



Ministry of Agriculture and Rural Development

**VIETNAM**

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**Forest Carbon Partnership Facility (FCPF)**

**Carbon Fund**

**Emission Reductions Program**

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**BENEFIT SHARING PLAN**

**OF THE PROGRAM ON EMISSIONS REDUCTIONS**

**IN NORTH CENTRAL REGION OF VIET NAM**

**FOR THE PERIOD 2019-2024**

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**11 January 2019**

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## ACRONYMS

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ACM	Adaptive Collaborative Management
ACMA	Adaptive Collaborative Management Approach
BSP	Benefit Sharing Plan
CF	Carbon Fund
CPC	Commune People's Committee
CSO	Civil Society Organization
DARD	Department of Agriculture and Rural Development
DPC	District People's Committee
ER	Emission Reduction
ER-P	Emission Reduction Program in North Central Region
ER-PD	Emission Reduction Program Document
ERPA	Emission Reduction Program Agreement
FCPF	Forest Carbon Partnership Facility
FGRM	Feedback and Grievance Redress Mechanism
FMB	Forest Management Board
FMC	Forest Management Council
FORMIS	Forestry Management Information System
FPIC	Free, Prior and Informed Consultation
GHG	Greenhouse Gases
GOV	Government of Viet Nam
MARD	Ministry of Agriculture and Rural Development
MBFP	Management Board of Forestry Projects
M&E	Monitoring and Evaluation
NGO	Non-government Organization
NRAP	National REDD+ Action Program
NRIS	National REDD+ Information System
NTFP	Non-timber Forest Products
PFES	Payment for Forest Environmental Services

PRAP	Provincial REDD+ Action Plan
RBP	Result-Based Payment
REDD+	Reducing Emissions from Deforestation and forest Degradation, conservation and sustainable management of forest resources and enhancement of forest carbon stock
SERNA	Socio-Economic and REDD+ Needs Assessment
SFC	State Forest Company
SIS	Safeguards Information System
SSR	Social Screening Report
UNFCCC	United Nations Framework Convention on Climate Change
VNFF	Viet Nam Forest Protection and Development Fund
VNFOREST	Viet Nam Administration of Forestry
VRF	Viet Nam REDD+ Fund

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## INTRODUCTION

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### BRIEF INTRODUCTION TO THE ER PROGRAM AND ITS BENEFIT SHARING PLAN

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The Program on Emissions Reductions in North Central Region of Viet Nam (ER-P) is the first program of results-based payments for Emission Reductions (ERs) in the country. It is a Sub-national program designed by the Government of Viet Nam (GoV) to contribute to the objectives of the National REDD+ Program (NRAP) in order to reduce emissions, increase carbon removal, and improve livelihood of forest-dependent local communities in this important region of the country. Numerous REDD+ programs and projects are implemented in the country, and provide valuable lessons to support the design of the benefit sharing plan (BSP).

The ER-P covers the six provinces of the region: Thanh Hoa, Nghe An, Ha Tinh, Quang Binh, Quang Tri and Thua Thien Hue. Major direct drivers of deforestation and forest degradation in this area include forest-land conversion to rubber and acacia plantations, encroachment for agricultural production, and illegal logging. Key indirect drivers include a limited legal and policy framework to engage local people into sustainable management of natural forests, lack of coordination, and poverty of local rural population, especially ethnic minorities in the region.

The ER-P aims at reducing emissions by 20% against the reference level during the 6-year accounting and crediting period between 2019 and 2024. The ER-P has 4 components:

- **Component 1: Strengthening enabling conditions for emissions reduction**

This implies better control of natural forest conversion, forest law enforcement, land tenure clarification and strengthening of community rights to natural resources and forests, and additional options to improve forest management and governance, including through the adaptive collaborative management approach (ACMA) process.

- **Component 2: Promoting sustainable management of forests and carbon stock enhancement**

This component includes activities to conserve existing natural forests, promote natural regeneration with no additional planting, reforest special-use and protection forests, enrich planting of poor natural forests and transfer plantations from short-term to long-term rotation models and reforest by using indigenous species.

- **Component 3: Promoting climate smart agriculture and sustainable livelihood for forest dependent people**

This component includes promotion of climate smart agricultural production, establishment of agroforestry systems, sustainable development and use of non-timber forest products (NTFP), promotion of deforestation-free commodity value chains, and support to alternative off-farm incomes for forest-dependent people.

- **Component 4: Program management and emission monitoring**

The implementation of the ER-P requires dedicated capacities at central and provincial level for management and coordination through the CPMU and PPMU, as well as financial administration capacities through the Viet Nam REDD+ Fund (VRF). This component also includes monitoring and evaluation, as well as communication and knowledge management.



The objective of the ER-P is to reach a total level of ERs of 19.78 million tCO<sub>2e</sub> over the crediting period, out of which 10.3 million tCO<sub>2e</sub> could be financed by the FCPF Carbon Fund (depending on the final terms of the ERPA). Thus, generating ER payments. Besides these ER payments (carbon benefit), the ER-P will also generate additional economic, social and environmental benefits which could be significantly higher, even though they can't yet be fully quantified in economic terms. These additional benefits are expected to occur at all the levels: national, regional, provincial and local. Therefore, the Benefit Sharing Plan (BSP) relates only to "carbon benefits" resulting from ER payments, and the way these carbon benefits will be managed and shared. The BSP will apply to all payments received against ER results generated under the ER-P. Financial scenarios are subject to ERPA negotiations with the FCPF Carbon Fund for the crediting period 2019-2024 (subject to negotiation).

The BSP ensures that these carbon benefits are allocated among various beneficiaries at different levels in a transparent, inclusive and fair manner with effectiveness, efficiency, democracy, flexibility and comprehensiveness through a proper consultation process with all relevant stakeholders and local communities. The key potential beneficiaries are: i) forest dependent local communities and poor households who are considered to be the most important forest users and are often the most vulnerable to food insecurity; ii) managers of special-use forests, protection forests and production forests (Forest Management Boards and State Forest Companies); iii) private sector companies and cooperatives participating as service providers or project developers and implementing agents; iv) Forest Management Councils (FMCs), Adaptive Collaborative Management Boards (ACM boards) and other relevant parties at local level to support Monitoring and Evaluation (M&E), and Feedback Grievance and Redress Mechanism (FGRM); v) Provincial, District and Commune People Committees; and vi) Mass organizations.

The BSP is a framework designed to set key principles while at the same time allowing for some flexibility to meet the national, provincial and local circumstances, and respect the traditional knowledge and culture of local communities in natural resource management. The BSP encompasses a mix of modalities for allocation of benefits, including fixed and variable allocations, either direct or resulting from competitive process. The main modality consists in allocating benefits on a performance basis to the local level through the FMC, which represents 75% of net benefits allocation in a full performance scenario. The ACMA process and the FMC is described in the ER-PD. An ACMA manual of operations is being developed and will allow for regular revisions to meet changing circumstances and progress on the ground. This will ensure the progressive and continuous inclusion of results and lessons learnt into the implementation of the BSP, and ensure that its functioning remains relevant and efficient.

The BSP encourages active participation of all relevant stakeholders at different levels to contribute to ER targets. The BSP design is based on best practices such as: linking with other ongoing initiatives, best use of existing institutional arrangement and capacity building. The BSP describes both the stakeholder functions and the conditions for accessing benefits. The direct allocation is applied to central and provincial level stakeholders dealing with policy development, law enforcement scheme and FMC functioning, while the performance-based allocation is applied to local level stakeholders.

## LEGAL FRAMEWORK OF THE BENEFIT SHARING PLAN

TABLE 1: THE MAIN LEGAL BASES FOR THE BSP

No	Act	Concepts relevant to BSP
1	The Directive 13 of the Political Bureau, on strengthening the sustainable management of natural forests (Resolution 13/2016)	<p>Enhancement of the effective management of current existing natural forests of Viet Nam that fundamentally contributes to the REDD+ objectives</p> <p>Necessity to involve relevant stakeholders, particularly the local communities in sustainable management of natural forests and benefit sharing</p>
2	The Forestry Law 2017	<p>Key legal framework on forestry and forests</p> <p>Mentions key stakeholders and beneficiaries in forest protection and development</p> <p>Sets legal framework for different mechanisms of payments for environmental services, including REDD+</p>
3	Decree 99 approved by the Government, on policy of payments for forest environmental services	<p>Sets legal framework for payments for environmental services</p> <p>Informs monitoring and evaluation modalities of REDD+ and BSP</p>
4	Decision 419 of the Prime Minister, on National REDD+ Program (NRAP)	Mandates the National REDD+ Fund, defines REDD+ benefits, and develops the policies and measures to achieve REDD+ objectives
5	Decision 886 of the Prime Minister, on national target program on sustainable forest development	Provides significant national pre-investment for ER-Program that allows pre-investments to generate ER before getting ER Payments
6	Decision 5337 of Minister of Agriculture and Rural Development, on approval of National REDD+ Fund establishment plan	Sets the key legal basis for VRF establishment and functioning as a core institution for BSP implementation
7	Decision 5399 of Minister of Agriculture and Rural Development, on piloting of the benefit sharing within the UN-REDD Viet Nam Program Phase 2	<p>Identifies key stakeholders, appropriate interventions, beneficiaries at different levels</p> <p>Reflects major lessons for all levels, from central to grassroots level</p> <p>Provides recommendations on benefit sharing modality, mechanism, M&amp;E, grievance redress mechanism organization structure and implementation arrangement</p>

## SUMMARY OF CONSULTATION PROCESS ON BSP

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The Vietnam BSP has been developed following a bottom-up and experience-grounded approach. Three major steps can be highlighted:

- **Early development, pilot and establishment of REDD+ benefit sharing approach in Vietnam**

Development of REDD+ BSP in Vietnam started in 2010 under the UN-REDD Vietnam Phase 1 program. In February 2012, Prime Minister's Decision 126 fostered piloting of benefit sharing mechanism in sustainable management, protection and development of special-use forests. Pilots were implemented in Xuan Thuy, Hoang Lien Sa Pa and Bach Ma National Park in the North Central Region. First pilots as well as multiple consultations at central and local levels led to the design of a REDD+ BSP framework for Vietnam, formalized by MARD Decision 5399 in December 2015. Since 2016, the system has been further deployed in the six UN-REDD-supported provinces, including Ha Tinh in the North Central Region. The ER-P BSP vocation is to build on these achievements and capitalize on more than 7 years of capacity building and experimentation across the country and in several locations and provinces of the ER-P area.

Furthermore, the BSP design has benefitted from specific consultations and piloting of ACMA both countrywide and in the ER-P area. As indicated above, the ACMA process and the FMC is a core modality of ER-P BSP implementation. Its unique design and pilot process allow organizations to gain valuable feedback and lessons from local stakeholders regarding effective ways to allocate benefits at local level for sustainable forest development. In the North Central Region, a first project led by the International Center for Tropical Highland Ecosystems Research (ICTHER) targets Thai and Hmong Ethnic Minority Villages in Muong Lat District, Thanh Hoa Province. A second ACMA pilot is being implemented by Pan Nature in A Luoi district, Thua Thien Hue province. Experiences from these two projects have been shared with the FCPF Phase 2 project through informal and technical meetings, joint field visits, crossed review of terms of reference and reports etc. Lessons are fully reflected in the ER-P BSP.

- **Targeted consultations to tailor the BSP in the North Central Region**

In activities leading up to the preparation of the ER-PD consultations were undertaken with a total of 737 ethnic minority persons (of whom 384 or 52% were women) in the six provinces of the ER-P Accounting Area beginning in November 2015 and concluding in early April 2017. Representatives from all ethnic minority groups (Ta Oi, Co Tu, Pa Hi, Bru Van Khieu, Chut, Lao, Kho Mu, Hmong, Tho, O'Du, Thai, and Muong) participated. More details on ethnic minorities consulted, venues, dates and references to benefit-sharing arrangements are included in Annex 8 of the Ethnic Minority Planning Framework that has been prepared for the ER-P.

Participation methods included village-level meetings of households, focus group discussions, workshops and interviews of key informants. Efforts have been made to design consultation methods that ensure representativeness (notably of most vulnerable and highly forest-dependent households and communities, ethnic minorities, women and younger groups, etc.) as well as openness, and favor free and equal speech for all.

The key components of the present BSP were designed as an outcome of this consultation process. They were further broadly discussed during the consultations on the ER-PD up to December 2017, after which the BSP was further developed and strengthened as part of meetings and workshops on a broader scope of subjects, including safeguards, land allocation and tenure, FGRM, etc. Next significant enrichments came from lessons and

feedback from the BSP pilots' stakeholders in the region, as described above. The full process demonstrates a strong ownership of local stakeholders from the North Central Region to the BSP.

- **Final consolidation of the benefit sharing plan for the ER-P**

The consolidation and formulation process started in July 2018 and the first draft of the BSP including remaining options was available in early August 2018. It has gone through an intensive consultation process internal to VNFOREST, with various bilateral and expert meetings, and two workshops with various departments in September. The World Bank was also consulted and provided informal feedback.

On 5 October 2018, a consultation session was organized on the BSP in connection with ACMA modalities in Hanoi. The consultation was organized by Pan Nature, in collaboration with the FCPF program, and targeted civil society and non-governmental organizations. On 11 October of 2018, a public consultation was organized in Vinh, Nghe An province, with 60 representatives from all stakeholders from the six provinces of the NCR, including DARD leaders and representatives from public and private forest owners. Besides questions of clarification and explanation (see details and illustration in annex 3), both consultation events demonstrated a broad understanding of the BSP and concluded with full support from all stakeholders. Local stakeholders were gathered in four provinces during last quarter of 2018 and further meeting in two provinces are planned for early 2019 for a final round of consultation, and further details on discussions and final inputs will be enclosed in the final version of the BSP.

This BSP version results from these multiple layers of capacity building, experimentation, legal processing and consultations.

## **STRUCTURE OF THIS DOCUMENT**

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The BSP consists of four sections. Section I provides general provisions on the objectives of BSP, scope and subject for application of BSP, several definitions necessary for thorough understanding of key terminologies, key BSP principles, and conditions for participation and benefit from ER-P. Section II details provisions on beneficiaries and eligibility criteria, types and forms of benefits, respective allocation modalities, disbursement windows and arrangements, the roles and responsibilities of beneficiaries. Section III presents M&E, including monitoring of performance, safeguards and FGMR, while Section IV completes the BSP with description of implementation arrangements, and roles and responsibilities of relevant parties involved in the benefit sharing arrangements.

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## I. GENERAL PROVISIONS

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### 1. OBJECTIVES

---

The Benefit Sharing Plan and Mechanism:

- a) Organizes the distribution of benefits from the ER-P in compliance with fundamental principles including fairness, efficiency and effectiveness.
- b) Contributes to the implementation of the ER-P to reduce deforestation and forest degradation, reinforce sustainable management of forest resources, conservation and enhancement of forest carbon stock.
- c) Contributes to improving livelihoods for forest dependent communities.
- d) Encourages relevant stakeholders, especially forest dependent communities in the North Central Region to actively collaborate in the management of forest resources through activities contributing to objectives.
- e) Contributes to the pilot of integration of resources for emission reduction objectives.

### 2. SCOPE OF REGULATION AND SUBJECT OF APPLICATION

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#### 2.1 Scope of regulation

The BSP provides regulation on conditions, principles, plan, modalities and arrangements for benefit sharing and other issues related to all payments for emission reductions within the framework of the ER-P for the crediting period 2018-2024 (subject to negotiation).

It is assumed that payments scenarios under this BSP are limited to the scope of the ERPA with the FCPF Carbon Fund (CF). Commercial terms are subject to negotiations, thus scenarios may change.

#### 2.2 Subjects of application

The BSP applies to the following stakeholders – whether they benefit from the plan or not:

- a) Protection and Special Use Forest Management Boards, State Forest Companies in six provinces of the North Central Region who participate in the implementation of the ER-P (hereinafter referred to as FMBs and SFCs);
- b) Communities, public and private organizations, households and individuals who participate in the ER-P implementation in six ER-P provinces;
- c) State agencies, organizations and individuals at the central, provincial, district and commune level involved in benefit sharing as defined in this document.
- d) Government programs, international cooperation projects and other related initiatives implemented in six (06) ER-P provinces during the period 2018-2025.

