forests to woodland and woodland to savannah. MCDI is supporting the rural communities to address this challenge through prescribed burning practices.

A fact to be taken into consideration, because of its potential impact on MCDI activity in the next few years could be the reduced funding for PFM in Tanzania. MCDI acknowledges that, despite the increased awareness in the Tanzanian ecosystem (as said above), it is proving more and more difficult to secure funds for its core activities. To minimize the risk of disruption from this trend, the Organization is improving its set-up to be able and self-generate more revenues and, in parallel, is developing a robust fundraising strategy to improve the appeal to new/ alternative funders for its work.

No major/ disrupting changes are expected to the policy and legal framework around PFM in Tanzania. There may be a centralization of the authority/ administrative roles dedicated to forest preservation/ management (i.e. centralization – national level – of current tasks/ activity performed by District Forest Management, at District level), but that is not supposed to bring any change to the “ownership”/ right of use of forest (therefore not impacting the activity that communities are currently carrying out).

2015-2017 PLAN ASSESSMENT

MCDI 2015-17 Strategic Goals

MCDI is rapidly evolving as a pioneering service provider for the development of community-based forest management in Tanzania. Having introduced sustainable FSC-certified timber harvesting in south-eastern regions of Tanzania to bring added value to rural communities working to conserve their local forests, a key focus of MCDI strategy from 2015-17 was to take these services to scale in different parts of the country.

In order to be able and steer such growth and then monitor its fulfilment, at the beginning of the 2015-17 planning cycle MCDI set for itself six main shaping dimensions for its strategic development:

1. Scale-up of community-based forest resources management;
2. Increase of forest revenues for rural communities;
3. Enhancement of village governance and capacity building;
4. Step-up of monitoring and research impact (of biodiversity and rural community wellbeing);
5. Amplification of awareness and support for MCDI;
6. Improvement of MCDI organizational sustainability.

The abovementioned strategic developments goals were broken down in more granular (and more measurable) items/ sub-goals, for each of which the MCDI management team defined a monitoring metric/ KPI (35 in total across the six dimensions). For each KPI a specific fulfilment target was then defined, setting the ambition for 2015-2017 development of MCDI in the six strategic dimensions.

Progress against 2015-2017 Strategic Targets

Here below follows a summary of MCDI performance across the most important KPIs (for each of the six goals), to enable an efficient assessment of the organization progress against its strategic priorities.

Table 6 – Fulfillment of 2015-2017 Strategic Targets

Strategic goals	Sub-goals (KPIs)	UoM	2015	2017 exp	2017 act	Δ act vs. exp
1 CBFM scale-up	Area of village forest reserves supported by MCDI	ha	193,400	270,915	410,500	51.5%
1 CBFM scale-up	Communities engaged in PFM	#	23	52	41	-21.2%
1 CBFM scale-up	People benefiting from PFM	#	40,025	65,525	69,600	6.2%
2 Community revenues	Timber sales gross community income	Mln TZS	198	691	596	-14%
2 Community revenues	Timber sold from VLFR	m3	702	2,500	2,620	4.8%
2 Community revenues	Villages harvesting timber	#	5	27	11	-59.3%
2 Community revenues	Area of FSC-certified forest	ha	107,963	270,915	188,000	-31%
3 Village governance	Village developments using timber sales profits	#	18	20	22	10%
3 Village governance	Average Village General Assembly yearly meetings	#	3	4	3	-25%
4 Monitoring & research	Average number of forest patrol per village	#	24	36	23	-36%
4 Monitoring & research	Villages with consecutive annual financial audits	#	2	15	10	-33%
5 Awareness of MCDI	Yearly websites visits	#	220,000	450,000	63,000	-86%
5 Awareness of MCDI	Yearly mentions media (national and international)	#	26	50	27	-46%
6 MCDI sustainability	Percentage of planned core funding needs met	%	50%	80%	41%	-39 p.p.
6 MCDI sustainability	Financial resources for PFM self-generated	%	1%	20%	8%	-12 p.p.

Goal 1 – Scale-up of CBFM: substantially achieved.

A huge success achieved in terms of area of forests in VLFRs: by July 2017, more than doubled to a total area of 410,500 hectares (51% more than the target area of 271,000 hectares that MCDI set). In terms of rural communities and people impacted, the management of fewer rural communities with more local beneficiaries rather than being a reflection of MCDI's inability to engage more communities in CBFM (actually, the NGO now has a waiting list of villages wanting to engage in the programme) demonstrates instead a combination of:

- MCDI strategic choice to prioritize expansion: (i) to villages with more land (and forests available to support more people, thus yielding larger areas of forests available to be earmarked for sustainable management); (ii) or villages with more people/ beneficiaries.
- Bigger MCDI support effort absorbed by villages already in scope (cashing-in the benefits of CBFM, villages decided to expand the size of their village forest reserves).
- Increasing size of forest set aside for CBFM by new villages in scope, absorbing more MCDI effort (having seen or heard about the benefits of CBFM from their peers, they view investment in CBFM as a less risky strategy than they did three to five years ago).

Goal 2 – Increase of forest revenues for rural communities: not completely achieved yet.

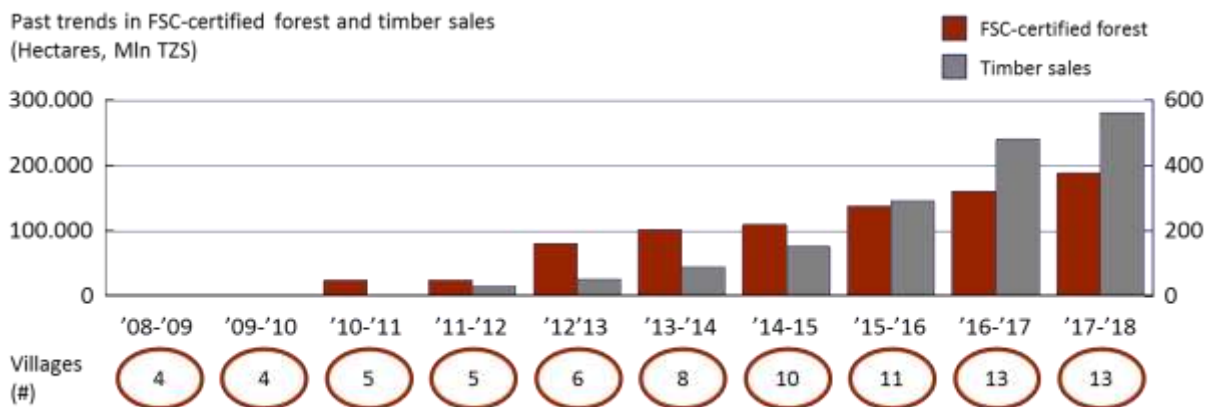
Despite the lower than planned number of villages harvesting and selling timber (11 vs. 27), MCDI-supported timber volume target has been fulfilled, thanks to a significant increase of volume sold in the villages working with the Organization for a few years. This fact obviously stands as a prove of MCDI ability to create strong, healthy and sustainable ecosystems within the villages that it supports. The fact that timber revenues have been 14% lower than the defined target is explained by a less favourable trend of timber unitary prices (vs. what was expected), in a moment when the potentially compensating effect of sawn timber sales hadn't started yet (sawmill having just started to function in July 2017, expected to boost/ improve timber sales for 2018-2019 fiscal year). The combination of revenue figures and forest under management data results in TZS 1,463 (\$0.65) income per hectare in 2017 vs. expected TZS 2,250 (\$1) per hectare (below 2015 performance of TZS 1,787 – \$0.86 – per

hectare). Rather than reflecting a reduction in sales in existing rural community forests, this is a reflection of:

- MCDI's expansion into new villages where timber harvesting has not yet taken place;
- MCDI evolving activity portfolio mix, including also some “consulting effort” where MCDI was commissioned to set up forest reserves but did not see communities through to timber sales (e.g., Liwale District).

So, getting more timber to market is the key challenge facing MCDI. It is of paramount importance for MCDI to undertake further market research, lean more on its partners to provide business expertise, and invest more resources in marketing to try and address this challenge.

Table 7 – Timber sales and FSC-certified forest trends to date



Goal 3 – Enhancement of village governance and capacity building: achieved.

This is proved to be MCDI’s greatest strength, and is allowing rural communities to become more and more autonomous in managing the activities related to PFM (e.g., early burning, etc.). This also represents a powerful enabler for facilitating and/ or speeding-up PFM expansion, with MCDI receiving more and more requests for support.

Goal 4 – Step-up of monitoring and research impact: achieved.

The improvement of governance practices in MCDI (mostly in the area of interaction of villages and the time spent in their capacity building) has freed-up time and managerial focus, that has been resulted in more (quality) time and work invested in monitoring and research activities. The fact that MCDI field officers are quickly improving their portfolio of competences (alongside the experience that they’re collecting on a daily basis in the field) has also contributed to the fulfilment of the monitoring and research goals set forward.