### 3. DEFINITIONS

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In this document, the terms below are understood as follows:

- a) *REDD+* means to reduce greenhouse gas emissions through the reduction of deforestation and forest degradation, conservation and sustainable management of forest resources, and enhancement of forest carbon stocks, as defined by decisions of the United Nations Framework Convention on Climate Change (UNFCCC).

b) *REDD+ Objectives*: To reduce deforestation and forest degradation, reinforce sustainable forest management, conservation and enhancement of forest carbon stocks. Priority is given to natural forests and includes the improvement of forest quality (e.g.: stocks, species composition, forest structure diversity, genus, species and ecosystem, age) and the increase of forest cover.

c) *Results of emission reductions* are the result of implementation of direct intervention packages in accordance with the UNFCCC and the Carbon Fund methodology contributing to REDD+ objectives. This includes the reduction of emissions through reducing deforestation and forest degradation and carbon removal through sustainable management of forest resources, conservation and enhancement of forest carbon stocks. They are calculated in tons of equivalent carbon dioxide, denoted tCO<sub>2e</sub>.

d) *Gross benefits of the ER-Program* are derived (in US dollars) from the result-based payment of the ER-P after the results are measured, reported and verified (MRV) compared with the Forest Reference Emission Level (FREL) and the Forest Reference Level (FRL) for the whole region of the North Central Region of the ER-P (hereinafter referred to as Program emission reductions). Their total amount corresponds to the money received from the FCPF Carbon Fund and other ER payers in US dollars for the net emission reductions of the ER-Program.

e) *Net benefits of the ER-Program* are calculated (in US dollars) from the gross benefits of the ER-Program, after deducting operational costs and 5% provision for the performance adjustment mechanism.

f) *Benefit sharing*: is the distribution of benefits to participants who participate in the implementation of the Program and contribute directly or indirectly to reducing emissions through FMC and other modalities.

g) *Monetary benefits*: Cash received by beneficiaries

h) *Non-monetary benefits*: Goods, services, or other benefits funded with ER payments, or directly related to the implementation and operation of the ER program, that provide a direct incentive to beneficiaries to help implement the ER program and can be monitored in an objective manner (e.g., technical assistance, trainings, capacity building, and in-kind inputs or investments such as seedlings, equipment, buildings, etc.).

i) *Carbon benefits*: Any benefits resulting from ER Payments.

j) *Socio-economic and REDD+ Needs Assessment (SERNA)*: is provides information on forest resources, environmental and socio-economic information through a REDD+ Need Assessment and a Social Screening Report and are part of the ACMA process for area on the results of assessment of drivers of deforestation and forest degradation, barriers to the achievement of REDD+ objectives, identification of deforestation and forest degradation hot spots of the ACMA process area and the needs for the implementation of intervention packages to implement REDD+ and ER-P objectives.

k) *Social Screening Report (SSR)*: is the report on the ACMA area assessing social aspects of the relation and dependence of communities with forests, their traditional practices regarding management and use of forest resources, their desire and need to identify priorities for supporting their lives and sustainable management of forest.

l) *Adaptive Collaborative Management (ACM)*: This is a new approach in natural resources management in general and in forest resources management in particular. This approach highlights the important and active role of forest communities in collaborating with forest owners to improve the management of forest resources in the North Central Region. Forest owners are organizations assigned by the State to manage forest resources, namely Forest Management Boards (FMBs) and State Forest Companies (SFCs).

m) *ACM Agreement*: is a document signed between the forest owners and the community or communities participating in the ACM during the implementation of the ACM. This document includes the discussion and agreement between the two parties on effective collaborative management of a specific forest area assigned by the State to forest owners (FMBs and SFCs).

n) *ACM Plan*: is a detailed plan which is made regularly to carry out the ACM Agreement and is signed by all the parties entering the ACM Agreement.

o) *Forest Management Council (FMC)*: is an organization established by the Chairperson of District People's Committee to administer and coordinate the implementation of the ACM between a forest owner (FMBs and SFCs) and communities of one or several communes located in or around the area managed by the forest owner.

p) *ACM Board*: is an organization established by the Chairperson of Commune People's Committee to coordinate the implementation of ACM of one or several communities of participating communes and under the direction of the FMC. In the case where there is only one commune and the community entering the ACM with the forest owner, the ACM Board shall not be established, the FMC will organize the implementation of ACM between the forest owner and that local community.

q) *Pre-investment*: are necessary to generate the ER results that will trigger result-based payments. Such pre-investments encompass financial sources identified in the ER-PD, as well as advance payments from the Carbon Fund ERPA that are subject to negotiations.

*Non-carbon benefits* and indirect beneficiaries:

Implementation of the ER-P will generate non-carbon benefits such as better access to markets for agricultural products, improved access to sustainable use of NTFPs, employment opportunities and alternative incomes, access to information, participation in decision-making, improved capacities... Non-carbon benefits *encompass any* benefits produced by or in relation to the implementation and operation of the ER Program, other than *Monetary and Non-Monetary Benefits*. Even though these non-carbon benefits are significant, and clearly specified in the ER-PD and relevant safeguard instruments, they are not included in the BSP arrangements, as they are not explicitly resulting from ER payments.

Participants to the ER-P can benefit indirectly from these non-carbon benefits, without benefiting directly from carbon benefits through ER payments. For instance, a local farmer neighboring an agroforestry model can benefit from increased ecosystem services, or local populations can benefit from information systems or infrastructures from the program. However, the BSP only focuses on direct beneficiaries eligible to carbon benefits.

## 4. BENEFIT SHARING PRINCIPLES

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### 4.1 Transparency, inclusiveness and fairness

a) Ensure that the beneficiaries are people/organizations who contribute directly or indirectly to emission reductions objectives of the ER-P.

b) Ensure transparency: rules set out must be clear, calculation and allocation of benefits must be public and can be checked easily; information must be disclosed and posted publicly in order to reduce corruption and wrong-doings.

c) Ensure fairness: benefits received must be based on the final results of forest protection and development contributing to the emission reduction objectives of the ER-P (the results will be measured, verified and reported at the end of the Program). Implementation results shall be monitored and evaluated at all levels through a system of specific indicators and proxies (including forest/forest land indicators and safeguards indicators), as indicated in the ER-P M&E Framework and mentioned in Section II of this document. The BSP ensures gender equality, equality among participating parties, and incentivizes participation of vulnerable groups (women, ethnic minorities, poor communities depending on forest, etc.), which reflects results from aforementioned consultations of parties involved in M&E and Feedback, Grievance and Redress Mechanism (FGRM).

d) Ensure the right to opt-out: Throughout implementation of the BSP, all decisions and activities will fully comply with the safeguard instruments developed for the ER-P, namely the ESMF, the EMPF, the RPF and PF. Detailed provisions on how to ensure effective free, prior and informed consultations are developed in these documents, and notably in the EMPF. Remaining consistent with safeguard instruments while moving one step beyond, the BSP will apply free, prior and informed consultation as appropriate and ensure that ethnic minority groups have the ability to opt out from BSP arrangements on the one hand, but also to prevent any form of negative impact resulting from activities carried out by other stakeholders as part of implementation of the BSP. Thus, the BSP meets OP 4.10 requirements in terms of approach to engagements with ethnic minorities.

#### **4.2 Efficiency**

a) Ensure the integration of various resources from various Government programs, projects and initiatives aimed at forest protection and development in the North Central Region, contributing to the objectives of the ER-P;

b) Encourage the non-monetary benefits for reinvestment in interventions to contribute directly or indirectly to ER target through forest protection and development as well as increase long-term income and benefit of beneficiaries;

c) Use current financial institutions if appropriate;

d) Streamline administration system to avoid waste and corruption;

e) Ensure cost-effective operation of the program.

#### **4.3 Effectiveness**

a) Procedures and regulations must be clear, simple and feasible.

b) Ensure disbursement of advance payment and full implementation of benefit sharing to the right people quickly, timely and on schedule;

#### **4.4 Flexibility**

a) Benefit sharing mechanisms should be culturally appropriate to local contexts and traditions of the local communities.

b) Ensure that the Program complies with the requirements of the FCPF CF, the laws of Vietnam and international commitments and has no negative social, environmental or financial impact.

#### **4.5 Democracy**

a) Encourage active participation of stakeholders, particularly regarding local communities and private sector;

b) Respect the right of self-determination for local people and communities;

c) Ensure the free, prior and informed consent of the beneficiaries.



#### **4.6. Comprehensiveness**

a) Benefits of the ER-P include benefit from emission reductions as a result of direct and indirect intervention packages, the combination of various resources and forms of benefit receiving.

b) Benefits from reducing emissions do not replace other legitimate benefits enjoyed by the ER-P participants in accordance with the law.

#### **4.7. Sustainability**

a) BSP has been designed for the long-term goal, the benefits are derived from REDD+ objectives on emission reductions gained from various intervention packages undertaken by the combination of various resources and legally recognized forms of benefit receiving.

b) BSP has been designed as the result of comprehensive consultations with various stakeholders at different levels and based on a legal framework with strong commitment of Government and FCPF Carbon Fund of the World Bank.

c) BSP has been designed in a way that allows result-based payment (RBP) from other sources to be applied in a consistent manner.

d) BSP design is intricately linked with the existing institutional framework of Viet Nam.

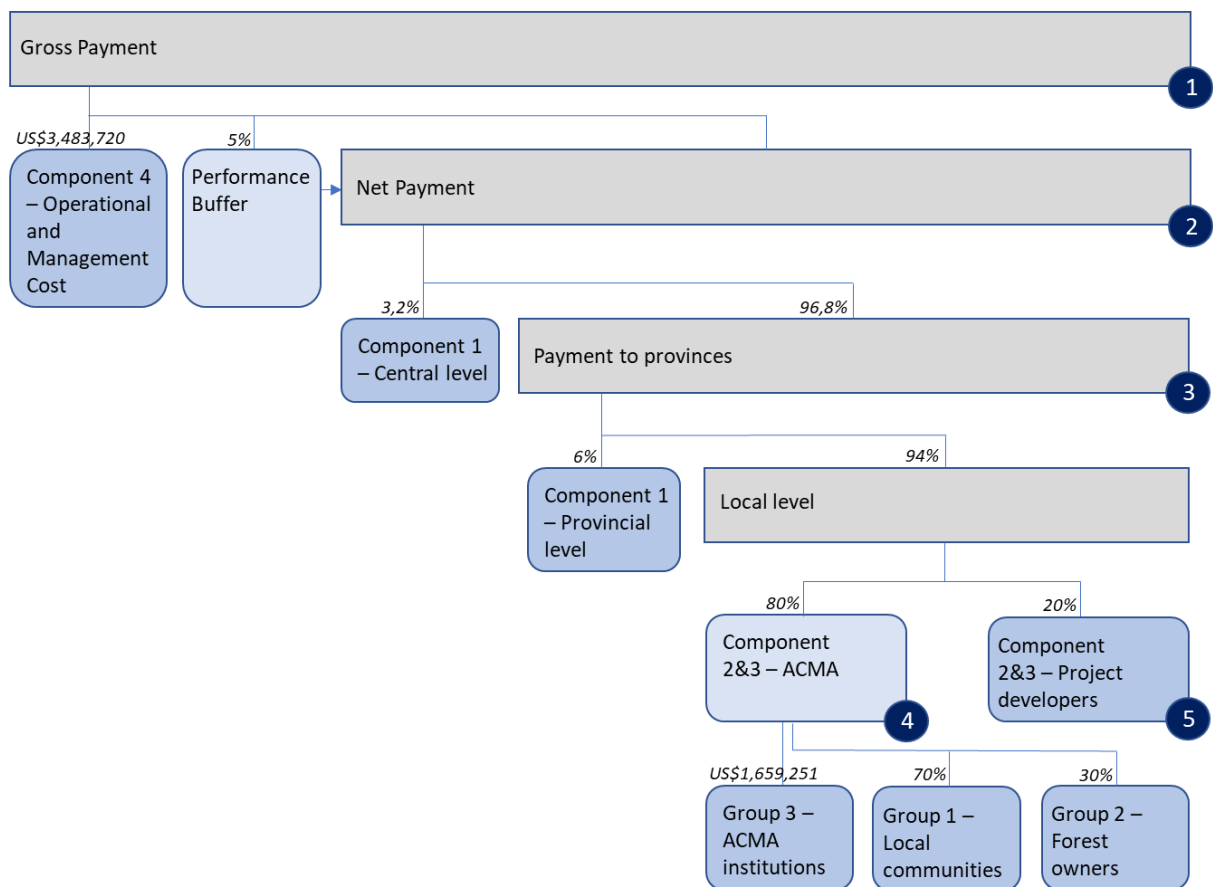
## II DETAILED PROVISION ON BENEFIT ALLOCATION

### 1. ARCHITECTURE OF BENEFIT SHARING

#### 1.1. Overall payment flow

Benefits are shared following five different layers, from gross payment received directly from the Carbon Fund to allocation at grass-root level through the FMC system based on the ACMA process, as illustrated by Figure 1 below.

FIGURE 1: ALLOCATION OF CARBON FUND RESULT-BASED PAYMENT TO DIFFERENT PARTNERS AND LEVELS OF THE ER-P THROUGH THE BSP



The percentage of benefits flowing from one layer to another has been established based on the analysis of major barriers and key factors of success to deliver ER in a way that complies with defined principles like fairness and inclusiveness. The split has been fully consulted and agreed by all stakeholders and beneficiaries. Major beneficiaries are local communities who are expected to receive 50% of total net payments directly as group 1 under the FMC ACMA process, and will also be actively involved in implementing activities under component 1 at sub-national level, Group 2 and Group 3 under the FMC and ACMA process, and projects developed under competitive process. FMBs and SFCs are expected to receive 21% of total net payments. The private sector and other organizations can develop projects representing up to 17% of total net payments, and also provide additional services to other beneficiaries.

## **1.2. Activities eligible to benefit sharing and distribution**

Activities supported by the BSP correspond to the solutions formulated in the ER-PD and organized in four components.

### **1.2.1. Component 1 – Development and improvement of policy and legal framework**

These activities are critical to improve the enabling conditions for reducing deforestation, and indirectly contribute to ER. They will support the control of natural forest conversion, law enforcement, and enhance inter-regional, regional and cross-border cooperation with neighboring countries for sustainable management of natural forest.

### **1.2.2. Component 2 – Direct forest-based activities**

As per the ER-PD, nine packages of activities are eligible to receive benefits as part of Component 2 to directly reduce emissions and increase removals from forests:

- Model 1: Protection of existing natural evergreen forests
- Model 2: Natural regeneration of forest (no additional planting)
- Model 3: Enrichment planting for poor natural forests
- Model 4: Planting large-timber, long-rotation forest plantations
- Model 5: Reforestation of protection and special-use forests
- Model 6: Transformation of short-rotation to long-rotation plantations
- Model 7: Coastal forest protection
- Model 8: Enrichment planting of coastal protection forests
- Model 9: Reforestation of forests on sandy areas

### **1.2.3. Component 3 – Improving deforestation-free livelihoods**

These activities have an important role in addressing drivers of deforestation and forest degradation and therefore they also contribute positively and effectively to emission reduction. They include provision of technical support and small investment grants for local people on the basis of community consultation, ACMA and SERNA, to implement activities such as:

- Support for land and forest allocation to households and individuals; support for forest allocation to village communities;
- Climate-smart agriculture and agroforestry associated with hotspots of deforestation and forest degradation identified through the ACMA process.
- Support for deforestation-free agriculture value chain.
- Sustainable use and development of non-timber forest products.
- Support for livelihoods improvement and income generation for local people.
- Support to create non-farm-based employment opportunities for forest-dependent people.
- Support of awareness rising activities, technical trainings, development of local regulations and commitments to forest law enforcement and protection, implementation of law enforcement activities.
- Other relevant support activities, as could be related to the ER-P or the National REDD+ Program.

### **1.2.4. Component 4 – Operational costs**

This component encompasses all the needs in terms of program administration and management, including financial administration, coordination of activities and stakeholders, technical assistance

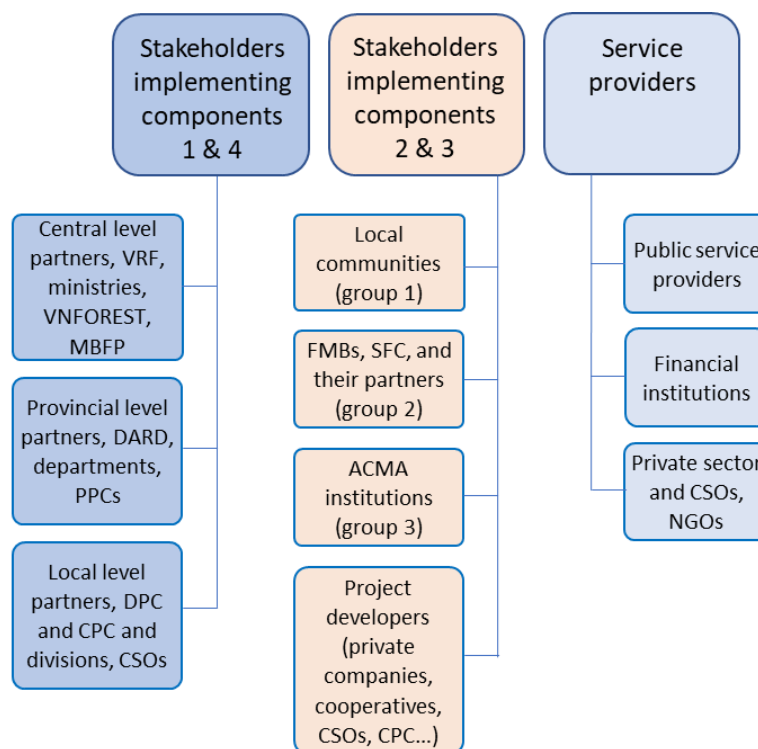
and backstopping, communication and knowledge management, as well as monitoring and evaluation, reporting and verification.

### 1.3. Beneficiaries

The BSP focuses on direct beneficiaries who access carbon benefits through the ER Payments. Benefit allocation arrangement of this BSP refers only to this type of beneficiaries (as shown in Figure2 below), including the following:

- a) Communities, organizations, households and individuals who participate in Adaptive Cooperative Management Approach (ACMA) process with FMBs and SFCs, and who carry out the activities of Component 2 and Component 3 (Group 1).
- b) FMBs, SFCs and their related beneficiaries such as private or public organizations, trading companies or entities leasing land for the implementation of activities under Component 2 (Group 2).
- c) Organizations and individuals (typically from Government or contracted) who implement activities under Component 4 to administrate and manage the program.
- d) Organizations and individuals who implement activities under Component 1, mainly from Government but also involving local communities and CSOs on monitoring and governance.
- e) Organizations and individuals who implement activities based on competitive selection process, whether it implies providing technical assistance, support services and equipment, or developing and implementing projects.

FIGURE 2: DIRECT BENEFICIARIES OF ER-P



### 1.4. Specific conditions for local people to participate and access the benefits

- a) Areas of direct intervention packages under the ER-P need full information on forest and forest land (surface area, plot, section, forest type, type of forest land, stock, age (for plantations), manager

and owner, etc.) and should have clear boundaries on the map and in the field. There should be no conflicts or disputes regarding the rights to use and benefit.

b) For the Adaptive Cooperative Management Approach (ACMA) process: Participating parties have signed an ACM Agreement and benefit sharing plan, developed in accordance with ACMA Manual and provisions of law.

c) For forest protection contracts: The contractor must have signed a long-term forest protection contract with the forest owner, the duration of the contract must include 2018/19-2025 period. Any contract not covering the full period would be handled in a pro-rated way. In case the contractor is a household, both husband's and wife's signatures or fingerprints (in case of illiteracy) must be present on the contract (if they are alive and have legal citizenship).

d) Participants from the public and private sector who submit a registration to the BSP must commit to implement activities under Component 2 and Component 3 as mentioned in the ER-PD, contribute to the ER-P targets, ensure progress and deliver results, and shall be monitored and evaluated as described in the BSP.

e) Private companies, cooperatives and others are encouraged to participate via project development modality, especially in support of the establishment and operation of agroforestry value chains. These entities must be locally based and legally registered and can contribute to the ER target of the ER-P. Priority shall be given to the enterprises, which commit to employing on site human resources, using on-site raw materials and cooperating with local communities when carrying out activities. Cf. Table 6 for more details.

## **1.5. Other considerations of ER-P benefit sharing**

### **1.5.1. Types of benefits**

The BSP only encompasses carbon benefits, which are derived from ER Payments and directly provided in a form of monetary benefits or non-monetary benefits as mentioned in Para 1.5.5 below to beneficiaries as defined in Para 1.3 above.

### **1.5.2. Resources for benefit sharing**

Resources for benefit sharing are carbon benefits generated from the ER Payments, including:

- Payment from the World Bank FCPF CF (subject to ERPA negotiations): for 52% of total expected emission reductions of the ER-P period 2019-2024 (equals up to 10.3 million tCO<sub>2e</sub>, period 2019-2024), with the hypothetical price of 5 USD/tCO<sub>2e</sub>.
- Potential resources other than FCPF CF for additional payments to be received for up to 48% of total expected emission reductions of the ER-P period 2019-2014 (equals up to 9.5 million tCO<sub>2e</sub>). In case such payments are received they would be managed according to this BSP.

### **1.5.3. Advance payments**

Advance payments from the Carbon Fund ERPA are subject to negotiation. These advance payments are required to set up and secure the capacities to implement and manage the ER-P, and start implementing specific activities related to ACMA process and setting up of FMCs that are critical to smoothly operate the BSP once result-based payments start flowing in. The allocation of advance payment is part of the architecture of benefit sharing, but targets specific components and beneficiaries that are critical to manage and secure smooth implementation of the BSP as a whole.

### **1.5.4. Prioritized and target-oriented investment**

The ultimate goal of the ER-P is reducing emissions. Activities contributing to this goal are diverse and directly and indirectly linked to each other allowing the final objective to be reached through

their synergistic action. Prioritization of activities and the use of benefits should be based on specific context and needs as well as actual requirement for the ultimate goal of reducing emissions in a specific period. It should be consulted with stakeholders taking into consideration SERNA, and socio-economic development reports, as well as potential contribution to forest protection and development.

#### **1.5.5. Benefit sharing - not just cash distribution**

The benefits from emission reductions are carbon benefits and can be paid to beneficiaries directly as monetary benefits or indirectly as non-monetary benefits. Based on the actual needs and desire of the stakeholders, different forms of benefits are identified. Monetary benefits may be in the form of remuneration for forest patrols, allowances for participation in coordination activities, or part-time supervision work. The non-monetary benefits may come in the form of small investment grants schemes, technical support packages for local communities or people implementing deforestation-free sustainable agriculture models, agroforestry or sustainable management and use of NTFPs.

## 1.6. Rationale for benefit sharing modalities

TABLE 2: RATIONALE FOR BENEFIT SHARING MODALITIES

Beneficiaries	Comp.	Expected payment	Modality	Type of activities	Justification
<b>Stakeholders implementing components 1 &amp; 4</b>					
Central level partners, VRF, ministries, VNFOREST, MBFP	1	\$1 420 000	Direct, based on global regional performance	Capacity building and policy development	Policy development and institutional capacity building is critical for enabling environment, to be led by public administration and requests relatively less funding. More at provincial level as it also support sub-provincial levels and implies some implementation (grass-root monitoring). Performance difficult to quantify, but volume depending on relevant jurisdictional performance.
Provincial and local level partners, DARD, departments, PPCs, DPC and CPC and divisions, CSOs	1	\$2 577 300	Direct, based on broad provincial performance	Capacity building and policy implementation	
Central and provincial level partners...	4	\$3 483 720	Direct, prioritized	Management and operation	Financial administration and project management, including coordination, backstopping, monitoring and verification is compulsory, under the responsibility of CPMU, PPMU and VRF. Payments are prioritized as part of the advance payment (subject to negotiation) to put the project on good track
<b>Stakeholders implementing components 2 &amp; 3</b>					
Local communities (group 1)	2 & 3	\$23 998 932	Based on FMC and provincial performance	Investments	Beneficiaries are key priorities for the WB and the Government (local communities) and key forest land owners (FMBs and SFCs) whose collaboration through ACMA is seen as the innovative and transformational factor of success for the project. Activities in the form of investments for direct (component 2) and indirect ER impacts (component 3) require significant funding. At the core of the BSP and REDD+ performance-based principle, each beneficiary receives funding based on performance at provincial as well as local level
FMBs, SFC, and their partners (group 2)	2 & 3	\$10 285 257	Based on FMC and provincial performance	Investments	
ACMA institutions (group 3)	3	\$1 659 251	Direct, prioritized	Capacity building and coordination	Establishing ACMA institutions and ensuring appropriate initial functioning is necessary to the succes of the project and securing the innovative approach that it promotes. Required funding is limited as it corresponds mainly to capacity building, dialogue and consultations. Nevertheless, it is a priority and needs to be secured from the very start.
Project developers (private companies, cooperatives, CSOs, CPC...)	2	\$8 075 540	Competitive, based on broad provincial performance	Investments	A last category of beneficiaries was identified to avoid leakages in remaining forest areas, with an interest to pilot a more systematic engagement of the private sector including cooperatives and CSO in the form of competitive project development, which could positively inform deployment of other international and domestic forest schemes like PFES. The investment-nature of activities require significant funding, but lower than for priority areas and beneficiaries under ACMA.
<b>Service providers (in support to above beneficiaries)</b>					
<b>Total</b>		<b>\$51 500 000</b>			

## 2. BENEFIT ALLOCATION

The following chapter unfolds benefit allocation throughout the five layers as illustrated in Figure 1. Figures are for illustration purpose, and only cover the expected payments from the Carbon Fund. They refer to a 100%-performance Scenario, and assume the agreement of CF participants on advance payment and other relevant terms (subject to negotiations). Assumptions supporting detailed figures by provinces are based on ER-PD targets.

A systematic review of conditions to allocate and access funding, methodology and criteria for accounting, disbursement channels, responsibilities for implementation and oversight are summarized in the annex of the BSP.

### 2.1. From gross payment to net payment

#### 2.1.1. Gross payments

As per definition under I.3.d, Gross payment corresponds to the money received from the FCPF Carbon Fund and other ER payers in US dollars for the net emission reductions of the ER-Program.

$$\text{Gross payment} = \text{ER volume} * \text{Unit price}$$

The total emission reduction expected for the whole program in 2019-2024 is about 19.78 million tCO<sub>2e</sub>, of which 10.3 million tCO<sub>2e</sub> will be paid by CF, at a price of USD 5/tCO<sub>2e</sub> (subject to negotiations). Thus, the Gross Payments from RBP resources of CF amounts to USD 51.5 million.

$$\text{Expected Gross payment} = 10.3 \text{ MtCO}_{2e} * \text{USD } 5/\text{tCO}_{2e} = \text{USD } 51.5\text{M}$$

The way gross payments are sub-allocated varies between advance payment and subsequent payments against verified results.

#### 2.1.2. Advance payment and operational costs

In the specific case of advance payment, payment is administered by VNFOREST and managed by CPMU. Funds are allocated in priority to operational and management costs, corresponding to Component 4. Payment is direct, not based on performance, to cover technical support and administrative and financial management of ER-P and BSP, as detailed in Table 3 below. Operational costs for running the ER Program and its BSP in six years (2019-2024) have been updated from the ER-PD to reach USD5,074,200, of which USD 3,483,720 will be covered by the ER payment from the CF. The remaining operational costs will be covered by central and provincial administration co-funding.

TABLE 3: OPERATIONAL COSTS OF COMPONENT 4 FOR THE PERIOD 2019-2024

Sub-component		Total cost (USD)	Covered by CF (USD)
4.1	Management and coordination, including GRM, auditing, etc.	1 590 480	434 720
4.2	Implementation of M&E, including safeguards and MRV	1 742 550	1 742 550
4.3	Communication	780 000	780 000
4.4	Administration and Management of the VRF	526 450	526 450
<b>Total</b>		<b>5 074 200</b>	<b>3 483 720</b>



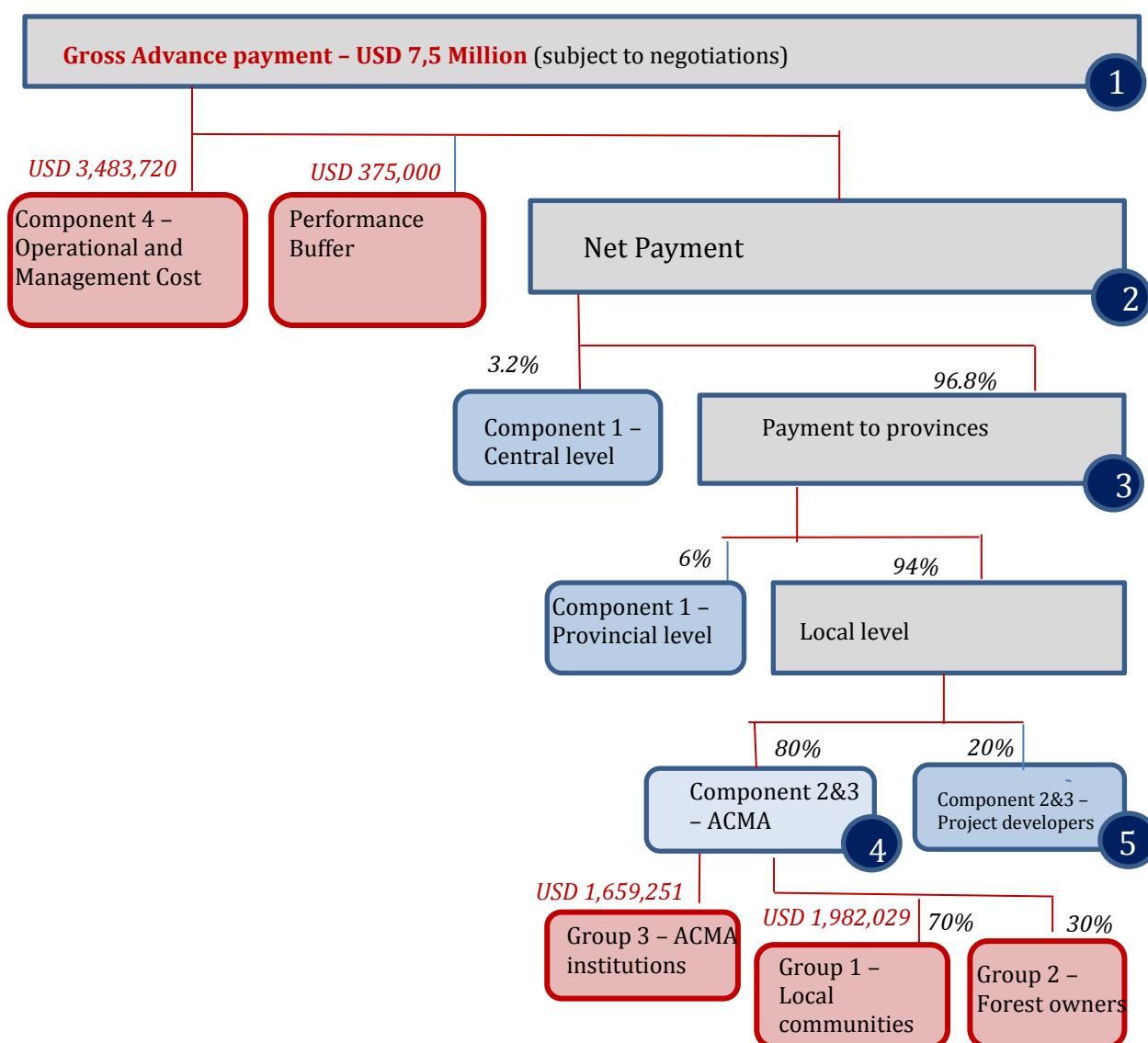
Out of USD 7,500,000 expected from Advance payment (subject to negotiation), USD 3,483,720 will be allocated to the CPMU and other relevant entities like the VRF and PPMUs for implementation of relevant activities based on annual work plans and budget. USD 375,000 will also be directed to the Performance buffer.

The remaining funds are considered “Net payments” and will be allocated to provinces in a direct way, not subject to demonstrated performance. They will be managed by PPMUs to support:

- Establishing and supporting the FMC including major grass-root consultations and capacity building, setting up FMC and ACM Boards, electing representatives, carrying out SERNA and formulating ACM Agreements. This corresponds to USD 1,659,251 allocated to ACMA Group 3 beneficiaries.
- Kicking off activities under ACMA for Group 1 and Group 2 beneficiaries, with the remaining USD 1,982,029. These funds will be prioritized to ER-PD activity 2.1.2 dedicated to supporting implementation of collaborative management of natural forests between FMBs, SFCs and communities.

Synthesis of flows is illustrated in the figure below:

FIGURE 3: ALLOCATION OF EXPECTED ADVANCE PAYMENT



### 2.1.3. Result-Based payments and performance buffer

In the case of gross payments received against fully monitored and verified results, payment is administered by the Vietnam REDD+ Fund. 5% of received payments are set aside in the Performance Buffer except for the last tranche. The Performance Buffer is a mechanism through which the Government sets aside 5% of received payments (excepted for the last tranche when the Performance buffer is re-injected into the net payment disbursement modalities before closing the program).

Thus, the Performance Buffer does not appear in consolidated financial tables illustrating expected payments per layer and province for the full program period, since the final amount in the buffer will necessarily be zero. However, according to Table 10 detailing the disbursement plan by tranche of CF payment under a 100% -performance Scenario, up to USD 1,325,000 could be allocated to the buffer. This amount could increase if the ERs are achieved faster than estimated in the ERPA (subject to negotiations).

The buffer provides a financial set-aside backstop for any eventuality that may contribute to the potential under-performance of the ER Program in the subsequent crediting period. For example this set-aside funding would be available for use to overcome damage caused by *force majeure* events such as natural calamities (if relevant), and to reward potential beneficiaries who effectively reduce emission despite under-performance of the ER Program as a whole.

The Performance Buffer will be eligible to the beneficiaries who implement Component 2 and 3, according to a percentage split that will be defined according to monitored performance. After the last verification, any potential remaining funds will be distributed as net payments under this BSP.

## 2.2. Allocation of net payment from central level

### 2.2.1. Net payments

In theory as per the above assumptions, net payments equal gross payments minus operational costs and the performance buffer. However, as the performance buffer eventually falls back into net payments once re-injected into the redistribution process, it eventually does not impact net payments.

$\text{Net payment} = \text{Gross payment} - \text{Operational costs}$
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Considering above assumptions, total net payment is expected to be USD 48,016,280.

$\text{Expected net payment} = \text{USD } 51,500,000 - \text{USD } 3,483,720 = \text{USD } 48,016,280$
---

Net payments are administered by the Vietnam REDD+ Fund and are allocated to the central level for implementing Component 1, or to provinces.

### 2.2.2. Component 1 at central level

3.2% of total net payments, equaling an expected USD 1,420,000 when considering specific allocation of the advance payment, are directly allocated to the CPMU under VNFOREST to implement activities under Component 1. These activities aim at strengthening enabling conditions for ERs, and include:

- Strengthening and implementing policies controlling conversion of natural forests. Adoption of a legal framework to reduce deforestation and forest degradation of natural forests, to manage natural forest resources sustainably and to develop plantations sustainably in the North Central Region. Strengthening law enforcement and monitoring the compliance with safeguards policies (50% of the total amount allocated to central level).

- Development and dissemination of regulations and guidelines to encourage private sector, local communities and ethnic minorities engagement to effectively contribute to ER target (50% of the total amount allocated to central level).

These activities will be directly implemented through collaboration and proper consultation with sectors, ministries, provinces and other actors as relevant, including technical service providers.

### 2.2.3. Performance-based allocation to provinces

96.8% of total Net payments, equaling an expected USD 46,596,280 when considering specific allocation of the Advance payment, are directly allocated to PPMUs at provincial level. The amount allocated to each province is based on performance.

The performance of each province is represented by a R-factor calculated as below:

<p>Allocation to province A = 96.8% of total net payment * R factor of province A</p> <p><math>R \text{ factor} = (R_1 + R_2) / 2</math></p> <p><math>R_1 = \text{Natural forest area of the province} / \text{Natural forest area of the region}</math></p> <p><math>R_2 = \text{REDD+ performance of the province} / \text{REDD+ performance of the region}</math></p> <p>REDD+ performance of the province = (Hectares delivered under each model of intervention in the province * ER factor associated with each model of intervention)</p> <p>REDD+ performance of the region = Hectares delivered under each model in the region * ER factor for each model</p>
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Note: The socio-economic and environmental characteristics of the provinces in the region are very similar, including significant ethnic minority populations, poverty rate and high risk of deforestation and forest degradation. However, considering the strong emphasis of REDD+ on conserving and restoring natural forests, the percentage of natural forest cover is also considered when defining the R-factor.

The table below illustrates the expected break-down of net payments to each province based on the 100% performance scenario and ER-PD provincial targets for implementation of intervention packages under Component 2.