Goal 5 – Amplification of awareness and support for MCDI: not completely achieved yet.

A lack of investment in communications is at the basis of the partial fulfilment of the strategic targets in this area. Most of all, the number of internal resources dedicated to Marketing & Communications is still very limited (less than 1 FTE). More focus and adequate resources shall be needed in the coming years (to start with, the research of dedicated donor funds for this area, that is in progress) to fill the existing gaps and turnaround the situation.

Goal 6 – Improvement of MCDI sustainability: not completely achieved yet.

With the percentage of self-generated financial resources for PFM increasing from 1% to 8%, MCDI shows a clear progress in improving its ability to sustain autonomously its operations. However, to

date it still seems to rely too much on short-term, restricted donor-funding. Whilst this is a common problem for NGOs, MCDI shall seek to address this through: (i) developing sustainable financial contributions from a mix of donors, consultancies and timber revenues; (ii) having rural communities to cover directly (some of the) MCDI costs for the technical services it provides.

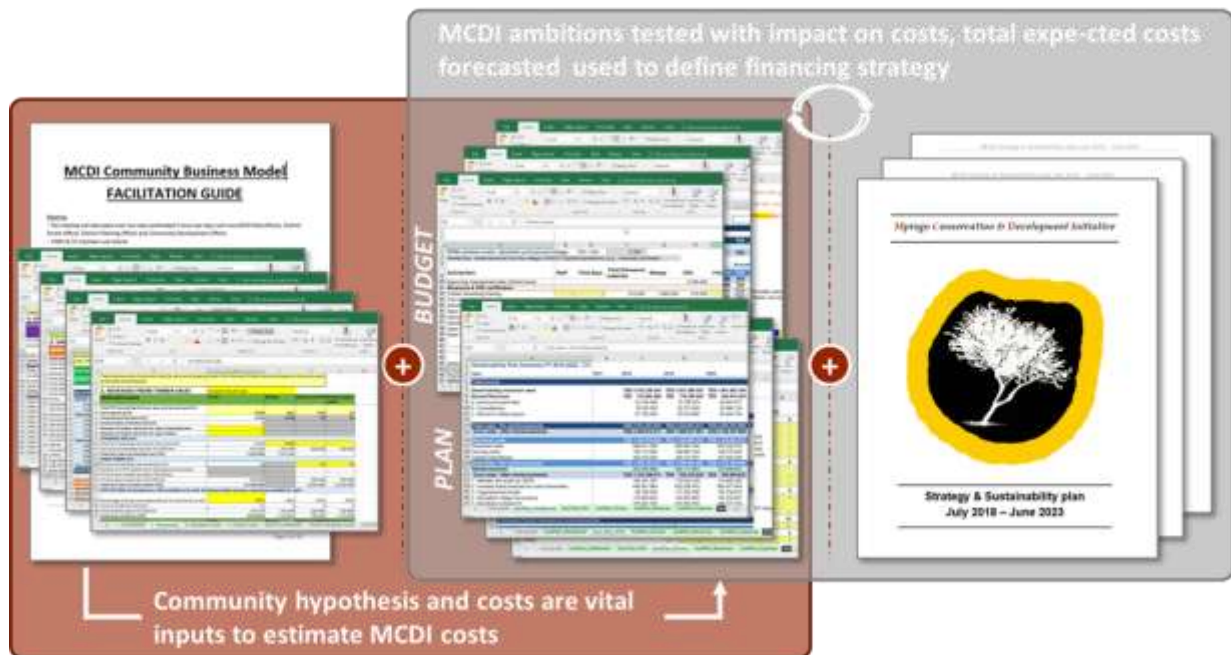
STRATEGY & SUSTAINABILITY PLAN PROCESS AND STRUCTURE

Plan formulation process

For the preparation of *2018-2023 Strategy & Sustainability Plan*, MCDI has decided to put in place an extra effort versus previous rounds of planning. In fact, the management team has steered the design and piloting of a significantly more structured process where:

- The Strategy & Sustainability document/ plan of MCDI has been orchestrated in parallel (that is, as a single exercise) with its 5-years Sustainability plan, through a seamless mutual-feedback-loops approach where: (i) strategy assumptions (e.g., initiatives to implement, improvement programs on the field, etc.) were tested by assessing their implications on the Organization cost projections; (ii) Organization cost trends were defined to allow the fulfilment of strategic targets (e.g., PFM costs defined coherently with the target of “harvesting villages” per year).
- MCDI 5-years Sustainability plan has been built starting from the bottom-up (costs and revenues) budget of FSC-certified villages PFM activity, to guarantee that all hypothesis related to volumes as well as unitary costs of specific village activity expensed by MCDI are fully aligned.
- The bottom-up budget of FSC-certified villages has been defined with the VNRC of each village in scope, through a co-creation approach (and capacity building activity on business planning, in parallel) that was finalized through the approval in VGA meetings.

Table 8 – MCDI new ‘planning’ approach



This new, structured process piloted has also provided as deliverables a set of tools (i.e. for village PFM budgeting, MCDI sustainability planning) featuring a high level of computational automation, so that the same process can be carried out in the same way (coherently in terms of assumptions made and items included) and more rapidly in the next years.

The main steps of the planning process, tested in 2018 and to be replicated yearly for the update of MCDI sustainability plan (and a pulse check of its strategy) are:

- *Villages PFM budget, fiscal year 2018-2019:*
 - Drafting: two-day workshop with the VNRC to discuss and agree on the budget hypothesis (for each village – for this first run FSC-certified villages were prioritized and put in scope, from next year the approach should be extended also to other villages).
 - Finalization: discussion of villages budget within MCDI management team, feedback to villages and agreement on (eventual) changes to be implemented.
 - Approval: discussion of finalized budget within a VGA meeting and village sign-off.
- *MCDI 5-years Sustainability plan:*
 - Budget year financials definition (first fiscal year of the 5-years plan): (i) definition of expected core costs (costs related to the core activities of MCDI, e.g.: PFM maintenance, PFM expansion, village governance improvement, etc.), coherently with (linked to) the MCDI-financed expenses included in the villages budget; (ii) assessment of structural costs needed (e.g., personnel, administrative costs, etc.) to sustain the core activities budgeted; (iii) estimate of self-generated revenues (e.g., service provision contributions by villages, consultancy fees, etc.) and calculation of donor funding needed to cover the remaining funding needs.
 - PFM activity (and related costs) 5-years planning: (i) agreement on the level of ambition of each village (and MCDI as a whole) for each year in terms of: forest under management (or FSC certification), wood volume harvested, etc.; (ii) coherent assessment of costs of MCDI core activities.
 - Sustainability plan finalization: (i) assessment of the structural costs needed each year to sustain the volume of core activities identified; (ii) projection of expected revenue mix (self-generated vs. donor funding) over the 5 years; (iii) finalization of the financial position for each fiscal year in scope.
- *Strategy & Sustainability update:*
 - Collection of inputs/ feedback from Board (and other stakeholders) on MCDI performance and strategic priorities going forward (during periodic Board meetings).
 - Coherency assessment of 5-years Sustainability plan hypothesis with strategic targets and amend the sustainability plan accordingly.
 - Discussion/ approval from Board for Strategy & Sustainability document and 5-years Sustainability plan (natively aligned since built in parallel as a single exercise).

Beyond the formal progress reviews and approval milestones with the Board, the end-to-end exercise is meant to be run with the maximum levels of transparency and collaboration, by seeking as frequently as possible the feedback of all key MCDI stakeholders, including its Governing Board.

Structure of this plan

MCDI 2018-2023 Strategy & Sustainability plan starts with the reaffirmation of the Organization long-term vision, its mission and the values driving its conduct. Such elements underpinning the nature of the Organization are vital and should be considered the guiding principles informing each relevant decision of MCDI.

Then, the 5-years plan starts to be built with the identification of the strategic goals of the organization.

1. Scale-up of community-based forest resources management;
2. Increase of forest revenues for rural communities;
3. Improvement of MCDI organizational sustainability;
4. Amplification of awareness and support for MCDI;
5. Enhancement of village governance and capacity building;
6. Step-up of monitoring and research impact (of biodiversity and rural community wellbeing).

The parity of these goals with those already identified in the 2015-2017 Strategy plan reflects the strong continuity of purpose and action that MCDI has retained since its past planning cycle. This is explained by the fact that the Organization is still living a phase of consolidation and expansion (of activity volume and competences) of its core operations (community-based forest management), from which stems the need to keep pushing in the same direction. While the underpinning goals have remained the same, what has changed is the prioritization among them and, most importantly, the level of ambition for each goal.

To make evident the expected step change in each of the six strategic areas, the fulfilment of each goal has been broken down into a few (more specific) sub-goals. The fulfilment of each sub-goal is then linked to a measurable (set of) quantitative target(s).