TABLE 4. EXPECTED R2 FACTOR BASED ON TARGETS PER PROVINCE

Province	Intervention packages area (ha)										Total expected ER (tCO <sub>2e</sub> )	Set-aside uncertainties and reversal (tCO <sub>2e</sub> )	R <sub>2</sub> factor (%)
	M1	M2	M3	M4	M5	M6	M7	M8	M9	Total			
Thanh Hoa	219 479	0	5 000	5 000	4 000	6 252	1 000	0	109	240 840	2 132 057	1 599 043	8.1
Nghe An	159 826	40 000	9 042	12 000	3 000	6 252	10 174	0	1 114	241 408	12 376 370	9 282 278	46.9
Ha Tinh	190 053	0	3 793	2 750	1 200	6 252	1 100	0	0	205 148	2 616 317	1 962 238	9.9
Quang Binh	236 620	0	3 450	3 500	2 000	6 252	380	2 000	1 000	255 202	2 823 259	2 117 444	10.7
Quang Tri	41 311	1500	500	2 000	1 350	6 533	5 289	4 052	1 650	64 185	1 784 864	1 338 648	6.8
TT Hue	36 926	15000	3 000	2 500	1 600	5 971	15 074	873	550	81 494	4 649 174	3 486 880	17.6
<b>Total</b>	<b>884 215</b>	<b>56 500</b>	<b>24 785</b>	<b>27 750</b>	<b>13 150</b>	<b>37 512</b>	<b>33 017</b>	<b>6 925</b>	<b>4 423</b>	<b>1 088 277</b>	<b>26 382 040</b>	<b>19 786 530</b>	<b>100.0</b>

TABLE 5. EXPECTED R FACTOR BASED ON TARGETS PER PROVINCE

Province	Natural forests area (ha)	R <sub>1</sub> (%)	R <sub>2</sub> (%)	R-Factor (%)
Thanh Hóa	384 222	17.4	8.1	12.7
Nghệ An	762 786	34.6	46.9	40.8
Hà Tĩnh	221 789	10.1	9.9	10.0
Quảng Bình	480 212	21.8	10.7	16.2
Quảng trị	143 328	6.5	6.8	6.7
Thừa Thiên Huế	210 852	9.6	17.6	13.6
<b>North Central Region</b>	<b>2 203 188</b>	<b>100</b>	<b>100</b>	<b>100</b>

The detailed payment scenario for each province can be found in Table 7b, 8 and 9 in Section II.3.

Then, from the provincial level, benefits are administered by sub-VNFF and managed by PPMU, and re-allocated in three ways, (i) for component 1, (ii) for ACMA process and FMC, and (iii) for supporting projects.

### 2.3. Province-level payment for Component 1

Each province allocates 6% of received payments to implement Component 1 activities at provincial and sub-provincial level. The proportion attributed to provincial, district and commune levels is determined by each province through consultation process, in order to meet local circumstances including opportunities, gaps and needs. Relative performance of each institution is obviously considered when deciding on annual allocations, but not in a formal way. This is direct payment, not conditioned to specific performance of sub-national institutions over implementation of Component 1 activities.

The total expected payment for implementing Component 1 activities at provincial and sub-provincial level is USD 2,577,300 (see Table 7b).

### 2.4. Province-level payment for ACMA

#### 2.4.1. Introduction to ACMA

The ACMA process is a logical approach to solve resource management issues over a long period of time with a constantly changing context, through collaborative forms. Collaboration and adaptation are often needed in resource management. This is a new approach in natural resource management in general and forest resource management in particular and is supported in the new Forest Law (2017). Forest managers find it difficult to effectively manage resources in a changing socio-economic context, without the active support of local communities and coordination with related parties. The ACMA process has the following characteristics:

- This is a public-private partnership.
- This is a long-term process taking into consideration the changing threats to loss of forest cover over use of forest resources and to meet the need to change and adjust forest management to fit these new situations.
- It is an approach that increases the value of participation of stakeholders, in which all stakeholders who have interests agree to join in the planning of forest management and benefit sharing, and to observe the reality of implementation of a sustainable forest management plan. It is a conscious effort among stakeholders to share information, collaborate, negotiate and seek learning opportunities about the effects of cooperative actions;

- It is a collaboration between local community and stakeholders at different levels and scales (Protection and Special-use Forest Management Boards, State Forest Companies) to deliver sustainable results that all stakeholders can contribute to and are willing to commit to;
- It is a way of facilitating dialogue between forest owners and involving of local communities - it acts as a catalyst to empower stakeholders to manage and use forest resources in accordance with the law; especially forest dependent communities or households within these communities through forest-land allocation or clarification of the rights to exploit NTFPs to improve livelihoods.

In the context of the ER-P, the types of forest that are eligible for the ACMA process and setting of Forest Management Councils (FMCs) are special use forests, protection forests, and production forests managed by Forest Management Boards (FMBs) and State Forest Companies (SFCs).

These types of forest owners often have very limited resources (including financial and human resources), which makes it difficult for them to effectively manage a large and sometimes remote area of forest. There usually are conflicts of rights and interests related to land and forests between forest owners and local communities. These areas are also hot spots of deforestation and forest degradation. Therefore, the appropriate model to apply for the ER-P is a collaborative management model between FMBs, SFCs (as State Forest owner) and local communities, who have limited land use or forest use rights.

In this model the State forest owner holds legal rights to forest resources and the community can be given more responsibility for the management of forest on forest land managed by the State forest owner and both parties agree to organize an ACM institution - the Forest Management Council (FMC) to participate in the management and protection, development of forest/forest land resources and benefit sharing process while maintaining the rights and responsibilities of each party. To ensure local anchorage of FMCs, an ACM Board is also established in each commune participating in the FMC, so to facilitate grass-root dialogue and village and commune levels, and improve representativeness. 61 FMCs involving 439 communes are being established to implement the ER-P.

Given the advantages and relevance of the ACMA process in the ER-P, this approach is encouraged to be applied widely in the ER-P due to its multiple advantages, including strengthening of cooperation and highlighting the important role of local communities in cooperating with state forest owners (FMBs and SFCs – who are managing about 77% of the total natural forests area and 70% of the total forest land in the North Central Region) to protect and develop forest sustainably that leads to the emission reductions target of the ER-P. During the ACMA consultation process according to the ACMA Manual, the local communities decide on the type of intervention as well as the rights, responsibilities and conditions to access benefits and which form of benefits they would prefer. They can choose to receive the benefits either in a non-cash form through a service provider for equipment, work, financial instruments as listed in Component 3 or in the cash form under contracting modality as payment for forest patrolling, natural assisted regeneration, reforestation, etc. Detailed guidelines on the ACMA process can be found in the ACMA Manual.

#### **2.4.2. Performance-based allocation to FMCs**

Each province allocates 75.2% of received payments to support the implementation of ACM Plans, i.e. 80% of the net payments received by the province minus 6% to component 1. Every year, FMCs revise the workplan and budget and send a request for disbursement to PPMU. PPMU provides clearance to the sub-VNFF (at the province) to allocate funding to each FMCs' local bank account, and guidance to disburse according to ACM Agreements and ACM Plans.

The total expected payment for implementing local activities under the ACMA process and FMC is USD 35,943,440. This amount is shared among the about 61 FMCs of the NCR, for implementation of their respective annual ACM plans. Benefits allocation from provinces to FMCs is performance-based

and follows the same criteria and methodology as for allocation from central to provincial level, as adapted below:

$$\begin{aligned} \text{Allocation to FMC B} &= 75.2\% \text{ of provincial net payment} * \text{R factor of FMC B} \\ \text{R factor} &= (R_1 + R_2) / 2 \\ R_1 &= \text{Natural forest area of the FMC} / \text{Natural forest area of the province} \\ R_2 &= \text{REDD+ performance of the FMC} / \text{REDD+ performance of the province} \\ \text{REDD+ performance of the FMC} &= (\text{Hectares delivered under each model of intervention in the FMC} * \\ &\quad \text{ER factor associated with each model of intervention}) \\ \text{REDD+ performance of the province} &= \text{Hectares delivered under each model in the province} * \text{ER} \\ &\quad \text{factor for each model} \end{aligned}$$

### 2.4.3. Local beneficiaries and activities

Activities supported correspond to intervention packages and activities allowed under Component 2 and Component 3 of the ER-P, also mentioned in Section II.1.2 above.

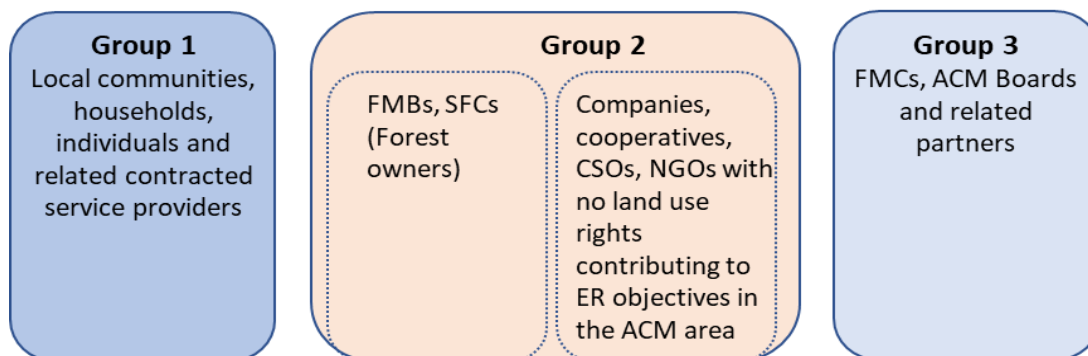
Land and resource tenure issues have been identified as a major barrier to REDD+ (cf. ER-PD section 4.5). From local communities to Government leaders, there is shared understanding that addressing these tenure issues is a priority and a key factor of success for the ER-P. The architecture of the BSP has been designed to support a comprehensive approach. Component 1 will be supported from central to local administrative levels to improve land tenure clarification and strengthen community rights to natural resources and forests through policies and implementing measures (for instance to improve access of local communities to forest land and improve rights over the sustainable use of NTFPs), and improved capacities to support on-the-ground actions to delineate boundaries, allocate forest land etc. In line with other REDD+ BSP and ACMA initiatives in Vietnam, it is also expected that a significant part of funding supporting ACMA / FMC group 1 and 2 will be used to actually address these tenure issues and enable direct interventions on forest conservation and restoration as part of Component 2. The ACMA process and FMC system allows for funding allocation decisions to be made as close as possible to the realities of the field. Depending on each local circumstances, communities and individual interests, situation in forest tenure, opportunities for improved governance and increased benefits from sustainable forest development, it is trusted that the ACMA process and FMC system is the most effective approach to secure this key factor of success and significantly improve the land and tenure resource tenure.

ACMA funding will be sub-allocated to three groups of beneficiaries as below:

- Group 1: Local communities who implement intervention packages on the area of FMBs and SFCs under an ACMA Agreement or under a contracting modality with FMBs or SFCs.
- Group 2: FMBs, SFCs and the companies with no land use rights contributing to ER through implementation of some intervention packages in the area under ACM Agreements.

- Group 3: Forest Management Council, ACM Board, Local Monitoring Team, Communal Mediation Group, Village Mediation Group.

FIGURE 4: BENEFICIARIES AT LOCAL LEVEL UNDER ACMA



#### 2.4.4. Allocation to local beneficiaries

There are two distinct processes. In the specific case of Group 3, a lump-sum of USD 1,659,251 is allocated directly from the Advance payment (subject to negotiation). The budget is administered and managed by PPMUs to support activities leading to the establishment and full functioning of FMCs.

For Group 1 and Group 2 beneficiaries, FMCs collect, manage and sub-allocate funding according to agreed plans. These plans are designed annually based on the available resources at the FMC level, considering directions from ACM Agreements covering the full ER-P period, and through the effective participatory process that regulates ACMA institutions.

Regarding Group 1, individual performance of stakeholders in implementing past activities is naturally considered when deciding on allocations for subsequent years. When funding is allocated to sub-groups at local level, they will decide themselves on redistribution using appropriate community-based process resulting in written decisions confirmed by the Commune People's Committee.

- ✓ On average, each FMC is expected to allocate USD 393,425 to its participating local communities

Regarding Group 2, participation of the private sector, including private companies, cooperatives and civil society organizations is demand-driven. Forest owners discuss with private partners on activities, results and contribution to the objectives, and decide performance-based funding allocation resulting in written decisions in form of a contract. A situation where forest owners sub-allocate about 20% of Group 2 resources to private partners is encouraged. Based on the ACMA principles, FMCs should be informed of the terms of the contracts and provide no-objection.

- ✓ On average, each FMC is expected to allocate USD 168,611 to forest owners and their contracted partners

The PPMU oversees the implementation of ACM plans to ensure that 70% is allocated to local communities and 30% is allocated to forest owners like FMBs and SFCs and their contracted partners.

## 2.5. Province-level payment for project developers

### 2.5.1. Introduction

30% of forest land and 23% of natural forest in NCR are not owned by FMBs and SFCs. Most of these forest lands fall under the responsibility of CPCs, with a few exceptions where forest belongs to other organizations. The BSP supports ER activities in these areas as they account for ER-P results. Unlike the ACMA which applies to forest land owned by FMCs and SFCs, this support to other forest land will be channeled through a competitive project-development approach, as illustrated in Figure 5.

Each province allocates 20% of received payments to support these projects. This is expected to represent up to USD 8,075,540 for the six provinces for the ER-P period.

### 2.5.2. Beneficiaries

Many organizations and individuals are expected to benefit from this modality, whether directly as project developer and leader or indirectly by participating in implementing related activities. Beneficiaries include:

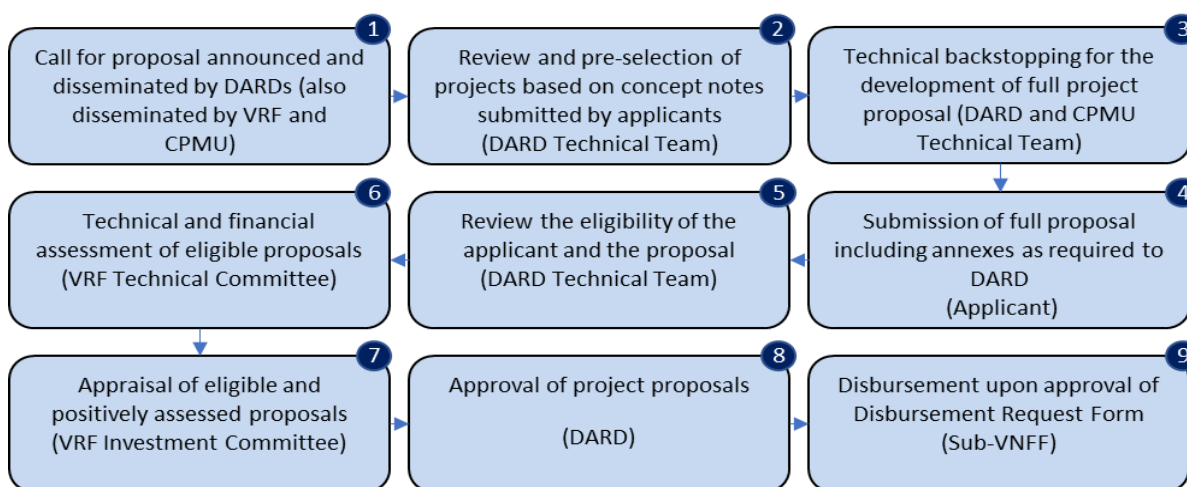
- Public or private organizations including private companies, cooperatives, civil society organizations and public administrations who contribute to ER through implementation of projects. Project developers should have land use rights or forest leasing contract, or other formal agreement with an eligible forest owner (no FMBs or SFCs) that identifies the link between the proposed interventions and ER in the targeted forest land.
- Local communities and groups of individuals and households who implement activities under contracting modality with forest owners (notably CPCs) and/or project developers

### 2.5.3. Selection process and responsibilities

The support will be demand-driven and allocations will be made through a competitive selection process based on robust demonstration that the project will contribute to the generation of ERs. For project developers, the application process consists of two main phases, the formulation and submission of concept notes, and the development of full application packages.

The selection process is initiated by DARD. DARD also pre-selects projects, provides technical support to project developers as relevant, notably in a situation of low capacities to support engagement of small enterprises or cooperatives. DARD also review the eligibility of full proposals and make final approval decision. DARD is then in charge of monitoring and supervising effective implementation of projects, approving fund allocations by sub-VNFF and reviewing and reviewing activity, results and financial reports.

FIGURE 5: COMPETITIVE SELECTION PROCESS FOR PROJECT PROPOSAL



### 2.5.3. Eligibility of projects and activities



Through this modality, the BSP improves the ability of small and medium enterprises and organizations to increase investments and generate sustainable value-added through green investments. The support will also facilitate access to commercial financing including medium and longer-term financial solutions for small and medium enterprises and organizations in value chain development.

Detailed conditions and criteria will be further developed by CPMU in close consultation with PPMU. As guiding arrangements, the BSP support will provide up to USD 200,000 to projects with a requirement for demonstrated co-financing of at least 30% in the form of private capital, assets or loans from financial institutions. The share of grant in overall project costs will vary depending on quality factors that will be assessed through appropriate scorecard. For instance, BSP relative contribution can be higher and reach the 70% ceiling for projects demonstrating high benefits for local communities and most vulnerable groups through job creation, trainings, fair contracting agreements, technical assistance, outstanding environmental benefits etc.

The disbursement of funds is subject to following conditions: the beneficiary must open a dedicated project bank account where BSP financing and co-financing from the beneficiary is transferred. This account must not be used for any other purpose except for implementation of the approved project. The project developer bears full legal responsibility for this account, documents all financial flows, reports back on finance, activities and results to DARD, and meets auditing requirements. The initiative funds are disbursed based on approved work plan and budget, as well as requested intermediary reports when payment is divided in several tranches. Tentative selection criteria for the full application are described in Table 6 below.