The last section of the Strategy & Sustainability plan deep-dives into the set of enablers needed for maximizing the chances of success of the plan:

- Human capital (people/ competencies): identification of the (eventual) additional professional profiles and workforce in general needed to support the amount of activities planned for the five years cycle, for each year.
- Supporting equipment: similarly, identification of the additional equipment to be purchased for sustaining the activities put in scope for the next 5 years.
- Financial resources: detailed assessment over 5 years of the costs projection (core costs vs. structural costs) underpinned by the fulfilment of the strategic targets identified, and the related “resourcing” strategy (self-generated revenues vs. donor funding).

2018-2023 STRATEGY & SUSTAINABILITY PLAN

Long term Vision, Mission and Values

MCDI has successfully built its reputation in Tanzania by delivering continuous impact since the start of its operations, working coherently with its vision and acting relentlessly for the fulfilment of its mission along the way.

- Vision: rural communities in Tanzania are sustainably managing their forest resources to support their livelihoods, and all of Tanzanian national forests are (wherever possible) FSC certified.
- Mission: to advance forest conservation and management in Tanzania (also through the expansion of FSC certified forests) and enhance community wellbeing by facilitating sustainable and socially equitable utilisation of forest resources.

MCDI is committed to the following set of core principles that guide how the organisation works with rural communities and other partners to achieve its vision.

Partnerships and Collaboration:

- Build long-term partnerships with forest-adjacent rural communities that are consultative, transparent and built on trust and local capacity building;
- Collaborate wherever possible to achieve objectives, including maintaining constructive relationships with local and central government authorities, other NGOs, the private sector and other stakeholders;
- Invest in people as the key agents of change by providing them with the support they need to fulfil their potential.

Scientific Methods and Rigour:

- Design and carry out all sustainable forestry conservation initiatives' work based on strong science and empirical processes, supported with detailed analysis, documentation and peer review;
- Adopt conservative and robust models to underpin sustainable use and ecosystem services provision, ensuring that these models are regularly reviewed.

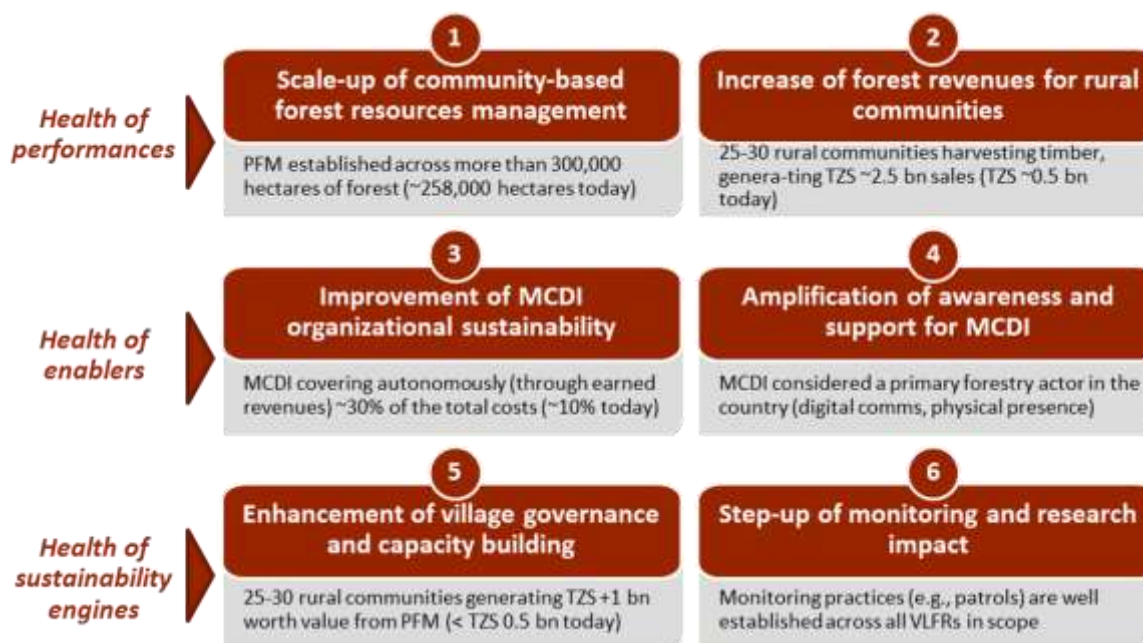
Ethics:

- Maintain high ethical standards of practice within the organisation and in all its transactions and relationships, and promote these standards among the rural communities and other partners;
- Only engage rural communities in CBFM and other initiatives when there is a clear rationale as to why they should be interested and how they will benefit;
- Grow in a sustainable and measured manner, delivering on all commitments and promises made.

Strategic goals

This Strategy & Sustainability plan provides MCDI with a clear direction, objectives and targets to be reached over five years from July 2018 to June 2023. These build upon lessons learned during the implementation of MCDI's first Organization strategic plan and the assessment of the Organization activities (and related performances) to date. As said, the strategic dimensions for 2018-2023 planning cycle have remained the same (see table below). However, the level of ambition across them all has significantly changed, increasing and becoming at the same time more thought through (based on MCDI accumulated experience).

Table 9 – MCDI Strategic Goals for 2018-2023



Goal 1: Scale-up of community-based forest resources management

The fulfilment of this Strategic Goal can be broken down into the following three sub-goals:

- *Increase beneficiaries of PFM* – “Make sure the value generated expands to new people ...”
- *Increase forest under PFM scheme* – “... alongside the growth of MCDI perimeter of action ...”
- *Forest protection and regeneration* – “... while guaranteeing the conservation and improvement of forest resources”.

Increase beneficiaries of PFM – to be measured with the following KPIs:

1. *Total villages supported*
Increasing by almost 60% to 70, as a result of the effort on both MCDI (directly) supported VLFRs and villages supported through consulting services.
2. *... Of which supported through MCDI core operations:*
Growing at an increasing pace and then stabilizing around 3 new villages (added) per year.
3. *... Of which supported through consulting*
Also growing at an increasing pace, reaching 3 new villages (added) per year at the end of the plan. To fulfil the goal of 2 new villages supported in 2018-2019, the current pipeline includes already: expansion of PFM to Kajima village in Tunduru and 3 other villages in Arusha; PFM support through two paid consultancies (Ruangwa, Liwale & Nachingwea villages and

Kilombero). To confirm/ back up such ambitious plans, MCDI is already working in developing a detailed strategy for PFM expansion in Tanzania through consulting and commits to having it ready by March 2019.

4. *People in villages with active PFM*

Including all villages somehow supported (both direct VLFRs and consultancies), expected to double over the 5 years assuming: the expansion to ~25 new villages (as said above) and an average yearly population growth of below 5%³.

Increase forest under PFM scheme – to be measured with the following KPIs:

5. *Area of village forest reserve supported by MCDI*

Including the hectares of forest in VLFRs directed supported by MCDI (23 at the end of last fiscal year), this target is: (i) substantially driven by number of new VLFRs established; (ii) built assuming that the average new VLFRs established over the 5-years plan will be ~5,000 hectares big (vs. current ~11,000, which is heavily skewed by the huge size of Nanjirinji A⁴).

6. *Forest in FSC-certified VLFRs*

Such target is: (i) substantially driven by number of FSC-certified villages; (ii) built assuming that the average new FSC-certified villages will be ~9,000 hectares big in forest (vs. current ~14,000, again heavily skewed by the huge size of Nanjirinji A).

Forest protection and regeneration – to be measured with the following KPIs:

7. *Forest in “no take zones” within forest reserves*

MCDI has set a standard practice of keep (at least) 10% of VLFRs’ forest as “no take zone”, where no logging (and other activities) can be performed. Such commitment will be enforced as a rule also for the next 5 years throughout all villages in the portfolio.

8. *Tree seedlings planted*

In order to guarantee the protection and regeneration of forests, MCDI has set up the practice of planting (every year) ~1k seedlings per village/ forest⁵. During the past year 15k seedlings were planted: ~1k for each of the current 13 FSC villages (2k each for two of them, featuring 2 forests; 0.3k for Tawi, Sauti Moja and Nyamwage); ~1k in non-FSC harvesting forest of Nanjirinji B. The application of such approach to the growing number of FSC-certified villages over time, plus the extension to 1 new non-FSC harvesting village per year (for the next 5 years), project a total number of ~25k at 2022-2023 (17 FSC villages plus 5 non-FSC harvesting villages).

³ Coherent with World Bank data

⁴ Discounting this village leaves average VLFR size of ~7,000 hectares in supported villages

⁵ For some villages the target number of yearly seedlings is lower, ~300 (e.g., Tawi, Nyamwage, Sauti Moja)

Table 10 – Strategic Goal #1: Scale-up of community-based forest resources management

1. Scale-up of community-based forest resources management								
1.1 Increase beneficiaries of PFM								
KPI		UoM	'17-18	'18-'19	'19-'20	'20-'21	'21-'22	'22-'23
1	Total villages supported	#	45	49	54	59	64	70
2	Of which supported through MCDI core operations	#	23	25	28	31	34	37
3	Of which supported through consulting	#	22	24	26	28	30	33
4	People in villages with active PFM	'000	50	55	65	75	85	100
1.2 Increase forest under PFM scheme								
KPI		UoM	'17-18	'18-'19	'19-'20	'20-'21	'21-'22	'22-'23
5	Area of village forest reserves supported by MCDI	'000 ha	258	263	273	283	293	303
6	Forest in FSC-certified VLFRs	'000 ha	188	197	206	215	224	233
1.3 Forest protection and regeneration								
KPI		UoM	'17-18	'18-'19	'19-'20	'20-'21	'21-'22	'22-'23
7	Forest in "no take zones" within forest reserves	%	>10%	>10%	>10%	>10%	>10%	>10%
8	Tree seedlings planted	'000	>10	15	17	19	21	23

Goal 2: Increase of forest revenues for rural communities

The fulfilment of this Strategic Goal can be broken down into the following three sub-goals:

- *Expand village base* – “Increase the number of villages generating value through timber harvesting and sales ...”
- *Increase sale productivity* – “... while increasing the average revenue per cubic metre...”
- *Boost total sales* – “... to guarantee a constant increase of the value generated for communities”.

Increase beneficiaries of PFM – to be measured with the following KPIs:

9. Total villages harvesting timber

Including (every year) all FSC-certified villages (those ready to harvest: if MCDI adds one FSC-certified village in a certain year, it will likely be ready to harvest starting from the following one) plus a number of non-FSC harvesting villages going from 2 (in past fiscal year) to 11 (raising the ratio of non-FSC harvesting villages on total non-FSC villages from ~20% to ~60% in 5 years).

10. ... Of which FSC-certified

Currently 13 (at the end of 2017-2018 fiscal year); in light of the amount of work/ resources needed to certify a village (according to past years’ experience) MCDI commits to add 1 FSC-certified village per year (and make it available for harvesting the following year). This trend would result at 2022-2023 in 18 FSC-certified villages, of which 17 harvesting.

Increase sale productivity – to be measured with the following KPIs:

11. Communities processing sawn timber (out of total harvesting ones)

The main assumption here is that for the next 5 years all harvesting villages will be significantly incentivized (by the more value generated at stake) to make use of the sawmill. In particular, all FSC-certified villages are assumed to make use of the sawmill (with the exception of this year – representing the first year of sawmill operations – where, despite the commitment, only 7 villages may probably manage to use the sawmill due to operations start-up constraints). In this perspective, in order to maximize the exploitation of the harvests’ value (and optimize the logistics of the “portable” equipment), it is reasonable to think that MCDI shall support the purchase of a further sawmill during the fiscal year 2019-2020 (ready

to be used for the harvests of 2020-2021), once the learning curve of its use in the villages has reached a satisfactory level.

12. *Sawn timber ratio on total timber harvested*

Expected to go from ~17% in 2018-2019 to ~27% at the end of the 5-years plan under the following hypothesis:

- Total timber harvest volumes (see table below): (i) for the current 13 FSC villages, forecasts agreed with the VNRC of each village; (ii) for the new harvesting FSC-certified villages to be added in the following years, a conservative value of 150 cubic metres per year (corresponding to today’s median FSC village), constant for the 5 years; (iii) for the non-FSC harvesting villages, 50 cubic metres during the first harvesting year then ramping up to 100 during the following years.
- Sawmill yearly capacity: ~1,000 cubic metres (assuming full utilization for ~20 weeks per year – dry season)
- Sawn timber volumes: (i) 650 cubic metres in 2018-2019 as per FSC villages’ VNRC forecasts; (ii) 1,000 cubic metres in 2019-2020 when first sawmill reaches full utilization; (iii) ramp-up to 2,000 in the last 3 years after purchase of second sawmill in 2019-2020.

Table 11 – Timber harvest expected volumes over the 5-years

Village category	Standing trees			Sawn timber		
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Δ 5 years
Current 13 FSC villages (bottom-up planning)	2.844	3.141	3.821	4.371	4.921	73%
	650	1.000	1.000	1.000	1.000	54%
Additional FSC villages over time (estimated)	-	150	300	450	600	n/a
	-	-	-	-	-	n/a
Not-FSC harvesting villages (estimated)	250	400	600	800	1.000	n/a
	-	-	-	-	-	n/a
Total standing trees	3.094	3.691	4.721	5.621	6.521	111%
	83%	79%	83%	85%	87%	n/a
Total sawn timber	650	1.000	1.000	1.000	1.000	54%
	17%	21%	17%	15%	13%	n/a
Total timber	3.744	4.691	5.721	6.621	7.521	101%

Adding 1 extra sawmill in 2019-2020 (starting operations in 2020-2021)

Total standing trees	3.094	3.691	4.121	4.821	5.521	78%
	83%	79%	72%	73%	73%	n/a
Total sawn timber	650	1.000	1.600	1.800	2.000	208%
	17%	21%	28%	27%	27%	n/a
Total timber	3.744	4.691	5.721	6.621	7.521	101%

13. *Timber revenues per hectare of harvesting villages*

Expected to go from ~5,400 TZS in 2018-2019 (from last year’s 3,300) to ~9,000 at the end of the plan horizon, assuming the following:

- A unitary revenue of TZS 450,000 for sawn timber (to be eventually updated in the next months after the first sale of sawn timber are finalized), considered constant over time.

- A unitary revenue of ~TZS 265,000 for sawn timber, calculated on the 2018-2019 expected species mix of the 13 FSC villages and assumed increasing by 2.7% over time (conservative assumption based on past years' increases⁶).
- Constant size of forest for the current 13 FSC villages, an average size of 9,000 hectares per forest for the further FSC villages and 5,000 for the further non-FSC harvesting villages to be added over time.

Boost total sales – to be measured with the following KPIs:

14. Volume of timber sold

Provided all abovementioned assumptions hold, expected to increase from ~3,700 cubic metres in 2018-2019 (from last year's 2,620) to ~7,500 at the end of the plan horizon.

15. Total timber revenues

Provided all abovementioned assumptions hold, expected to increase from TZS ~1.1 bn in 2018-2019 (from last year's TZS ~0.5 bn) to TZS ~2.5 at the end of the plan horizon.

Table 12 – Strategic Goal #2: Increase of forest revenues for rural communities

2. Increase of forest revenues for rural communities								
2.1 Expand village base								
	KPI	UoM	'17-18	'18-19	'19-20	'20-21	'21-22	'22-23
9	Total villages harvesting timber	#	11	16	19	22	25	28
10	Of which FSC-certified	#	9	13	14	15	16	17
2.2 Increase sale productivity								
	KPI	UoM	'17-18	'18-19	'19-20	'20-21	'21-22	'22-23
11	Communities processing sawn timber	#	0	7	14	15	16	17
12	Sawn timber ratio on total timber harvested	%	0%	17%	21%	28%	27%	27%
13	Timber revenues per hectare of harvesting villages	TZS	3300	5400	6500	7700	8400	9000
2.3 Boost total sales								
	KPI	UoM	'17-18	'18-19	'19-20	'20-21	'21-22	'22-23
14	Volume of timber sold	m3	2620	3700	4700	5700	6600	7500
15	Total timber revenues	TZS bn	0,5	1,1	1,5	1,9	2,2	2,5

Goal 3: Improvement of MCDI organizational sustainability

The fulfilment of this Strategic Goal can be broken down into the following two sub-goals:

- *Make MCDI resourcing more sustainable* – “Make more financial resources available and the Organization (relatively) more autonomous (i.e. less dependent on third parties/ donor funding) ...”
- *Strengthen MCDI workforce* – “... while guaranteeing the needed skills and competences are in place to extract the maximum potential from resources available”.

Make MCDI resourcing more sustainable – meaning that MCDI can rely less on donors funding for the fulfilment of its activities in the future (and become at the same time more appealing for donors to put money into it – financing institutions are obviously keener to support an organization that is solid and can provide itself for some of its financial needs). Two factors can contribute to the fulfilment of this: increasing the amount of earned revenues (in other words, “self-generated”: through consulting, etc.) and increasing the amount of PFM costs reimbursed by communities to MCDI (as soon as they start having a profitable timber sale business). Such factors are to be measured with the following KPIs:

⁶ Median value of price increase in the past 3 years (wighted on all species in scope)

16. *Earned revenues on core costs*⁷

The figure is currently ~8% (past fiscal year) and it consists mostly of the provision fees collected from the villages⁸. During the next 5 years, on top of the growth of provision fees (more than proportional vs. harvested volume in light of the increase of high-margin sawn timber), MCDI intends to invest sensibly in increasing the ancillary revenues from professional services provided to buyers (e.g., log hammering supervision, etc.) and paid consultancies to villages (i.e. villages that need support to set up their own VLFR), since these are activities with very good margins that can be used to fuel further PFM activity growth. From a total of TZS 50-70 mln gained in the past years (per year) the ambition would be to reach TZS ~120 mln per year toward the end of the plan. This increase should be made possible by the growing appeal of MCDI staff competence in the sector (proven, for instance, by the consulting contracts with Limas, renewed during past year). The combination of all abovementioned improvement is expected to bring the KPI of *earned revenues on core costs* to ~28% at the end of planning cycle.