TABLE 6: ELIGIBILITY CRITERIA FOR PROJECT DEVELOPERS TO GET BENEFITS FROM ER-P

<b>Time frame</b>	The supported activities and their budget must be designed to ensure implementation by 2025, or within two years in case of late approval.
<b>Geographic Scope</b>	Project activities must be implemented in the NCR, and expected impacts must be clearly linked to forest land in the region not owned by FMBs and SFCs.
<b>Applicants</b>	Applicants need to be classified as an enterprise or organization from the agriculture, ecotourism, forestry or other relevant sector and value chains, legally registered in Viet Nam, with demonstrated capacity to contribute to the ER target. Eligible organizations are understood as commercial companies, cooperatives, CSOs, NGOs or public administrations.
<b>Documentation Requirements</b>	Company Registration Certificate and business license (Giấy phép đăng ký kinh doanh) as relevant, fiscal registration number, a copy of the last bank account statement and, if available, audited company statements or financial report, dedicated bank account details, bank statement for the dedicated bank account (up to 6 months but at least 3 months prior to application date), proof of applicant’s ability to provide its own contribution.
<b>Financial Viability</b>	For the purpose of this BSP, financial viability is defined as the business’ ability to generate income to cover/meet the operating costs and financial obligations of the company as well as to render profit and provide the potential for future growth. Applicants must clearly describe the technical and financial viability of the business as well as of the proposed investment. Financial conditions will be adapted in the case of public or non-profit organizations.
<b>Operational Sustainability</b>	The applicants must describe whether the organization can maintain existing or innovation practices and increase productivity and/or deliver impact without placing future resources at risk. The applicants will be evaluated against the proposal’s incidence on conservation of both ecological and social resources.
<b>Indicative Value</b>	The value chains to be supported are: forest-based products and timber from planted forests; non-timber forest-based products (e.g. honey, natural oils, dried fruits, medicinal

<b>Chains</b>	plants, etc.), ecotourism that contributes to forest conservation and restoration, or other activities as relevant that credibly generate ERs.
<b>Eligible Expenditures</b>	Mechanization equipment, tools, machinery; soil conservation measures such as terracing, land leveling and watershed treatments; inputs including seeds, seedlings, organic fertilizers and other vegetative material and agriculture inputs excepted chemicals; seeds for seed production; salaries, storage and processing infrastructure and facilities, nursery components/infrastructure, patent application and fees, certifications and standards, business development and marketing efforts, research and development.
<b>Ineligible Expenditures</b>	Land acquisition; large civil works such as the construction of new buildings that are not productive assets; retroactive payments for expenditures made prior to the date on which the agreement is signed; financial participation in a firm's equity. Interest or debt owed to any party, items already financed through another program or company/institution and salaries of government employees.

### 3. PERFORMANCE SCENARIOS AND RISK MANAGEMENT

Payments will be made based on approved results (for the local level) and measurement, reporting and verification results (for provincial and regional levels). Operational and management costs are fixed, as well as ACMA Group 3 budget for ACMA establishing and functioning. However, results of emission reductions could vary. Three scenarios have been formulated below for estimating regional and provincial levels payment.

#### 3.1 Scenarios

##### 3.1.1 Scenario 1: 100% performance (see Table 7.b)

Target is accomplished, and 100% result-based payment is approved to be made according to disbursement schedule. Under the 100% performance scenario, the ER Program will generate around 19.78 MtCO<sub>2e</sub> in the crediting period 2019-2024, out of which 10.3 MtCO<sub>2e</sub> could be paid by CF. As shown in Table 7.b, the fixed operational and management costs throughout the ERPA term will be USD 3,483,720 and the Performance buffer is set at USD 1,325,000 as per Table 10. After deduction of Operational costs, and redistribution of the Performance buffer, USD 48,016,280 would be distributed among all the beneficiaries.

##### 3.1.2 Scenario 2: 50% performance (see Table 8)

Target is partially achieved. Payment will be based on the accomplished result. Set-aside money for performance buffer can still be used to compensate for the difference in performance of concerned jurisdictions. In case of 50% performance, the amount of the RBP reduces by half (USD 25,750,000). In this Scenario, it is assumed that the maximum volume of ERs that will be generated is 5,150,000 tCO<sub>2e</sub>. The fixed operational costs remain the same across all scenarios and the performance buffer reduces because these costs are deducted from the decreased gross payments. Under this scenario, the amount set aside as the performance buffer will be distributed at the end of the ERPA term among all the beneficiaries following the same criteria as the ones that are used to distribute the ER net payments. In average, each FMC would reallocate USD 178,326 to local communities and USD 76,425 to the forest owner and its contracted partners.

##### 3.1.3 Scenario 3: 15% - non-performance (see Table 9)

It is considered a non-performance scenario. With an overall performance of 15%, all advance payments (expected USD 7,500,000) can still be covered by the Gross Payments of USD 7,725,000. It means that basically only USD 225,000 is allocated beyond the initial allocation of the advance payment. As per the allocation of the advance payment, operational costs at central and provincial

level will be covered, and USD 3,641,280 would go to local level for FMC/ACM setting up processes and initial start of the field work. The performance buffer will most probably barely be funded depending on the sequence of ER, beyond the allocation from advance payment of USD 375,000. In average, each FMC would reallocate USD 27,757 to local communities and USD 11,896 to the forest owner and its contracted partners.

TABLE 7A: ER AND GROSS PAYMENT UNDER 100% PERFORMANCE SCENARIO

ER-Program in NCR	Estimated ER (accounted between 2018-2024)		
	Set-aside uncertainties and reversal buffer	R factor (%)	ER purchase from CF (tCO <sub>2</sub> )
Thanh Hoa	1 599 043	12,7	1 308 100
Nghe An	9 282 277	40,8	4 202 400
Ha Tinh	1 962 238	10,0	1 030 000
Quang Binh	2 117 444	16,2	1 668 600
Quang Tri	1 338 648	6,7	690 100
TT Hue	3 486 880	13,6	1 400 800
<b>Total</b>	<b>19 786 530</b>	<b>100</b>	<b>10 300 000</b>

TABLE 7B: SCENARIO 1 - 100% PERFORMANCE

Estimated gross payments from the Carbon Fund	\$51 500 000
Total operation and management costs	\$3 483 720
Total net payments	\$48 016 280

ER-Program in NCR	Net Payment Allocation (USD)							Project developers outside FMBs, SFCs area
	Central level - Comp. 1	Provincial level - total	Provincial level - Comp. 1	ACMA beneficiaries in FMBs, SFCs area			Total	
				Group 1 + Group 2+ Group 3				
				Group 1	Group 2	Group 3		
Thanh Hoa		5 917 728	327 317	4 564 817	3 047 864	1 306 228		1 025 594
Nghe An		19 011 282	1 051 538	14 664 924	9 791 564	4 196 385		3 294 820
Ha Tinh		4 659 628	257 730	3 594 344	2 399 893	1 028 526		807 554
Quang Binh		7 548 597	417 523	5 822 837	3 887 827	1 666 212		1 308 237
Quang Tri		3 121 951	172 679	2 408 210	1 607 928	689 112		541 061
TT Hue		6 337 094	350 513	4 888 308	3 263 855	1 398 795		1 098 273
<b>Total</b>	<b>1 420 000</b>	<b>46 596 280</b>	<b>2 577 300</b>	<b>35 943 440</b>	<b>23 998 932</b>	<b>10 285 257</b>	<b>1 659 251</b>	<b>8 075 540</b>

TABLE 8: SCENARIO 2 - 50% PERFORMANCE

Estimated gross payments from the Carbon Fund	\$25 750 000
Total operation and management costs	\$3 483 720
Total net payments	\$22 266 280

ER-Program in NCR	Net Payment Allocation (USD)							Project developers outside FMBs, SFCs area
	Central level - Comp. 1	Provincial level - total	Provincial level - Comp. 1	ACMA beneficiaries in FMBs, SFCs area				
				Total	Group 1 + Group 2+ Group 3			
					Group 1	Group 2	Group 3	
Thanh Hoa		2 752 126	137 381	2 184 284	1 381 492	592 068		430 460
Nghe An		8 841 474	441 350	7 017 228	4 438 177	1 902 076		1 382 896
Ha Tinh		2 167 028	108 174	1 719 909	1 087 789	466 195		338 945
Quang Binh		3 510 585	175 242	2 786 252	1 762 218	755 236		549 091
Quang Tri		1 451 909	72 477	1 152 339	728 818	312 351		227 093
TT Hue		2 947 158	147 117	2 339 076	1 479 392	634 025		460 965
<b>Total</b>	<b>596 000</b>	<b>21 670 280</b>	<b>1 081 740</b>	<b>17 199 088</b>	<b>10 877 886</b>	<b>4 661 951</b>	<b>1 659 251</b>	<b>3 389 452</b>

TABLE 9: SCENARIO 3 - 15% PERFORMANCE

Estimated gross payments from the Carbon Fund	\$7 725 000
Total operation and management costs	\$3 483 720
Total net payments	\$4 241 280

ER-Program in NCR	Net Payment Allocation (USD)							Project developers outside FMBs, SFCs area
	Central level - Comp. 1	Provincial level - total	Provincial level - Comp. 1	ACMA beneficiaries in FMBs, SFCs area			Total	
				Group 1 + Group 2+ Group 3				
				Group 1	Group 2	Group 3		
Thanh Hoa		536 204	4 426	517 911	215 030	92 156		13 867
Nghe An		1 722 609	14 218	1 663 841	690 807	296 060		44 550
Ha Tinh		422 208	3 485	407 804	169 315	72 564		10 919
Quang Binh		683 977	5 645	660 643	274 291	117 553		17 689
Quang Tri		282 879	2 335	273 229	113 441	48 618		7 316
TT Hue		574 203	4 739	554 614	230 269	98 687		14 850
<b>Total</b>	<b>19 200</b>	<b>4 222 080</b>	<b>34 848</b>	<b>4 078 042</b>	<b>1 693 153</b>	<b>725 637</b>	<b>1 659 251</b>	<b>109 190</b>

## 3.2 Risk management

a) The performance buffer will be managed by the separate account of the VRF. The VRF will manage, coordinate and transfer this budget to provinces to support the forest owners, FMC participating parties, the forest protection contractors and other parties at the grassroots to overcome damage caused by force majeure events such as natural disasters (storms, prolonged drought, etc.). The use of this performance buffer will follow the Financial Management Manual or PIM of the ER-P and will be audited accordingly.

b) When forest damage occurs, forest owners develop a plan to assist households, individuals and communities with forest protection contracts as well as communities participating in the FMC to report to DARD for inspection. DARD will consider and submit options to the VRF and the investor for decision.

c) If the performance buffer is not used before the end of the crediting period of 6 years (31<sup>st</sup> of December 2024), it will be attributed to reward potential beneficiaries along the same modalities as the overall program, including performance-based provisions to support beneficiaries who effectively reduced emission in their area despite under-performance of the ER Program as a whole.

## 4. WINDOWS OF DISBURSEMENT

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### 4.1 Disbursement arrangement

There are various modalities for financial resources disbursement in Viet Nam. Every available source of funds has a disbursement channel and its own disbursement plan. The Program will continue to capitalize on the experience of currently operating disbursement channels and plans while designing its disbursement channels and identifying the disbursement options for the result-based payment of Carbon Fund, which require certain BSP principles as mentioned in Section I.4.

#### 4.1.1 Vietnam REDD+ Fund

The Viet Nam REDD+ Fund (VRF) will collect, administer and allocate ER payments according to the present BSP. The VRF will be established by MARD in 2019. Setting up institutions and formulating the operating manual has been put on hold until clear financial opportunities are identified for REDD+ full implementation in Vietnam. This will allow the design of the mechanism, including governance and financial arrangements, in a way that it is fully aligned with CF requirements. The choice of the VRF builds on:

- Clear political commitment and existing legal provisions: the VRF is already mentioned in the NRAP as the central financial instrument for REDD+.
- Bespoke design: Provisions from Decision 5337 and follow-up option reviewed and supported by the UN-REDD Program set the basis for a tailored mechanism adapted to REDD+. Specifically the VRF will meet the countrywide coordination approach on REDD+ and allow for the integration of ER benefit sharing payments with PFES, the safeguards system and other relevant national and provincial initiatives.
- Empowerment and sustainability: Turning the VRF into operation will build on and further strengthen capacities of national administration and partners, and offer an ideal solution to further extend the REDD+ financial mobilization.

This option involves additional training and capacity building costs during the intermediate period as reflected in the operation and management costs in Section II.2.1.2.

- a) Characteristics of the Vietnam REDD+ Fund as per Decision 5337

The Vietnam REDD+ Fund (VRF) is a public, non-profit trust fund under the Vietnam Forest Protection and Development Fund (VNFF), located in VNFOREST. Its organizational structure, procedures and supervision are in line with Vietnamese law and other applicable international regulations. The VRF



provides all guarantees to be operated in a way that meet the requirements of the ER-P and the World Bank.

The VRF has its own legal status, seal and accounts at the Vietnam State Treasury and will operate in accordance with the law of Vietnam. The Fund's headquarter will be in Hanoi.

#### b) Relationship between the VRF and the VNFF

- Despite being institutionally embedded in the VNFF, the VRF has the authority to make independent decisions, based on the Agreement with the Trustee.
- The VRF will report periodically during the implementation of the Fund's activities through the VNFF's administration channel and implement the directions of the Minister of Agriculture and Rural Development on solutions to issues arising during the operation of the Fund.
- The VRF will share information with stakeholders through VNFF.
- The VNFF can assign staff for the VRF Management Board.

#### c) The role of the VRF for the BSP

The ER-P BSP will be implemented through the VRF. The VRF will receive ER payments, administer the fund in accordance with set regulations and operating procedures, and allocate finance to beneficiaries according to the BSP. The VRF will encourage integration of resources from result-based payment with PFES, which is an important pre-investment instrument also disbursed through VNFF. The VRF will play a critical role in ensuring full fiduciary oversight for administration of gross payments down throughout the benefit distribution flow. Such oversight mechanisms will be further specified in the VRF manual of operation, and will guarantee full compliance with international and World Bank standards.

#### d) Bank and branch accounts of the VRF

The VRF will open an account to receive result-based payments under the ERPA Agreement at a bank located in Vietnam, after receiving approval from the Donor. The VRF will sign a contract of disbursement services with that bank to make disbursements and payments under the Program guidelines. Beneficiaries will also open bank accounts at provincial and district levels to make disbursements as regulated.

### 4.1.2 Provincial VNFF

A Provincial REDD+ Fund will not be established. The VRF will transfer funds directly to contributors and beneficiaries of the ER-Program.

Provincial agencies and organizations will not have the function of allocating the funds but will receive funding from the VRF through the Provincial Forest Protection and Development Fund (Sub-VNFF) to carry out the activities specified in the ER-P (according to their scope, functions and duties). The Provincial Forest Protection and Development Funds will have the function and task of receiving funds for the implementation of the ER-P in accordance with the Program's financial management regulations. The Fund will open an account at a local branch of the bank used by VRF to receive funding for the implementation of Component 1 in the province.

### 4.1.3 Bank accounts of beneficiaries

#### a) VNFOREST and DARD

These agencies will identify appropriate body to be in charge of the ER-P management and coordination. This body will open special bank accounts to receive funds directly from the VRF for the Component 4 to coordinate management, monitoring, evaluation and approval, measurement, reporting and verification of the Program at the central and provincial levels, based on the Financial

Management Manual; and for Component 1 implementation at the central level and in provinces, including provincial, district and commune level.

b) DPC

DPCs will open an account holder responsible for receiving benefits to implement Component 1 at district level.

c) FMC and ACM Board

The Forest Management Council who is responsible for administering the implementation of the ACM Agreement will open an account at the nearest bank to receive funds for the implementation of ACM Agreements, ACM Plans and benefit sharing in areas owned by the forest owners. The financial management shall comply with the provisions of the Program.

The ACM Board will be established by the CPC to coordinate the implementation of the ACM Plan at community level. The ACM Board does not need to open a deposit account to receive funds, but the FMC will make annual allocation for the implementation of ACM Plan and community-based packages and benefit sharing to communities and households under the management of the commune. The financial management shall comply with the provisions of the Program.

d) SFCs and FMBs

FMBs and SFCs shall open a deposit account to receive funds from the Program to make payments and settlements to communities, household groups and households under the forest protection contract and to organize the implementation of activity packages done by forest owners themselves. The financial management shall comply with the provisions of the Program.

e) Communal People's Committees

The CPCs shall open accounts to receive funds transferred by SFCs and FMBs to communities of communes for the performing contracts between forest owners and communities, make advance payments and certify the benefit sharing mechanism within communities, household groups and households under forest protection contract; arrange the implementation of the activity packages done by communities, based on the Financial Management Manual of the Program. CPCs that have forest-land can contribute to ER through some projects and thus access benefits.

f) Communities, groups of households

These will not open their own bank accounts; the account held by the CPC will be used to serve the implementation of the ER-P. Benefit sharing within communities and groups of households will be discussed and distributed internally on the basis of consultation and consensus.

g) Cooperatives and companies, CSOs, NGOs

These actors will open bank accounts for the purpose of accessing the money for the ER-P implementation through projects to support emission objectives. Benefit sharing among beneficiaries of these bodies will be discussed and distributed internally on the basis of consultation and consensus.

## 4.2 Cash flow

a) For monetary benefits

- All beneficiaries may open a bank account at the nearest branch of Bank for Agriculture and Rural Development or Vietnam Bank for Social Policies.

- The bank will transfer money directly to beneficiary organizations (e.g.: state agencies, Commune People's Committees, FMBs, SFCs, service providers, cooperatives) according to VRF request (at the central level) or Sub-VNFF request (at the provincial and grassroots levels).
- Banks transfer money directly to the Forest Management Council, ACM Board and service providers to implement ACM Agreement and in compliance with it, as requested by Sub-VNFF.
- Bank will pay directly to the forest owners who are households and individuals according to a CPCs request. Households or representatives of contracted households receive money directly from the forest owners (Commune People's Committee, Forest Management Board, State Forestry Company) according to the inspection and approval record.
- Banks pay directly to communities and cooperatives who are forest owners through the CPCs. Communities, cooperatives and household groups organize the benefit sharing among their members on the basis of consensus.

b) For non-monetary benefits (through service providers)

- The bank transfers money directly to the ACM Board as requested by Sub-VNFF for the implementation of technical assistance packages, small investment packages as specified in ACM Plans implemented by the community itself. The Grassroots Monitoring Team shall undertake the inspection and approval at grassroots level, as well as the monitoring at village and community level.
- Service providers receive the funds directly from the bank to carry out technical support packages at the central level as requested by VNFOREST, or at provincial and local level as part of the ACMA Plan and as requested by DARD/Sub-VNFF. The approval test and final settlement shall be carried out in accordance with the Monitoring and Evaluation Manual, Financial Management Manual and this Regulation.

### 4.3 Disbursement windows and justification

#### 4.3.1. Justification for disbursement and payment

Result-based payments of the ER-P are conducted in the form of post payments and based on available financial resources, including potential additional resources beyond CF payments, and benefit sharing plans of the Program. The sources for verification of both the program's emission reductions (in tCO<sub>2e</sub>) and the intermediate results leading to emission reductions are listed in the M&E Framework of the Program, extracted from National Forest Monitoring System (NFMS) and Safeguards Information System (SIS), FORMIS and other verification resources for additional carbon benefits.

#### 4.3.2 Disbursement windows

There are three disbursements windows for BSP:

*a) Window 1:* Disbursement to state agencies coordinating the implementation of the ER-P based on their functions, tasks and authority assigned to carry out activities under Component 1 and Component 4 of ER-P.

*b) Window 2:* Disbursement on a competitive basis to service providers. All legal entities operating in Vietnam may submit proposals to the Program to bid for technical support services after the tender announcement. Tender announcement can be specific, for example when an FMC requests specific services to be provided to local communities as part of the ACM Agreement. It can also be generic, for instance when at central or provincial level some RBP has been received and allocated to competitive bidding from project developers. In this last situation, a call for project will

be publicized to allow all interested project developers to bid at the central or at the provincial level as relevant.

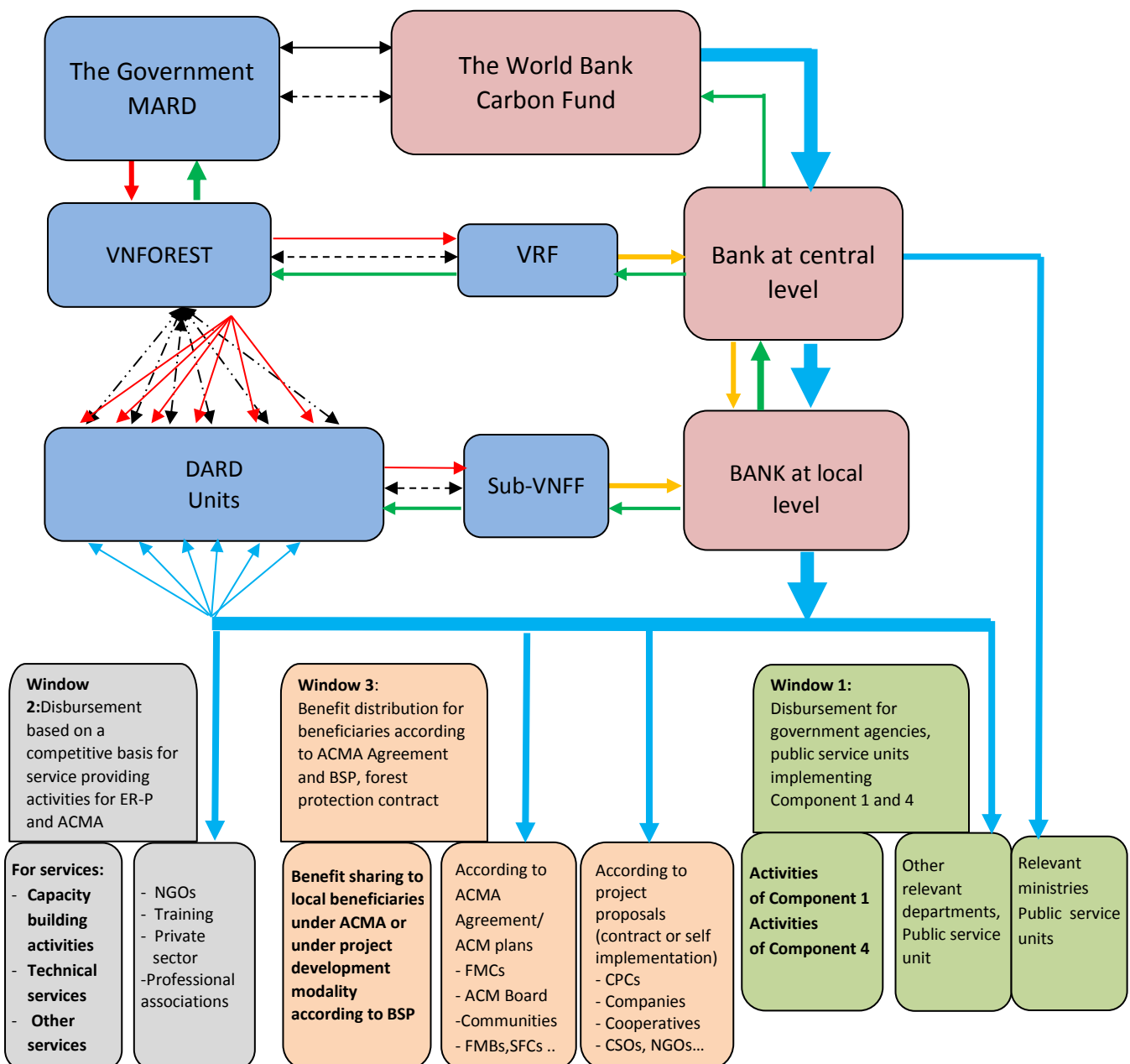
The appraisal of these proposals is based on:





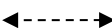
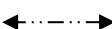
- Preliminary selection results of VRF;
- The results of the assessment of the financial capacity and program management of the proposed organization in accordance with the ER-P;
- The results of the evaluation, according to the technical and financial criteria of the proposal as prescribed by the Program Operational Manual (POM).

The governing agency of the ER-P will approve the proposals on the basis of appraisal results and no-objection letters from the World Bank where relevant. This will be detailed in the Financial Management Manual or in the POM. The overall appraisal, selection, implementation and M&E process under this window is partly described in Section II.2.5.3 (Table 6).

c) *Window3*: Disbursement to local beneficiaries. Stakeholders engaged in ACM Agreement and ACM Plan can develop project proposals which will be sent to the ACM Board (if relevant) and the FMC for review under ACMA modality or to Sub-VNFF under Project development modality. In the next step, eligible proposals will be submitted to DARD for appraisal before submitting to the VRF for approval according to the Financial Management Manual or POM of ER-P.

FIGURE 6. ARRANGEMENTS FOR DISBURSEMENT OF THE RESULT-BASED PAYMENT



- Note :
-  Money transferring, disbursement
  -  Command of money transfer, guiding
  -  Reporting
  -  Directing
  -  Information sharing
  -  Information sharing, reporting

#### 4.4 Benefit sharing and disbursement plan

Time frame for disbursement of proceeds from the result-based payment is period 2019-2025.

TABLE 10. DISBURSEMENT PLAN FOR BENEFIT SHARING UNDER SCENARIO 1 (100% PERFORMANCE), IN USD

Components	Mid-2019	Early 2021	Early 2023	Mid 2025	Total
	(Advance payment)	(1st RB Payment)	(2nd RB Payments)	(Final RB Payment)	
Component 1	0	556 244	1 069 700	2 371 356	3 997 300
Central level	0	197 600	380 000	842 400	1 420 000
Provincial and local level	0	358 644	689 700	1 528 956	2 577 300
Component 2 and Component 3	3 641 280	5 618 756	10 805 300	23 953 644	44 018 980
Beneficiaries group 1 and 2 (under ACMA)	1 982 029	4 495 005	8 644 240	19 162 915	34 284 189
Group 3 (ACMA functioning)	1 659 251	0	0	0	1 659 251
Project developers	0	1 123 751	2 161 060	4 790 729	8 075 540
Component 4 (Operational costs)	3 483 720	0	0	0	3 483 720
Programme management and coordination	434 720	0	0	0	434 720
Monitoring, reporting, evaluation and verification	1 742 550	0	0	0	1 742 550
Knowledge management and communication	780 000	0	0	0	780 000
Financial management and administration	526 450	0	0	0	526 450
Performance buffer	375 000	325 000	625 000	-1 325 000	0
<b>Total</b>	<b>7 500 000</b>	<b>6 500 000</b>	<b>12 500 000</b>	<b>25 000 000</b>	<b>51 500 000</b>

## 5. RIGHTS AND RESPONSIBILITIES OF BENEFICIARIES

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### 5.1 Rights and responsibilities of forest owners, communities, households, organizations and individuals

#### 5.1.1.Rights

a) To be consulted during the development and implementation of forest protection and development plans, ACM Agreements, ACM Plan and benefit sharing plan; to be supported in technical training for the implementation of activity packages;

b) To be provided in advance with sufficient information regarding benefit sharing and equal participation in the decision-making process on benefit-sharing;

c) To enjoy benefits corresponding to the results of the work performed and the responsibilities assigned (as far as collective performance allows);

d) Ethnic minorities have specific rights stipulated in various provisions of the EMPF, notably in sections related to consultation and information disclosure. In addition, ethnic minorities enjoy the right to opt out from BSP arrangements as provided under the principle of FPIC.

e) To have rights to file a complaint and receive feedback directly and properly when conflicts arise.

#### 5.1.2.Responsibilities

a) Strictly implement the forest protection and development activities specified in the forest protection and development plan and in accordance with the provisions of current laws;

b) Ensure to meet the results and outcomes as outlined in the plan;

c) Comply with regulations on the management and use of finance for the implementation of forest protection and development plan and benefit sharing;

d) Supervise and crosscheck the implementation of the forest protection and development plan, implement all safeguards measures;

e) Timely detect, report and prevent outsiders from entering or destroying forests in the area.

### 5.2 Rights and responsibilities of services providers and ER-P, BSP management parties

#### 5.2.1.Rights

a) To be consulted during the development of action plan, to directly formulate and participate in the implementation of technical assistance packages and small investment grants;

b) To file a complaint and to receive feedback when conflicts arise;

c) To participate in training to improve capacity to work with communities and stakeholders and to develop skills in planning, administration, management, coordination, monitoring and cooperation for ER-P implementation at all levels.

#### 5.2.2.Responsibilities

a) Strictly observe the law on forest protection and development;

b) Use technical assistance packages and small investment grants properly as approved by DARDs;

c) Participate in monitoring and crosschecking the implementation of forest protection and development plan, technical assistance packages and small investment grants;

d) Detect, report and participate in timely prevention of violations of the law on forest protection and development in their localities;

e) Strictly abide by the Program's regulations on operation, coordination, management and supervision of the ER-P, including financial management.

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### III. MONITORING, EVALUATION, APPRAISAL AND REPORTING

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#### 1. MONITORING OF PERFORMANCE

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##### 1.1 Procedure of monitoring, evaluation, appraisal, reporting

a) Parties directly implementing activities under Component 2 and Component 3 shall register at the beginning of the ER-P implementation or later as relevant, and provide mid-term (3 years) and final declaration and reporting (6 years).

b) The local communities carry out internal monitoring.

c) The Grassroots Monitoring Team shall conduct monitoring and evaluation based on Monitoring Framework for localities according to the M&E Manual

d) The provincial Monitoring Team shall conduct monitoring and evaluation based on Provincial Monitoring Framework according to the M&E Manual.

e) Agencies and organizations at all levels shall carry out revision, verification and reporting of the final results upon the end of the payment period of the ER-P.

f) A third-party and independent monitoring and evaluation exercise shall be carried out every two years and include monitoring of the implementation safeguards.

##### 1.2 Monitoring, evaluation, and reporting arrangements

###### 1.2.1. Monitoring at local level

a) At the commune level: The Chairperson of the Communal People's Council establishes the Monitoring Team, consisting of the representatives of the Commune People's Council, local forest rangers, mass organizations at commune and village levels, representatives of forest owners and representatives of forest protections contractors at household level, as well as of the individuals and representatives of communities involved in the implementation of the ER-P activities. The number of members of the Monitoring Team shall be established by the localities based on specific requirements and budget balance.

b) At the FMBs and SFCs level: Heads of FMBs and SFCs establish the Monitoring Team, consisting of the representatives of forest owners, local forest rangers, communal forestry officials, representatives of communes where households or local communities have signed forest protection contracts or ACMA Agreements with forest owners, communal agencies and mass organizations. The number of members of the Monitoring Team shall be decided upon by the localities based on specific requirements and budget balance.

The Grassroots Monitoring Teams shall receive technical assistance from provincial M&E Team and independent M&E expert if necessary.

c) At community level: Local communities shall carry out internal monitoring as agreed among their members.

###### d) Responsibilities of the Grassroots Monitoring Team

- Carry out grassroots monitoring of the implementation of ER-P activity packages and results of forest protection and development, gender equality, ethnic minority participation, use of local traditional knowledge, communities' rights in the resources use and management, etc., according to Monitoring Framework for localities and its relevant system of performance indicators for the grassroots level.
- Carry out site inspection in case of signs of violation and make proceed with appropriate records for these cases.
- Assist state management agencies at all levels to better understand and evaluate the results of the implementation of ER-P in the area, the ACMA Agreements and Plan, status of forest and forest land, challenges and difficulties during the implementation process, so that appropriate

and timely measures can be taken to address these issues.

- Assess the achievements against the approved plan, identify objective and subjective factors and causes of the implementation results, propose relevant solutions for improvement of implementation efficiency.
- Carry out quarterly regular grassroots monitoring; ensure the transparency and public accessibility of the monitoring results; timely, honestly and objectively reflect monitoring content, especially indicators related to forest and forest-land.
- Keep records according to regulations; Prepare and send site inspection reports on violations and quarterly reports to DARD and forest owners, ACM Board, Forest Management Council.
- Coordinate and support the internal monitoring process as needed.

### 1.2.2. Provincial monitoring and evaluation

a) DARD establishes Provincial Monitoring and Evaluation Team consisting of representatives from DARD, forest resource monitoring officials and forestry officials from Forest Protection Division, representatives of civil society and mass organizations and independent M&E experts if necessary.

b) Responsibilities of Provincial Monitoring and Evaluation Team:

- Carry out regular annual as well as irregular monitoring and evaluation of forest and forestry land related indicators, indicators related to safeguards policies and impacts of ACMA; monitoring, evaluation and approval of technical activity packages which are implemented by the provincial level in the ACMA Plan or the ER-P annual plan when the package ends; monitoring and evaluation of forest protection and development results or independent evaluation of forest protection and development results, under the Provincial Monitoring and Evaluation Framework. Ensure regular and complete recording as required.
- Compile the results and report to DARD on the results of monitoring, evaluation, approval and performance in relation to the targets set out in the ACM Plan, the ACM Agreement and the level of contribution to the targets of ER-P and PRAP (if any) according to the indicator system of monitoring and evaluation for outputs.

### 1.2.3. Monitoring and evaluation at the central level

a) ER results will be monitored according to ER-P Monitoring and Evaluation Framework based on data from National Forest Monitoring System (NFMS) and Safeguards Information System (SIS). Other sources of additional information include progress reports<sup>1</sup>, other related government reports, monitoring results from field surveys and other monitoring activities conducted by the Program which can help identify non-carbon results based on the results framework and corresponding indicators. VNFOREST is responsible for the reporting to the FCPF and consolidating/reviewing/checking the accuracy of reports from all other parties, including the report on benefit sharing, with the technical support of Forest Protection Department and experts.

b) Central level authorities are responsible for the implementation of overall monitoring, evaluation of the implementation of the ER-P safeguards policies and of the impact of the ACMA approach (according to the ACMA Manual).

c) Financial monitoring is based on the financial report<sup>2</sup>, internal audit and independent audit. The audits will be conducted in accordance with the laws and regulations of Vietnam on project management and on the management of the use of official development assistance (ODA).

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<sup>1</sup>The report is prepared according to Decision 803/2007/QĐ-BKH dated 30/07/2007 of Ministry of Planning and Investment and Decision 19/2006/QĐ-BTC dated 30/03/2006 of Ministry of Finance.

<sup>2</sup>*ibid.*



The Monitoring and evaluation plan assists in the assessment of damages caused by violations discovered during the monitoring process, context of violations and responsible agencies.

### **1.3 Inspection and approval, verification, appraisal and reporting**

#### **1.3.1.Steps of inspection and approval**

##### a) Inspection and approval of the performance at the local level

- Participating parties report on implemented activities and results through the indicators specified in the Monitoring Framework designed at local level.
- The Grassroots Monitoring Team inspects forest quality in all area contracted for forest protection and development or according to the ACMA agreement and takes note and reports according to the ER-P regulations. Report on inspection and approval at the local level shall be posted publicly at the office and headquarters of forest owners and in the CPCs of participating communes within 5 days. The report shall be sent to Provincial Monitoring and Evaluation Team and DARD.

##### b) Verification of the performance approval by provincial level

The Provincial Monitoring and Evaluation Team conducts the inspection and approval of all documents related to the forest protection contracts and the ACMA Agreement. It randomly tests 5-10% of the forest plots in the ER-P province, prepares minutes and reports to MARD on results of the inspection. The results of the inspection must be posted publicly at the headquarters/office of the forest owners and in the Commune People's Committee within 5 days to inform stakeholders. In case of doubt, it should be clarified. Once completed, the report should be sent to the VRF.

##### c) Appraisal of the performance approval and verification by central level

The VRF establishes the central Monitoring and Evaluation Team to conduct appraisal of approval randomly in six ER-P provinces. In each province, maximum 10% of documents and 1-2% of forest plots shall be appraised. The central Monitoring and Evaluation Team reports the appraisal results to VRF, MBPF, VNFOREST. The appraisal results also shall be posted publicly at the headquarters/office of forest owners and in the CPCs of ER-P communes in 5 days. In case of doubt, it should be clarified. Appraisal results will be the basis for the settlement of the result-based payment.

#### **1.3.2. Contents and methods of inspection and approval**

The central Monitoring and Evaluation Team conducts field investigation in the whole area, observes forest status and assesses negative impacts. For affected area, measurement and damage determination are conducted according to ER-P M&E Manual. Maps are used systematically to determine location, boundaries and performance results.

#### **1.3.3.Handling of inspection results and violations**

Forest violations shall be handled according to the law. Inspection results and violations can also impact the overall evaluation of the performance for relevant beneficiary and their access to carbon benefits, depending on collective and respective performance.

#### **1.3.4. Information disclosure and sharing**

- Stakeholders are provided with advance and complete information in an understandable way during the development and implementation of the ACM Agreement, the ACM Plan, forest protection contracting and other silvicultural activities associated with benefit sharing.
- Forest management councils and forest owners establish a mechanism for providing information to stakeholders in an accurate and timely manner and delegate a contact person

responsible for providing information.