17. *Earned revenues on total costs*

Expected to go from current baseline of ~7% to ~11% at the end of the plan, based on the same assumptions underpinning the previous KPI.

18. *Core costs reimbursed by villages (excluding 5% provision)*

The sustainability of CBFM relies heavily on the growing level of autonomy over time that villages should exert in the planning and execution of activities needed, also from a financial standpoint. To this end, as soon as a village starts harvesting (hence making profits), MCDI aims at having some of its (anticipated, to the village) support costs paid by the VNRC. An agreement of this sort has already been reached with current FSC villages. The gradual extension of such collaboration practices to all villages in MCDI portfolio is expected to raise the percentage of reimbursed core costs from ~18% in 2018-2019 (they were almost null in past fiscal year) to ~50% at the end of the 5-years plan.

Strengthen MCDI workforce – to be measured with the following KPIs:

19. *Total FTEs*

The strong increase in activity put forward will require a correspondent growth in terms of workforce, at all levels: management team, paid staff, volunteers (see details in next chapter). With an increase of VLFRs under management of around one third in the next 5 years, it is fair to assume a needed (progressive) increase of total FTEs from current 26 to ~40.

20. *... Of which volunteers*

Expected to increase from current 9 FTEs to ~15 at the end of the plan, to contribute to the increasing need of field officers (proportionally with the number of VLFRs managed: from current 14 FTEs to ~20 at the end of the plan).

⁷ With core costs, we intend all costs related to MCDI core activities: CBFM maintenance and scale-up, increase of forest revenues for rural communities, strengthening of villages governance, monitoring & research, MCDI personnel training and skill building, MCDI awareness and support (that is all MCDI costs but MCDI personnel and office running costs)

⁸ 5% on timber sales (excluding off-cuts sale revenues)

Table 13 – Strategic Goal #3: Improvement of MCDI organizational sustainability

3. Improvement of MCDI organizational sustainability								
3.1 Make MCDI resourcing more sustainable								
	KPI	UoM	'17-18	'18-'19	'19-'20	'20-'21	'21-'22	'22-'23
16	Earned revenues on core costs	%	8%	14%	23%	26%	26%	28%
17	Earned revenues on total costs	%	7%	7%	9%	10%	12%	11%
18	Core costs reimbursed by villages (excluding 5% provision)	%	~0%	18%	41%	48%	47%	50%
3.2 Strengthen MCDI workforce								
	KPI	UoM	'17-18	'18-'19	'19-'20	'20-'21	'21-'22	'22-'23
19	Total FTEs	#	20	29	33	36	38	39
20	Of which volunteers	#	8	9	10	12	14	15

Goal 4: Amplification of awareness and support for MCDI

The fulfilment of this Strategic Goal can be broken down into the following two sub-goals:

- *Increase the participation to sector events* – “Improve MCDI reputation as go-to (certified) timber wood point of reference by increasing its presence and reputation in the sector’s network ...”
- *Improve digital communication* – “... and enhancing the effectiveness of its digital reach”.

Increase the participation to sector events – to be measured with the following KPIs:

21. *Number of events (e.g., festivals, trade shows) attended*

From the current “sporadic” attendance to sector events, the ambition is to become consistently present and visible, reaching a number of ~10 events attended (per year) at the end of the plan, out of which 3-4 trade shows (and some must be international).

22. *Leaflet/ brochures distributed (physically or digitally)*

To sustain the envisioned increasing marketing pressure (described by the previous KPI) the number of leaflets/ brochures (for marketing as well as for advocacy purposes) is expected to raise from current ~1,000 to 8,000-10,000 in 2022-2023. Such investment in marketing pressure shall entail an equivalent growth in door-to-door marketing activities as well as timber samples expenses.

The fulfilment over time of these operative KPIs related to marketing activities is expected to bring MCDI marketing & communications expenditure from TZS ~60 mln in 2018-2019 to TZS ~150 mln in 5 years.

Improve digital communication – to be measured with the following KPIs:

23. *Number of commercial inquiries from digital channels*

Out of all inquiries received by MCDI, digital channels already represent a key channel (~70% share of total inquiries). In order to sustain the projected growth of villages’ sales, the yearly number of commercial inquiries collected via digital channels (website form, dedicated email, social media) is expected to grow from current ~40 to 150-200 at the end of the plan.

24. *Number of website visits*

To optimize the chances of fulfilling the previous KPI over time, the number of visit to MCDI websites should increase to current ~5,000 to ~50,000 over the planning cycle. This shall be done through: (i) a redesign of the website’s navigation flow and user experience (home page improvement actions already identified); (ii) the introduction of more advanced SEO (Search Engine Optimization) practices; (iii) eventually (to be discussed) the use of SEM (Search

Engine Marketing/ paid Google impressions) and other digital marketing levers (e.g., banner ads, re-targeting, etc.).

Table 14 – Strategic Goal #4: Amplification of awareness and support for MCDI

4. Amplification of awareness and support for MCDI								
4.1 Increase the participation to sector events								
	KPI	UoM	'17-18	'18-'19	'19-'20	'20-'21	'21-'22	'22-'23
21	Number of events (e.g., festivals, trade shows) attended	#	0	3	5	7	9	10
22	Leaflet/ brochures printed and distributed	'000	<1	3	4	5	6	8
4.2 Improve digital communication								
	KPI	UoM	'17-18	'18-'19	'19-'20	'20-'21	'21-'22	'22-'23
23	Number of commercial inquiries from digital channels	#	50	90	140	160	180	200
24	Number of website visits	'000	5	20	50	70	85	100

Goal 5: Enhancement of village governance and capacity building

The fulfilment of this Strategic Goal can be broken down into the following two sub-goals:

- *Enforce structured set-up of village activities* – “Help all villages to adopt high-standard planning practices, to become more autonomous over time in CBFM activity ...”
- *Enable value and wealth generation within villages* – “... and guarantee that the value generated by it for the communities keeps growing in time”.

Enforce structured set-up of village activities – to be measured with the following KPIs:

25. *Villages doing business planning activity*

As part of the VLFR set-up process, MCDI always introduces activity planning practices and tools within all villages with which it works. Starting from 2018, however, MCDI has designed an enhanced (more accurate) planning process (e.g., co-creation with VNRCs of a PFM detailed budget, then approved by VCs in dedicated VGAs) and experimented it in all FSC-certified villages (also through dedicated capacity-building workshops). Such structured approach is the best guarantee of a village sustainability and autonomy in managing PFM activities in the long run. Therefore, before the end of the 5-years plan the goal is for all VLFRs in scope (34 at 2022-2023: total 37 VLFRs minus the 3 introduced during that year) to start doing it.

26. *Average VNRC meetings per village per year*

The rule set is to have 12 VNRC meetings in all villages with a VLFR. Such frequency is not respected in all villages yet, mostly because communities that are not still seeing the full (economic) benefit of timber sales are not incentivized (and do not feel the need, in practical terms) to meet once per month to oversee the progress of PFM activities. As soon the value generated through sales hits all communities, they’ll accept (and push themselves, in some cases) to have the VNRC meeting once per month (and pay to VNRC members attending such meetings). Having said this, we expect to meet the target in all villages by year 2019-2020.

Enable value and wealth generation within villages – to be measured with the following KPIs:

27. *Money invested in community development projects*

This KPI includes the sum of net (after-tax) profits gained by villages⁹ after the reimbursement of costs/ expenses anticipated by MCDI. This is assumed to be fully directed to community-

⁹ Including earnings from visitors, researchers, fines, etc.

related development projects: construction of schools, etc. Such figure is expected to be TZS ~320 mln in 2018-2019 (including all harvesting villages, FSC-certified and not), not significantly higher on a village-average basis vs past year because of the introduction of MCDI-costs reimbursement (by villages). The evolution of this number is expected to reach TZS ~1,100 mln at the end of the plan, mostly boosted by the strong enhancement of sales performances over time.

28. Total value generated for villages

Including the sum of net (after-tax) profits generated as well as the further wealth generated by PFM for the community (e.g., salaries, allowances, etc.), it represents a proxy of the total value generated in a certain year by PFM for a village. It is expected go from TZS ~450 mln in 2018-2019 to TZS ~1,400 mln at the end of the planning cycle.