- Information is provided in an open and transparent manner, and is posted at the headquarters of the Commune People's Committee and the office of forest owners. The rights of access to information for the stakeholders are guaranteed.

## 2. MONITORING OF SAFEGUARDS

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To ensure compliance with social and environmental aspects of implementation of the BSP, the monitoring will be aligned with safeguards instruments adopted within the framework of the World Bank. These safeguard instruments include OP/BP 4.01: Environmental Assessment; OP/BP 4.04 Natural Habitats OP/BP 4.36: Forests, OP/BP 4.09: Pest Management; OP/BP:4.11 Physical and Cultural Resources; OP/BP: Indigenous Peoples; and, OB/BP: 4.12 Involuntary Resettlement. OP/BP 4.36. Documents that have been prepared are as follows: Environmental and Social Management Framework; Ethnic Minority Planning Framework; Resettlement Policy Framework; and Process Framework. The safeguard instruments will apply to all the BSP, including implementation of component 1 at central and sub-national level, and support to project developers. As a cornerstone of the BSP, the ACM Plans that will be prepared jointly by the elected Forest Management Councils and their members will also fully comply with safeguard instruments. By extension, they will also apply to those households, either individually or collectively or on a wider village-level basis that might be impacted upon by activities associated with the BSP but who refuse – for whatever reason – to be part of the Forest Management Councils.

In compliance with the principles of implementation of REDD+, in the context of the UNFCCC, a Safeguards Information System (SIS) has been designed at the National level and will also be used to report on the progress of the ER Program. The SIS will provide information on how the safeguards are complied with throughout the implementation of the ER Program.

The SIS will complement the existing Grievance Redress Mechanism (GRM), a system created to collect feedbacks, clarify issues and address complaints from individuals or groups affected by the activities of the program. However, if activities identified by the FMCs result in some form of involuntary resettlement, physical and/or economic then the existing GRM processes agreed upon by the Government of Vietnam and World Bank and included in both the RPF and PF, will be utilized. Otherwise, the FGRM developed for the ER-P will serve as the instrument for development and support of harmonious relationships between parties concerned and interested in the areas of implementation of projects and programs. The information about complaints registration and handling will be publicly available via online platform and updated continuously.

A safeguards team, composed of social and environmental experts, at the central will support provincial level safeguard activities and will implement the safeguards instruments and will monitor activities on the ground. The community development officer of the VRF will also support monitoring activities in the provinces.

Every year supervising activities will be carried out on the ground to check compliance with the contractual obligations relating to activities involved in implementation of safeguards by service providers, private companies and other direct beneficiaries of the BSP. External auditing processes by a third party entity will be undertaken every two years. Independent Third Party Monitoring Consultant (TPMC) will undertake the following:

- The TPMC will perform independent verification of self-reporting data provided by the PE and annual audits of a sample of ER Program activities including safeguards documentation, consultation processes, effectiveness of management measures specified in the Safeguards Plans, and disclosure of information, among other important aspects.
- The TPMC will provide timely information to the PE on specific issues of non-compliance or

significant implementation problems so that the PE can take corrective actions, if needed.

- The TPMC will provide information to the CPMU and the World Bank on systemic safeguard performance issues which may require changes in management approach and/or additional financial or human resources.
- The TPMC will disclose the results of monitoring to inform concerned stakeholders about implementation experience under the ERPA Operation.

The TPMC will have extensive knowledge and experience in environmental monitoring and auditing to provide independent, objective and professional advice on the environmental performance of the Program.

WB safeguards instruments will also be applied to community and private sector activities implemented with ER payments. The private sector will only be eligible to implement activities that aim to reduce deforestation and forest degradation in the ER Program area. Communities will implement two types of activities:

- Activities aiming to reduce deforestation and forest degradation;
- Other activities (education, health, water, etc.) that will benefit the community as a whole.

The application of World Bank safeguards requirements to community and private sector initiatives generates additional costs for running the BSP that have been included in the operational costs to be deducted from gross ER payments, and would benefit from additional resources to be further mobilized through coordination and alignment efforts.

### 3. FEEDBACK, GRIEVANCE AND REDRESS MECHANISM

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A fully detailed and operational FGRM including technical guidelines, regulations, and a work plan for strengthening implementation of FGRM provisions is under development. Comprehensive FGRM is expected to be finalized by September 2019. This FGRM will consistently apply throughout the implementation of the ER-P, including for the implementation of safeguard instruments as developed in the ESMF, and the implementation of the BSP itself. The main features of the final FGRM can be found in the ESMF, and are summarized below. They build on conclusions from intensive piloting and consultation activities accomplished so far under the national REDD+ process, including to develop safeguard instruments.

#### 3.1. Arrangements for FGRM

a) At village level: Grassroots Mediation Groups, grassroots democratic principles, people's inspectorate and general guidelines for feedback and grievance redress are used to resolve grievances and complaints related to benefit sharing.

b) At commune or FMBs and SFCs level

- Communal mediation group cooperates with FMBs and SFCs to resolve complaints and grievances related to benefit sharing in accordance with Law on Conciliation at the grassroots level.
- Chairpersons of the CPCs establish Technical and Legal Support Group (TSG); Heads of FMBs and SFCs establish their own Legal and Technical Assistance Group to provide legal and technical support for Grassroots Mediation Groups at village and commune levels. Members of the Legal and Technical Assistance Group include forestry officer, judicial officer, local forest ranger and cadastral officer.
- Legal and Technical Support Group (TSG) at the commune level is responsible for providing and clarifying information for local people when requested, receiving feedback, guiding local people to follow the grievance redress procedure, advising CPCs or FMBs and SFCs in resolving

complaints and grievances in an honest, transparent, objective and efficient manner (see above).

c) At district level: DPCs assign Division of Justice the task of appointing one officer to serve as the focal point and inform stakeholders relevant to this contact to receive, verify and resolve complaints and grievances related to benefit sharing.

d) At provincial level: PPCs assign Department of Justice the task of appointing one officer to be the focal point inform stakeholders relevant to this contact to receive, verify and resolve complaints and grievances related to benefit sharing.

The need and functions of TSG is summarized in the box below.

### Justification and function of the Legal and Technical Support Group

Conflicts over land use rights and other rights over access to resources have not been completely resolved. Sometimes people are still passive or lack information and understanding of the law so they do not have enough information to determine the relevant competence to handle the case. In addition, local authorities do not always have enough capacities to handle. Staff in CPCs intervene only when the mediation fails, and would normally only record questions and answers in the minutes of meetings with voters before submitting to the districts. Therefore, there is strong need for a Legal and Technical Support Group (TSG) as a professional solution to overcome the limitations of the Grassroot Mediation Group (GMG) where the mediator faces difficulty due to lack of legal knowledge or access to administrative records. Members of the TSG are local persons with specialized knowledge (like professional retired staff) or from key specialized agencies such as cadastral officers, justice officers, forest rangers...The TSG shall have the functions, powers and responsibilities as below:

- To receive, diagnose issues and advise the GMG upon request. Specifically, after receiving information and requests from the GMG, the TSG will screen and assess the requests, inquiries, conflicts or complaints of citizens in order to formulate correct advice, propose solutions and avoid incorrect references (resolution channel).
- To coordinate with the CPC civil servants dealing with inquiries related to forests and forest land from residents, propose solution to the CPC chairperson and respond to the residents at the soonest convenience.
- To provide technical assistance upon GMG request and participate in mediation of specific cases as an independent consultant. The TSG shall be entitled to participate in the dispute settlement mechanism at upper level in accordance with the law such as representing the complainant to help resolving complaints).
- To act as adviser in the settlement of complaints or inquiries at CPC level.
- To submit reports regularly or upon request to the Chairperson of the CPC on the work of the TSG, namely the assessment of TSG performance, including statistical work and best practices in supporting the GMG.
- To keep informed the CPC about all cases referred to the settlement mechanism within the framework of FGRM, including the results and the status of the cases handled by the competent authorities at the superior levels.
- To receive information and be is responsible for the transmission of information to the people in the community, to the agencies and organizations involved in the ER-P activities and results of the resolved cases.
- To keep records of received cases and relevant information and submit reports periodically or upon request to the CPC.
- To request the Office of CPCs to register issues for the Question Period in the working agenda of the Council meetings, to track the conclusions of the Council and propose appropriate solutions

### 3.2. Settlement methods

#### a) At the village level

- Grassroots mediation group displays mediation and grievance redress procedure publicly at the community cultural house.
- Grassroots mediation group is responsible for receiving, classifying and organizing mediation at

the local level. If the case is not within the scope of mediation at the grassroots level, it shall guide the complainant to meet the person or agency responsible for grievance redress.

- In case grassroots mediation group is not clear about the competent person or authority to deal with the case, it should consult the legal and technical assistance group prior to giving advice or it may advise the complainant to contact commune legal and technical assistance group for further detailed guidance.

b) At the commune level or FMBs and SFCs level

- CPCs arrange reception room and publicly display the procedure for mediation and grievance redress at CPCs' offices and guide villages to disseminate the procedure for mediation and grievance redress.
- Legal and Technical Support Group receives complaints directly or through the head of the grassroots mediation group, classifies the complaints and records into the record book, resolves the complaints directly or makes appointment for feedback in case it needs further discussion;
- Legal and Technical Support Group assigns legal or technical support to mediator in specific case upon request. It forwards inquiries, questions and complaints to the competent persons for settlement or guides the complainants to competent agencies or persons for settlement. It monitors and urges the settlement and promptly notifies the result of the settlement to the concerned person;
- Legal and Technical Support Group also prepares report to the Chairperson of the People's Committee and proposes to the People's Council Office to include the interpellation in the agenda of the meeting of the People's Council in the upcoming session in order to resolve the issues unresolved.

c) At district level

- The District's Division of Justice shall receive and resolve complaints related to the benefit sharing within their competence and responsibility and report the results thereof to the provincial/municipal Department of Justice; it also notifies the CPC and stakeholders about the settlement results.
- In cases the complaints are beyond their competence, the District People's Committees shall escalate to the PPCs/ Department of Justice with request to resolve the complaint or else they should recommend the complainants to file complaints according to current law.

d) At provincial level

- Department of Justice receives and resolves complaints and grievances according to its competence, reports the settlement results to the Ministry of Justice; informs CPCs and relevant stakeholders about the settlement results.
- In cases the complaints are beyond their competence, PPCs/ Department of Justice request Ministry of Justice and MARD to resolve the complaint or recommend the complainants to file complaints according to current law.

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## **IV. IMPLEMENTATION ARRANGEMENTS OF BSP**

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### **1. CENTRAL LEVEL**

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#### **1.1 Roles and responsibilities of the Ministry of Agriculture and Rural Development**

a) Develop and promulgate legal guidelines and decisions for the implementation of benefit sharing;

b) Report the results of emission reductions and carbon removal associated with the ER-P to Ministry of Natural Resources and Environment for UNFCCC reporting and to Ministry of Planning and Investment for Green Climate Fund reporting.

c) Cooperate with Ministry of Planning and Investment, Ministry of Finance, Ministry of Natural Resources and Environment and related government agencies at the central and local level to develop legal documents related to the mobilization, management and utilization of financial resources for ER-P and benefit sharing;

d) Carry out negotiations and signing of bilateral and multilateral financing agreements with organizations with committed REDD+ funding to continue to support the implementation and promotion of ER-P.

e) Integrate various funding sources for forest protection and development, including funding from payment for environmental services, forest protection and development plan, rewarding plantations for REDD+ and ER-P objectives.

f) Approve projects supporting REDD+ objectives and ER-P objectives.

#### **1.2. Roles and responsibilities of relevant ministries and agencies**

a) Ministry of Planning and Investment, Ministry of Finance, Ministry of Natural Resources and Environment and Ministry of Industry and Trade assign leaders of their departments to participate in drafting of relevant legal documents.

b) Ministry of Planning and Investment, Ministry of Finance, Ministry of Natural Resources and Environment, Ministry of Industry and Trade, Ministry of Science and Technology, Ministry of Labor, Invalids and Social Affairs, Ministry of Public Security and other relevant ministries in charge of the overall planning, law enforcement/investigation activities, land-related issues, business development etc. assign their officials to participate in supervising and monitoring the implementation of this regulation.

c) Ministry of Justice is responsible for addressing complaints and grievances according to the current regulations and laws.

d) Committee on Ethnic Minority Affairs, Vietnam Fatherland Front and mass organizations such as Women's Union, Farmers' Union, Veteran Association and Ho Chi Minh Communist Youth Union and other civil society organizations cooperate to implement this regulation according to their functions and tasks.

#### **1.3. Roles and responsibilities of the State Steering Committee for the Target Program on Sustainable Forest Development and REDD+ implementation**

a) State Steering Committee for the Target Program on Sustainable Forest Development and REDD+ implementation is the guiding body to assist the Government and MARD in directing the National REDD+ Action Program and proposing REDD+ related policies and solutions. The State Steering Committee supports MARD to direct and strengthen cooperation among ministries, sectors and REDD+ related initiatives to ensure the achievement of the objectives of the ER-P, contributing to the National REDD+

Action Program.

b) Report to the Vice Prime Minister and Minister of Agriculture and Rural Development on the emission reductions of the ER-P, to be further integrated as relevant into reporting to the Ministry of Natural Resources and Environment for consideration as part of greenhouse gas inventory report to the UNFCCC, and to the Ministry of Planning and Investment for consideration in reporting to the Green Climate Fund. These will contribute to further resource mobilization for the ER-P and benefit sharing.

c) Make decisions and strategic directions for the implementation of the ER-P contributing to the National REDD+ Action Program, as a basis for long-term benefit sharing.

#### **1.4. Roles and responsibilities of VNFOREST**

a) Perform state management role in benefit sharing.

b) Direct affiliated agencies to develop legal documents detailing the implementation of this BSP and to submit them for MARD approval and promulgation.

c) Cooperate to evaluate and approve the results of forest protection and development to serve the ER-P objectives.

d) Integrate the results of forest protection and development and ER-P into the data system of forest resource monitoring, forest inventory and Forest Sector Information System.

e) Cooperate to review and evaluate the benefit sharing and to propose adjustments and additions if necessary.

f) Perform the role of owner of the implementation of this BSP.

g) Direct the VRF and relevant units to propose the development of legal documents detailing the implementation of this regulation and to submit them for MARD promulgation.

h) Direct the VRF to develop documents guiding the implementation of this regulation, including: ACMA manual; ER-P benefit sharing plan and mechanism, benefit sharing plan associated with ACMA with the support of technical consultants and experts. These documents will be submitted to VNFOREST and later to MARD and WB for endorsement.

i) Direct the VRF to develop and promulgate following documents: M&E manual; financial management manual; forest protection contract form; integrated financial plan form; general M&E framework form; report on activities and results form; procedure for disbursement and final settlement; procedure for grievance redress and mediation; performance report form with the support of consultants and experts.

j) Organize the evaluation of the results of forest protection and development for the ER-P objectives.

k) Report to MARD on the results of forest protection and development, emission reductions of the ER-P in order for the Ministry to integrate the data into the system of forest resource monitoring and inventory and FORMIS.

l) Review and evaluate the implementation of benefit sharing and propose adjustment if necessary.

m) To assume the prime responsibility for and coordinate with the State Steering Committee Office for the Target Program on Sustainable Forest Development and REDD+ Implementation (Office of Program 886 and REDD+), and relevant stakeholders in verifying, reviewing, synthesizing and managing the results of forest protection and development by the ER-P.

#### **1.5. Roles and responsibilities of Vietnam REDD+ Fund**

a) To chair the evaluation of project proposals, proposals for technical assistance of the implementation of ER-P activity package, proposals for development of policies, regulations, technical guidelines and financial management at the central level for benefit sharing and ER-P.

b) To be responsible for the development of Financial Management Manual, M&E Manual for the



ER-P and operational manual for the ACMA process and the operation of the FMCs.

c) To organize the evaluation of the ACMA Agreements and the ACMA Plan to submit for approval, with the support of experts, technical consultants and M&E experts.

d) To be responsible for planning, coordination, monitoring and participation in decision-making for benefit sharing disbursements.

e) To disburse the payments through the banking system from the central to local level, to report and share information as required by VNFOREST/MARD.

#### **1.6. Roles and responsibilities of the MBFP**

a) Participate in M&E and the evaluation of the results of forest protection and development to serve the ER-P objectives.

b) Facilitate integration of the results of forest protection and development and ER-P into the data system of forest resource monitoring, forest inventory and Forest Sector Information System.

c) Contribute to the review and evaluation of the technical and financial management guidelines.

d) Support integration of projects/programs with ER-P to ensure that they contribute to ER targets as common goal.

#### **1.7. Roles and responsibilities of the Office of the Program 886/REDD+ Vietnam**

a) The Office of the Target Program on Sustainable Forest Development and REDD+ Implementation performs as a secretary of the State Steering Committee. The Office helps to provide technical information input and technical assistance to benefit sharing.

b) Manage National REDD+ Information System (NRIS); disseminate decisions and directions of the State Steering Committee to all levels and stakeholders of the Program.

c) Cooperate with Vietnam Forest Protection and Development Fund to develop an integrated financial plan for REDD+ objectives.

d) Participate in monitoring and evaluation of the implementation results of the ER-P, assess the level of contribution to REDD+ objectives.

e) Participate in evaluation process and draw lessons in benefit sharing.

#### **1.8. Roles and responsibilities of VNFF**

a) VNFF is responsible for development of the integrated financial plan which combines payment for environmental services and various resources for benefit sharing, development of the M&E framework and general report, forest protection contract form, plan to coordinate the implementation of benefit sharing. Participate in disbursement at provincial level.

b) Participate in evaluating and drawing experiences in integrating resources for implementation of REDD+ benefit sharing.

## **2. PROVINCIAL LEVEL**

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### **2.1. Roles and responsibilities of Provincial People's Committee**

a) Direct the Department of Agriculture and Rural Development or authorized entity to select pilot site, to cooperate with Departments, sectors and People's Committees at the district level to provide socio-economic data and information, forest and forest-land management status in the province according to this plan and VNFOREST guidance.

b) Direct the Department of Agriculture and Rural Development or designated entity to organize M&E of the implementation of benefit sharing in the province according to this plan and VNFOREST guidance.

c) Review the implementation of benefit sharing in the province and make recommendations based on lessons learned.