Table 15 – Strategic Goal #5: Enhancement of village governance and capacity building

5. Enhancement of village governance and capacity building								
5.1 Enforce structured set-up of village activities								
	KPI	UoM	'17-18	'18-'19	'19-'20	'20-'21	'21-'22	'22-'23
25	Villages doing MCDI-approved planning activity	#	<5	13	25	28	31	34
26	Average VNRC meetings per village per year	#	<5	8	12	12	12	12
5.2 Enable value and wealth generation within villages								
	KPI	UoM	'17-18	'18-'19	'19-'20	'20-'21	'21-'22	'22-'23
27	Money invested in community development projects	TZS mln	~300	318	457	719	931	1148
28	Total value generated for villages	TZS mln	n/a	470	640	928	1164	1406

Goal 6: Step-up of monitoring and research impact

The fulfilment of this Strategic Goal can be broken down into the following two sub-goals:

- *Empower monitoring practices at village level* – “Enforce PFM activity and forestry resources monitoring across all village in scope ...”
- *Improve MCDI research effort* – “... and allow MCDI to have more time available for research activities”.

Empower monitoring practices at village level – to be measured with the following KPIs:

29. Average community forest patrol per village per year

The best practice set is to have 24 forest patrols per village per year. Such frequency is not respected in all villages yet (for similar reasons as to why not all VNRCs hold all meetings, as explained above), but the goal is to gradually reach it in all villages by the end of the plan.

Improve MCDI research effort – to be measured with the following KPIs:

30. New research findings enabling MCDI to improve its work

The effort that MCDI puts in this activity is (has always been, since its start-up) significant. However, the fulfilment of deliverables has been patchy. The goal is to make happen an average of 2 research findings per year per the end of the plan, starting from 1 in 2018-2019.

Table 16 – Strategic Goal #6: Step-up of monitoring and research impact

6. Step-up of monitoring and research impact								
6.1 Empower monitoring practices at village level								
KPI		UoM	'17-18	'18-'19	'19-'20	'20-'21	'21-'22	'22-'23
29	Average community forest patrol per village per year	#	17	20	21	22	23	24
6.2 Improve MCDI research effort								
KPI		UoM	'17-18	'18-'19	'19-'20	'20-'21	'21-'22	'22-'23
30	New research findings enabling MCDI to improve its work	#	0	1	1	2	2	2

Enablers for Strategic Goals

The fulfilment of MCDI strategy between July 2018 and June 2023 will be an exciting yet challenging journey, that will require increasing effort over time and a structured, detailed planning now. The 5-years planning exercise run in parallel (and strong overlap) with the definition of the strategy has allowed to calculate the amount of resources needed for the execution of all expansion initiatives and improvement activities identified, ultimately aimed at unlocking the growth potential forecasted. The assessment of such resources allows to project the financial profile of MCDI over time. They can be grouped into 3 different categories of enablers:

- Human capital (and related costs)
- Supporting equipment
- Financial resources

Human capital

As anticipated in the description of Strategic Goal #3 (*“Improvement of MCDI organizational sustainability”*, sub-goal *“Strengthen MCDI workforce”*) the growth of activities volume on all fronts could materialize provided than an adequate (and carefully designed and phased) increase of resource came true in each layer of the organizational structure:

- Management Team;
- Back-office staff¹⁰;
- Field officers and other support staff¹¹;
- Volunteers.

The envisioned evolution of MCDI Organization has been designed to fill the gaps and/ or boost further effectiveness in 3 main areas:

- Marketing: injection of (currently lacking) competences and set-up of a structured office;
- Field support: staffing of coordination roles for debottlenecking/ speeding up activities in an ever-increasing number of villages;
- Field operations: increase the number of field officers to allow the set-up of PFM activities in new villages.

¹⁰ Including for insatnce: account clerk, assistant marketing manager, logistics suport manager, monitoring manager

¹¹ Including for insatnce: drivers, cleaner, etc.

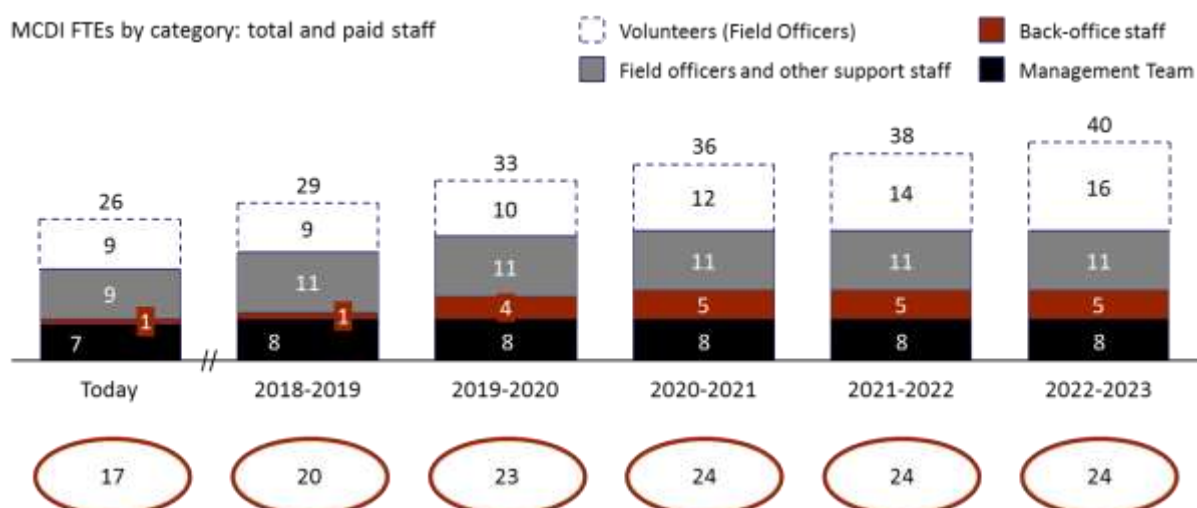
Timber marketing is an area of activity where MCDI acknowledges it has a significant gap and urgently needs to fill it. Until past years, the focus of the Organization has been to set up PFM activity in as many villages as possible and with the highest quality standards achievable. The volume of timber harvested for sale was relatively small, hence not difficult to match with interested buyers. However, forecasted (and current, already) volumes will require a “push” support to guarantee they get sold, and through the best channels (e.g., digital vs. physical, national vs. international). This requires specific competence to formulate and execute a market access strategy, and develop the internal processes accordingly. To make such “push” come true MCDI would have two alternatives: build (incorporate) the skills internally by hiring professionals with the right competences, or externalize the activity by buying support services from third parties. MCDI has decided to build up marketing and sales competences internally because, looking at past years: (i) after hiring current marketing responsible (currently with a very busy agenda being also in charge of IT) sales peaked (in 2014); (ii) at the end of fiscal year 2017-2018, when Technical Adviser and CEO had their time significantly freed up (by the presence of qualified international volunteers) and could focus on sales and marketing, MCDI got 2 large volume orders of sawn timber and at least 3-4 more buyers inquiries (large volumes – 500-3000pcs per month – and considered as high likelihood of going through). To this end, MCDI finds the need to: (i) hire a (senior) marketing manager as soon as possible; (ii) hire a (more junior) assistant marketing manager (from year 2019-2020) to make sure the increasing volume of inquiries get sorted out.

Until today, with 23 VLFRs in MCDI portfolio, the orchestration of field activities has been steered entirely by MCDI Director of Field Operations (with ad-hoc support from other members of the Management Team) and the CEO, obviously. The increasing level of operations complexity (e.g., sawn timber activities, expected more services provided to timber buyers), combined with the increasing number of supported villages (by the way located in more and more remote areas) call for a strengthening of the unit in the following dimensions:

- Introduction (hiring) of 2 *Community Extensions Officers*, based out in the field (in some villages strategically chosen at the centre of village clusters) and in charge of liaising with communities for PFM-related matters and expediting/ facilitating the work of field officers. Such hiring should be done in 2018-2019.
- Introduction (hiring) of 2 *Logistic Support Managers*, based out of MCDI offices in Kilwa Masoko and in charge of sorting out all “desk” work related to the scheduling of field activities, equipment allocation to villages, and task allocation for field officers. Each manager should be responsible for a defined subset of the villages in MCDI portfolio. One of the two managers should be hired in 2019-2020, the other in 2020-2021.
- Increase in the number of Field Officers, to guarantee there will be capacity enough to support the growing number of VLFRs, expected to go from current 23 to 37 in 5 years. Such increase, in the range of 30% of all estimated activity, should be matched by a coherent growth of field workforce. To do that, MCDI (that to date has 14 Field Officers, out of which 9 volunteers) intends to progressively bring the number of Field Officers to 20 by taking on 6 new volunteers (in order to keep an eye on the financials of the Organization).

Overall, the impact of these changes would make grow the total number of MCDI “people” from 26 today (of which 9 volunteers) to around 40 in 2023 (of which 15-16 volunteers). Details of the evolution are shown in the table below.

Table 17 – Evolution of MCDI workforce



Supporting equipment

As for the human capital, also the availability of supporting equipment should be adjusted over time to guarantee that all (increasing) office and field activities planned can be fulfilled. MCDI equipment can be grouped into 4 main categories:

- Vehicles;
- Field equipment;
- Computers;
- Office furniture.

MCDI’s experience has been leveraged for defining a sizing driver/ rule for each item in these categories, and (considering the initial stock and the item lifecycle) finally estimate the purchases needed over time (with related capital expenditure).

Within vehicles MCDI has 3 different types/ items in use for supporting its field activity: motorbikes, pick-ups and Land Cruisers:

- Motorbikes: estimated need of 1 vehicle for every 5 villages. Considering MCDI doesn’t have any motorbikes yet, and taking for granted the expected number of VLFRs in its portfolio, it should buy: 4 in 2018-2019 (for which funds have already been secured), and then 1 each in the last 3 years of the 5-years plan.
- Pick-ups and Land Cruisers: estimated need of 1 vehicle for every 10 villages, plus one dedicated vehicle for every portable sawmill (to be used for other purposes outside of the harvesting season). Considering MCDI has 5 vehicles to date, it should buy: 1 pick-up this year and 2 in 2020-2021; 1 Land Cruiser this year and 1 in 2022-2023.

Within field equipment MCDI has 5 different types/ items in use for supporting its field activity: sawmills, chainsaws, drip torches, fire beaters, GPSs:

- Sawmills: currently 1 in use, estimated purchase of 1 further sawmill in 2019-2020 to increase the production of sawn timber (once the learning curve has plateaued, with the use of the first one).

- Chainsaws: currently 3 in use, estimated purchase need of 1 further chainsaw for every 3 new harvesting villages added (resulting in 1 chainsaw purchased per year from 2019-2020 onwards).
- Drip torches: capacity driven by the number of FSC-certified villages in scope (early burning being a requirement for FSC certification). Currently 7 in use, estimated purchase of 1 further drip torch for every new FSC village certified (resulting in 1 drip torch purchased per year from 2019-2020 onwards).
- Fire beaters: as well, capacity driven by the number of FSC-certified villages in scope. Currently 7 in use, estimated purchase of 2 fire beaters per year from 2019-2020 onwards.
- GPSs: again, capacity driven by the number of FSC-certified villages in scope. Currently 7 in use, estimated purchase of 1 further GPS equipment for every new FSC village certified (resulting in 1 GPS equipment purchased per year from this fiscal year onwards).

As for computers, the Organization practice (confirmed) entails: (i) 1 laptop for every paid staff member; (ii) 1 laptop every 2 volunteers. At the end of last fiscal year MCDI had 17 laptops in its books, and each should be replaced according to a lifecycle of 4 years. The combination of such assumptions projects the purchase of 3 new laptops in this fiscal year, and then 5 every year from 2019-2020 onwards.

Finally, office furniture is continuously monitored (and inventoried) and periodically replaced. The historical expenditure is in the range of TZS 2 mln per year. Considering that (despite new hirings) office space shouldn't need to be expanded, the estimate is for these expenses to keep directionally constant over the 5 years plan horizon.

See below Table 18 summarizing MCDI forecasted capital expenditure in the next 5 years. Volumes are coherent with the assumptions above while unitary prices grow over time with inflation (salary inflation, kept constant at 1,5% per year). Mostly because of vehicle needs and the purchase of the extra sawmill, the capital expenditure profile for the next 5 years is forecasted to be fairly concentrated at the beginning of the plan, with ~75% of total 5-years expenditure fulfilled by end of fiscal year 2020-2021.

Table 18 – MCDI forecasted equipment purchases and capital expenditure (TZS)

Capital Expenditures items	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Vehicles	352.680.000	208.600.000	308.341.548	3.679.606	251.396.251
Motorbike	12.680.000	-	3.451.788	3.679.606	3.922.460
# Motorbikes	4	-	1	1	1
Unit cost	3.170.000	3.306.310	3.451.788	3.679.606	3.922.460
Pickup	140.000.000	-	304.889.760	-	-
# Pickups	1	-	2	-	-
Unit cost	140.000.000	146.020.000	152.444.880	162.506.242	173.231.654
Landcruiser	200.000.000	208.600.000	-	-	247.473.792
# Landcruisers	1	1	-	-	1
Unit cost	200.000.000	208.600.000	217.778.400	232.151.774	247.473.792
Field equipment	1.600.000	84.067.886	6.099.973	6.502.571	6.931.741
Sawmill	-	78.225.000	-	-	-
# Sawmill	-	1	-	-	-
Unit cost	75.000.000	78.225.000	81.666.900	87.056.915	92.802.672
Chainsaw	-	2.086.000	2.177.784	2.321.518	2.474.738
# Chainsaw	-	1	1	1	1
Unit cost	2.000.000	2.086.000	2.177.784	2.321.518	2.474.738
Drip torches	-	2.086.000	2.177.784	2.321.518	2.474.738
# Drip torches	-	1	1	1	1
Unit cost	2.000.000	2.086.000	2.177.784	2.321.518	2.474.738
Fire beaters	-	2.086	2.178	2.322	2.475
# Fire beaters	-	2	2	2	2
Unit cost	1.000	1.043	1.089	1.161	1.237
GPS	1.600.000	1.668.800	1.742.227	1.857.214	1.979.790
# Fire beaters	1	1	1	1	1
Unit cost	1.600.000	1.668.800	1.742.227	1.857.214	1.979.790
Computer	6.075.000	10.560.375	11.025.032	11.752.684	12.528.361
# Computers	3	5	5	5	5
Unit cost	2.025.000	2.112.075	2.205.006	2.350.537	2.505.672
Office furniture	2.000.000	2.086.000	2.177.784	2.321.518	2.474.738
Total expenditure	362.355.000	305.314.261	327.644.336	24.256.378	273.331.091

Financial resources

The assumptions about the human capital and supporting equipment needed over time to fulfil the volume of activities underpinned in MCDI strategic targets yields a forecast of the total cash costs that MCDI will need in the 5-years plan horizon to accomplish its mission.

In Table 19 you can find the forecasts of MCDI main cost items over time, resulting from the detailed Sustainability Plan modelling exercise run by the Management Team.

Table 19 – MCDI forecasted total cash costs over the 5-years plan (TZS mln)

Cost item	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	CAGR
Structural costs	TZS 1.163,3	TZS 1.234,6	TZS 1.316,3	TZS 1.037,5	TZS 1.306,8	3,0%
Personnel costs	680,8	800,7	850,0	863,1	876,1	6,5%
Running costs	120,1	128,6	138,6	150,2	157,4	7,0%
Capital Expenditures	362,4	305,3	327,6	24,3	273,3	-6,8%
Core costs	TZS 1.388,2	TZS 1.290,1	TZS 1.513,5	TZS 1.671,3	TZS 1.830,6	7,2%
1. Scale up CBFM	184,3	119,7	110,5	144,4	152,1	-4,7%
2. Increase forest revenues for rural comm.	640,8	652,2	884,0	992,7	1.111,0	14,7%
3. Improvement of MCDI orga sustainability	99,2	117,3	126,7	133,7	141,2	9,2%
4. Amplification of MCDI awareness/ support	116,7	124,1	140,3	157,6	175,3	10,7%
5. Enhancement of village governance	276,0	202,1	169,7	158,1	159,8	-12,8%
6. Step-up of monitoring and research impact	71,1	74,9	82,3	84,8	91,3	6,4%
Total cash costs	TZS 2.551,4	TZS 2.524,7	TZS 2.829,8	TZS 2.708,7	TZS 3.137,4	5,3%

The expected total cash costs at 2018-2019 is TZS 2.551 mln; main increases vs last fiscal years are:

- *Supporting equipment (capital expenditure)*: TZS ~350 mln increase (in light of expected significant purchase of vehicles – 1 Land Cruiser, 1 Pick-up, 4 motorbikes);
- *Monitoring and research impact*: TZS ~200 mln increase (due to a big funding secured for a 3-year research project funded by Darwin Initiative);
- Organic growth of PFM and community revenue related expenses (proportionally with increasing number of VLFRs supported and activities fulfilled).

The expected evolution of total cash costs over the next 5 years has a swingy yet not increasing profile, driven mainly by the following assumptions:

- *Personnel costs* constantly increasing with the growing volume of MCDI workforce (see chapter before);
- *Running costs* constantly increasing, but to a little extent and mostly driven by the expected inflation only;
- *Supporting equipment (capital expenditure)* evolving with a volatile profile (and anyway reaching their peak on 2018-2019 already), based on the detailed assumptions made about equipment needs (chapter before);
- *Core costs* overall increasing over time; mostly driven by the increase of community revenues boosting activity (variable costs related to the number of harvests supported, etc.) and the significant increase in timber marketing activity.

In this virtuous context where MCDI shall see its total cash cost increase at a (much) lower rate than the increase of activities realized, other positive element are expected to come into play to improve even further the Organization financial profile (and needs, from donors). Table 20 (below) shows the overall expected evolution over time of MCDI total financial needs and the impact of some strategic factors contributing to the healthy trend.

Table 20 – MCDI forecasted total (minimum) financial needs (TZS mln)

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Total costs	2.551	2.525	2.830	2.709	3.137
Village reimbursements	-252	-525	-723	-789	-924
Total costs after reimbursements	2.299	2.000	2.106	1.920	2.213
Earned revenues	156	178	205	227	249
Total (minimum) financial needs	2.143	1.822	1.901	1.693	1.964
VLFRs supported	25	28	31	34	37

Village reimbursements are referred to cost sustained by MCDI for activities that value-generating (through timber sale) villages have agreed to start being in charge of. Such cost list includes:

- Most of *PFM support* costs, entailing for instance: (i) resolving of land disputes & encroachment; (ii) PFRAs and harvesting plans; (iii) renew of management plans; etc.
- Most of *logging support, tree planting* and *early burning* related costs, entailing for instance: (i) timber harvesting training; (ii) sawmill training; (iii) tree selection and marking; (iv) harvesting supervision; etc.
- A significant part of costs related to *village governance*, such as: (i) leadership accountability and training; (ii) financial management and book keeping training; (iii) annual budgeting and work-planning; (iv) annual budgeting/ business planning; etc.

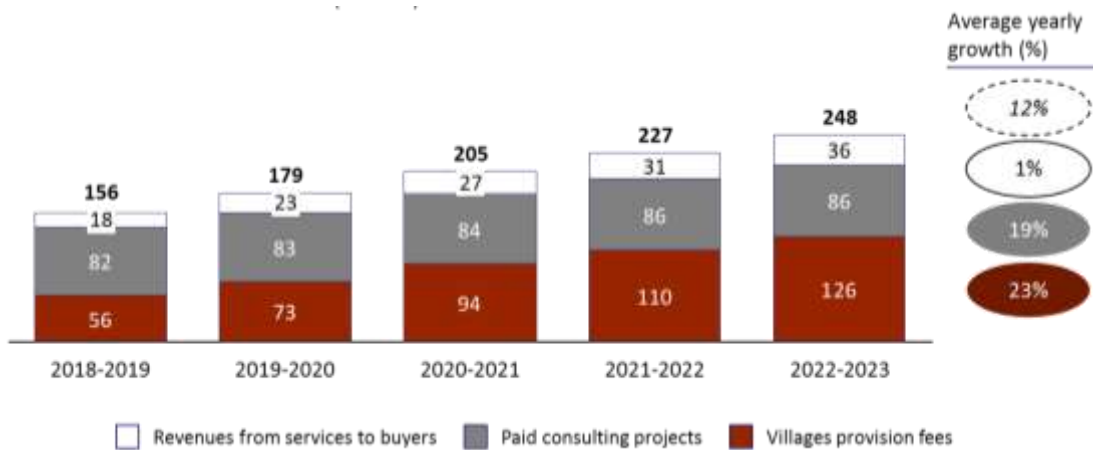
In the plan figures, the overall assumptions is that only FSC-certified (harvesting) villages will pay reimbursements back to MCDI (and only 50% of total amount in 2018-2019, 75% onwards – for conservative reasons). Obviously, also non-FSC harvesting villages shall be included in this scheme (since MCDI is providing the same support to FSC and not-FSC villages), at least those benefitting from the sawmill. However (again for conservative reasons) for the time being reimbursement hypothesis are not applied to not-FSC villages (mostly because not-FSC harvesting villages are currently only 3, of which 2 are harvesting less than 50 cubic metres of timber this year).

On top of reimbursements, MCDI financial needs shall be lightened over time also by the growing amount of *earned revenues*. MCDI's earned revenues are divided into 3 different categories:

- *Service provision fees* (5% on villages timber revenues, both standing trees and sawn timber);
- *Revenues from paid consulting projects*;
- *Revenues from services to buyers*.

Total earned revenues in 2018-2019 (TZS ~156 mln) are expected to be ~4x vs. last fiscal year (TZS ~40 mln), mostly because of: (i) strong increase in paid consulting; (ii) significant villages provision fees (16 harvesting villages with sawn timber vs 9 harvesting villages without sawn timber last year). Then, they are expected to grow at an average rate of 12% per year: mostly driven by 23% average yearly increase of village provision fees; contributed by the average 19% yearly growth of services to buyers (so far provided with a sporadic approach, expected to be boosted by a decrease in daily fees from current TZS 300k to TZS 200k – key complaint of buyers to date and cause of jobs lost). Paid consulting projects revenues are assumed not to grow (since they drain a lot of Management Team time, they're naturally capped) but to be constantly fulfilled every year: 2 sizeable projects 4-5 months long each (vs. past years where the trend has been patchy). The increase of earned revenues is key in MCDI plans because not only they decrease the level of donors' funding needed to make the ecosystem function, but also they offset the need of unrestricted funding to pay for MCDI structural costs.

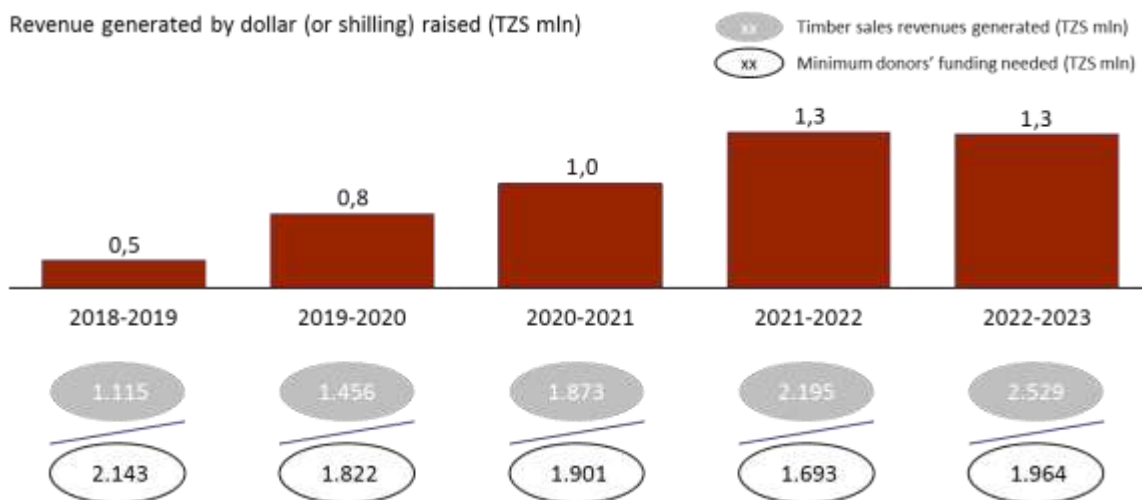
Table 21 – MCDI earned revenues (TZS mln) evolution over 5-years planning cycle



The combination of all such assumptions projects a profile of total (minimum) financial needs for MCDI (to be supplied by donors) decreasing from TZS ~2.1 bn in 2018-2019 to TZS ~2.0 bn in 2022-2023. All such while the number of supported VLFRs should increase from current 23 to 37 at the end of the plan. We say “minimum” because such figure assumes a perfect matching between the program/ activities funded by donors and the 5-years plan costs associated to each program/ activity. In real life (as experience in 2017-2018 proves) there will always be some mismatch between those. Therefore, real funding needed will be above this minimum threshold identified.

An effective KPI to use for measuring the overall level of health of MCDI operating model as well as the impact of donors’ funds collected is the *revenue generated by dollar (or shilling) raised*. This indicator has: at the numerator, the total timber sales revenues generated by villages in a year; at the denominator, the minimum donors’ funds needed to finance all MCDI enabling activities in scope. Table 21 shows the expected improvement of this KPI over the 5-years planning cycle.

Table 21 – Expected trend of MCDI revenue generated by dollar (or shilling) raised



Provided that all hypothesis in its Sustainability Plan hold, MCDI expects to meet the target of parity (1 dollar of revenue generated by each dollar of funding raised) already by 2020-2021, and then improve by a further ~30% before the end of the 5-years plan. The evolution of this synthetic indicator summarizes MCDI’s ambition of improvement over time (in terms of overall impact for the communities and internal efficiencies) and represents a great, simple way of tracking the progress of the Organization performance (by measuring the actual value of the KPI vs. the planned one).