## **2.2. Roles and responsibilities of DARDs/designated entities**

a) To assume main responsibility for and coordination among relevant stakeholders for BSP ER-P at provincial level.

b) To appraise, review, synthesize and manage the results of forest protection and development of FMBs, SFC, CPCs and local stakeholders;

c) To review project proposals, proposals for technical assistance to implement the ER-P activity packages before sending to the VRF for appraisal and approval;

d) To propose the development of coordination mechanism and regulations of the province towards ER targets.

## **2.3. Roles and responsibilities of Forest Protection Divisions**

a) To coordinate the appraisal of the results of forest protection and development of provinces.

b) To join the monitoring and evaluation process and to actively participate in forest law enforcement in the province with the support from experts, technical consultant and M&E experts.

## **2.4. Roles and responsibilities of other DARD agencies**

a) To join the evaluation of proposals for technical assistance to implement the ER-P activity packages at provincial and local level in accordance with the Program Financial Management Manual.

b) To participate in the evaluation of provincial proposals for the development of regulations for the implementation of ER-P and benefit sharing.

c) To contribute ideas for the development of ACMA manual for the ER-P.

d) To plan, coordinate, monitor and participate in the provincial implementation of benefit sharing.

## **2.5. Roles and responsibilities of Sub-VNFF**

a) To be responsible for disbursing funds to beneficiaries according to the ACMA and contracting mechanisms

b) To cooperate with the VRF to develop an integrated financial plan including payment for forest environmental services and the result-based payments from the Carbon Fund for benefit sharing with the aim of sustainable forest protection and development; to set up monitoring and evaluation framework and general reports;

c) To formulate a contract form for forest protection; to develop a plan to coordinate the implementation of benefit sharing.

d) To disburse money through banking system to relevant stakeholders for BSP and ER-P implementation.

## **2.6. Roles and responsibilities of Department of Justice**

a) Assign a focal point to receive and resolve complaints and disputes; supervise, direct and appoint officials to coordinate with the ER-P, Commune People's Committees, District People's Committees or Forest Management Boards, and State Forest Companies during the benefit sharing process.

b) Review, recommend and formulate a plan to integrate the ER-P feedback and grievance redress mechanism into the current legal document system.

c) Participate in evaluation of lessons learned and review of the FGRM; propose modifications of guidance on settlement of complaints and FGRM.

### 3. LOCAL LEVEL

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#### 3.1. Roles and responsibilities of DPC and its divisions

a) Provide information on socio-economic development and data on the status of forest and forestry land management in the pilot area for benefit sharing in the district as stipulated in this BSP

b) Cooperate with Department of Agriculture and Rural Development in directing and supervising the implementation of benefit sharing.

c) District People's Committee is the focal point for the FGRM during the benefit sharing process at grassroots units in the district according to the provisions in this BSP.

d) Implement Component 1 at district level and appoint one focal point in charge of ER-P and BSP in the district. Instruct divisions and Forest Protection Station to assign local ranger/staff to join FMC. Support ACMA process in the district and FGRM at local level and deal with FGRM at district level.

#### 3.2. Roles and responsibilities of CPC and its units

a) Lead and cooperate with local community and stakeholders to develop and implement the Forest Protection and Development Plan, ACMA Agreement, ACMA Plan and Benefit Sharing Plan.

b) Organize the supervision and approval at the grassroots level and directly handle violations related to forest protection and development law according to its competence.

c) Cooperate with the provincial M&E Team to carry out the supervision, monitoring, evaluation and approval of the results of forest protection and development and benefit sharing.

d) Mobilize the participation of agencies at all levels and sectors, civil society organizations in the commune, communities in villages actively participating in forest protection and development the ER-P targets in particular and REDD+ in general.

e) Provide human resources and meeting rooms necessary for the mediation process; direct the mediation process and give feedback of grievance redress to the people, and resolve complaints related to benefit sharing at the grassroots level.

f) Annually organize review and evaluation of the program implementation progress and the benefit sharing according to the provisions of this Decision.

g) Chairperson or Vice-Chairperson of the CPCs will be the special account holder responsible for receiving benefits to implement Component 1 at commune level and nominate one focal point in charge of ER-P and BSP in commune. CPCs set up ACM Board as required and nominate representatives to join the FMC, to support the ACMA process and to supervise local monitoring and FGRM.

h) Chairperson or Vice-Chairperson of the CPCs will be the account holder responsible for receiving proceeds and distributing benefits to local communities, groups of households, households and individuals who are forest owners or who own the forest protection contracts (with the support from the commune Monitoring Team).

### 4. OTHERS

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Other relevant departments, agencies, organizations and sectors at all levels contribute within their scope of competences and support the implementation of benefit sharing according to assigned functions and tasks.

### 5. GAP ANALYSIS

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BSP implementation mobilizes a broad range of stakeholders and institutions into a rather innovative

approach. Three major capacity gaps have been identified, as summarized below. The first two institutions are central to the administration and management of ER payments. The third is in charge of providing overall coordination, monitoring and also technical backstopping to the various other institutions engaged, and serves as a mean to bridge smaller capacity issues that could arise within other stakeholders and institutions. Financial needs to implement proposed solution are included into the operational costs (Component 4), which is a priority allocation for the advance payment to be negotiated as part of the ER-PA. Additional support might be needed and request further collaboration with partners, depending on the level of ambition for deploying capacities related to more innovative solutions (PFES/BDS integration, private sector engagement...).

### **5.1 VNFF at central and local level**

The Vietnam Forest Protection and Development Fund (VNFF) was established in 2008, and since it has been the main innovative finance arm to support sustainable forest development in Vietnam beyond core public budget. VNFF hosts the Vietnam REDD+ Fund, which will offer opportunities to gain capacities on result-based payment, and cross-feed and further advocate for expansion of related instruments like PFES. In October 2018, a capacity assessment of VNFF was completed to review strategic opportunities and gaps for strengthening the institution and enabling it to deliver on an increasingly complex environment, including on further engaging the business sector and expanding fiscal arrangements for forest valuation. These priorities to VNFF are direct levers for successful implementation of the ER-P. Indeed, PFES is a clearly identified mechanism to pre-invest in the NCR, and mobilization for the business sector offers additional opportunities to de-multiply and sustain the impact of interventions. Key recommendations of the report include:

- For the central level, organizing training courses in relation to result-based payments and specific management and use of fund, proposal development, planning and reporting, monitoring and inspection, as well as study tours to explore innovative models for forest financial solutions.
- Further building capacities and providing operational tools to access new financial opportunities, including to meet requirements from the Green Climate Fund, to increase cost norm for PFES and increase revenues, to pilot PFES policies to extended sources of pollutions, and to increase and better document PFES socio-environmental impacts.
- Focusing capacity building efforts at provincial level in the North Central region on training related to management, inspection and supervision of forest protection and implementation of interventions, payment and impact control, and application of support tools and software. Gaps are also identified in terms of practical solutions for monitoring and inspection, including equipment. It is proposed that Thanh Hoa Provincial Forest Protection and Development Fund will serve as a pilot and focal point to roll out benefit sharing at provincial and sub-provincial level in accordance with BSP provisions.
- Finally, implementation of the BSP is seen as a unique opportunity to systematize the use of digital payment modalities, notably to end users at local level. This is expected to improve transparency, accountability, reduce risks of misuse of funds and complaints, and facilitate monitoring and analytical work.

### **5.2 The Viet Nam REDD+ Fund (VRF)**

The VNFF capacity assessment also refers specifically to the VRF, and points at areas of needed support. The VRF will be established in 2019. Vietnam in general, and VNFOREST in particular have successful record demonstrating its ability to turn this type of facility into operation in a timely and effective manner that meets all World Bank and international quality standards. This process is being initiated by VNFOREST, and will be completed in due time to allow for effective and efficient management of the result-based payments. As introduced in the BSP, the operational costs of the ER-P have been updated to capture the need for operating the VRF.

Beyond traditional activities and know-how of VNFF, operations of the VRF will also require to establish, operate and so strengthen capacities on competitive project call and selection in the context of REDD+, implying performance-based allocation, integration of multiple socio-environmental benefits as factors of evaluation of proposals, evolution of monitoring, evaluation and reporting practices including financial and non-financial auditing, information sharing, structuration of incentive solutions with the business and private sector as part of co-investment agreements etc.

Capacity building on the above will be mutualized and expanded to VNFF staff so to cost-effectively benefit the full forest financial mobilization and management agenda. In addition, VNFF-VRF collaboration will be extended to strengthen integration among programs and mechanisms like ER payments and PFES, offset replanting and others, through piloting of common M&E framework, common planning and budgeting models, common institutional arrangement and common participation and commitment modality.

### **5.3 The Office of the Program 886 and REDD+**

All institutions identified in this section V have little experience of performance-based payment, and will need to improve their understanding of the approach, its various implications, and associated needs. Some of them are also newly involved in forest-related interventions in relation to their specific area of competence, for instance in agriculture, finance or governance. Building on all efforts invested in the past, notably as part of the national REDD+ readiness process and the ER-P formulation, an active sensitization campaign will be organized at all level and for all relevant sectors. Considering its national and central authority in supporting this cross-sector endeavour, the Office of the Program 886 and REDD+ will be strengthened to provide pro-active support to the various institutions and sectors. It implies coordinating activities and facilitating the implementation of the M&E framework. It also requests to provide technical backstopping on key challenges and constraints faced by the various institutions and stakeholders, including to factor in the forest and result-based payments dimension of the ER-P into their core intervention.

## ANNEX 1. RESPONSIBILITIES, CONDITIONS AND METHODS FOR FINANCE ALLOCATION THROUGHOUT BSP IMPLEMENTATION

Scenario 1 – Advance payment (subject to negotiation)	
1.1. Collecting and implementing gross payment	
What are the conditions to access funding	- Fulfilling the requirements set in ERPA for advance payment
Who administers funding	- VNFOREST/MARD
Who implements and revises allocation plan	- Implementation: CPMU in VNFOREST - Revision: CPMU to send proposal to VNFOREST for appraisal, then to MARD Minister to approve
Who is consulted on allocation plan	- Representative of CSOs, NGOs, private sector, relevant MARD departments, 6 provinces including PPCs, DPCs and departments representing relevant sectors, as well as CPCs and local communities (see consultation section of the BSP) - State Steering Committee Office for Target Program on Sustainable Forest Development and REDD+ Implementation (SSCO)
What are criteria and methodology for sub-allocation to provinces	For Component 4 and Group 3 of ACMA / FMC: Direct allocation. This is mainly based on disbursement schedule of BSP and the plans submitted by CPMU. For Component 2/3 group 1 and 2: As an exception in the case of advance payment, allocation to groups 1 and 2 under the FMC at local level from the advance payment is direct. Since intervention packages targets are not broken down at FMC level and activities have not yet been implemented, no R <sub>2</sub> factor can be calculated. In addition, considering that the purpose of advance payment consists in providing seed finance to FMCs to pilot the decision-making and implementation process, the total lump sum (USD 1.4 million, subject to negotiation) is equally divided among 61 FMCs.
Who assesses and advises on disbursement decisions	- VNFOREST - SSCO (State Steering Committee Office of Program 886 and REDD+)
Who authorizes plans, revisions and disbursements	MARD
Who monitors and reports on financial allocation	- Bank to VNFOREST - VNFOREST to MARD
Who is consulted during the reporting and verification process	- VNFOREST - FIPI - DARD

	<ul style="list-style-type: none"> <li>- Representative of CSOs, NGOs</li> <li>- SSCO</li> </ul>
Who controls and verifies fund allocation	<ul style="list-style-type: none"> <li>- Finance Department of MARD</li> <li>- Independent auditor</li> </ul>
Who approves activity and financial reports	MARD
What are the key documents and how are stakeholders informed throughout this step	<p>Key documents: (i) ERPA, (ii) ER-P document, (iii) BSP, (iv) BSP Advance payment plan, (v) FREL, (vi) MRV related documents, (v) Provincial Performance report, (vi) Disbursement report, (vii) Auditing report</p> <p>How to share information:</p> <ul style="list-style-type: none"> <li>- All above documents are regularly uploaded and publicly available on the SSCO website</li> <li>- Official announcement to central, provincial, local levels through appropriate way for easy access and understanding by CPMU and DARD</li> </ul>
How does BSP provisions address underlying factors of change	<p>There is no particularly innovative and transformative provision related to the way Vietnam will collect and administer gross advance payments. Decision to allocate advance payments to component 4 and to ACMA process and establishment of the FMCs and kick-off gives clear signal on the innovative approach undertaken by Government of Vietnam, as further developed in subsequent steps below.</p>
<b>1.2. Collecting and implementing component 4</b>	
What are the conditions to access funding	<ul style="list-style-type: none"> <li>- CPMU of FCPF-Phase 2 project to submit a detailed Operation and Management Plan in line with Component 4 of the ER-P and subsequent updates, to be approved by VNFOREST. The plan will demonstrate that:</li> <li>- Activities under Component 4 are appropriate to the functions, roles and capacity of the CPMU and other implementing entities</li> <li>- Selection of service providers and staff/experts (M&amp;E, communication, safeguards etc.) follows the competent basis procedure</li> </ul>
Who administers funding	<ul style="list-style-type: none"> <li>- VNFOREST/MARD</li> </ul>
Who implements and revise work plans and budget	<ul style="list-style-type: none"> <li>- CPMU in VNFOREST implement</li> <li>- CPMU revise and send to VNFOREST for appraisal before MARD minister approve</li> </ul>
Who is consulted on work plan and budget revision?	<ul style="list-style-type: none"> <li>- Representative of CSOs, NGOs, Private sector, relevant MARD departments, 6 provinces and beneficiaries</li> <li>- SSCO</li> <li>- Sub-Technical Working Group on BDS of REDD+ Network</li> </ul>
What are criteria and methodology for sub-allocation	<p>CPMU for the ER-P will be established as part of the implementation of the component 4, and will then implement most coordination and management activities. A major part of component 4 will be sub-allocated to Vietnam REDD+ Fund once fully operational, on the basis of a detailed work plan consistent with existing provisions in terms of budget and activities. If any further funding needs to be sub-allocated to other implementing agencies or partners, it will be done based on appropriate work plan and in compliance with the overall work plan and budget of Component 4.</p>
Who assesses and advises on disbursement decisions	<ul style="list-style-type: none"> <li>- VNFOREST</li> <li>- SSCO</li> </ul>

Who authorizes plans, revisions and disbursements	MARD
Who monitors and reports on activities and finance	<ul style="list-style-type: none"> <li>- Bank to CPMU and VNFOREST</li> <li>- VNFOREST to MARD</li> </ul>
Who is consulted during the reporting and verification process	<ul style="list-style-type: none"> <li>- VNFOREST</li> <li>- DARD</li> <li>- SSCO</li> <li>- Representative of CSOs, NGOs</li> </ul>
Who controls and verifies implementation of activities and fund allocation	<ul style="list-style-type: none"> <li>- Finance Department of MARD</li> <li>- Independent auditor</li> </ul>
Who approves activity and financial reports	MARD
What are the key documents and how are stakeholders informed throughout this step	<p>Key documents: (i) ERPA, (ii) ER-P document, (iii) Advance payment plan, (iv) Revised Administration and Management work plan and budget, (v) Annual workplan of CPMU, PPMU and VRF to implement component 4, (v) Annual activity and financial reports, (vi) Auditing report</p> <p>How to share information:</p> <ul style="list-style-type: none"> <li>- All above documents are regularly uploaded and publicly available on the SSCO website</li> <li>- Official announcement to central, provincial, local levels through appropriate way for easy access and understanding by CPMU and DARD</li> </ul>
How does BSP provisions address underlying factors of change	<ul style="list-style-type: none"> <li>- The operational and management plan and associated budget have been designed to reflect on recurrent gaps and new requirements from REDD+, including massive capacity building and robust systems for safeguards implementation including FGRM, robust reporting system, active cross-sector and multi-stakeholder engagement and effective backstopping to fully participate in ER-P implementation and benefit from the BSP.</li> <li>- Support to component 4 will also allow for operating the Vietnam REDD+ Fund, which is meant to play a critical role in allowing Vietnam to access international REDD+ payments beyond the Carbon Fund (like GCF) and pilot innovative disbursement approaches (like support to project developers and ACMA) that can further mobilize and guide domestic funding (Carbon-PFES...).</li> </ul>
<b>1.3. Collecting and implementing Group 3 activities to establish ACMA system</b>	
What are the conditions to access funding	<ul style="list-style-type: none"> <li>- ACMA Operational Manual</li> <li>- List of FMCs, ACM Boards to be established, related ACM area and relevant information</li> <li>- Workplan for setting up the FMC system and ACMA process, including consultation plan/steps, capacity building, SERNA, etc.</li> </ul>
Who administers funding	PPMU/DARD
Who implements and revise work plans and budget	In a first step, while ACMA process is underway and institutions like FMCs and ACM Boards are being established, funding will be transferred and managed by PPMU. Once FMCs are established and have bank accounts, then they will formulate and implement their annual work plans directly, including support to ACM Boards and the FMC as per respective sub-work plans.



Who is consulted on work plan and budget revision?	- Representative of CSOs, NGOs, Private sector, 6 provinces and beneficiaries
Who assesses and advises on disbursement decisions	PPMU
Who authorizes plans, revisions and disbursements	CPMU
Who monitors and reports on activities and finance	- FMCs and respective bank to PPMU - PPMU to CPMU/VNFOREST - VNFOREST to MARD
Who is consulted during the reporting and verification process	- DARD - Representative of CSOs, NGOs - Local communities and forest owner – beneficiaries - SSCO
Who controls and verifies implementation of activities and fund allocation	- PPMU/DARD - Independent auditor
Who approves activity and financial reports	MARD
What are the key documents and how are stakeholders informed throughout this step	Key documents: (i) ERPA, (ii) ER-P document, (iii) BSP Advance payment plan, (iv) ACM Agreements, (v) Workplans of FMCs and ACM Boards, (vi) Annual activity and financial report of FMCs and ACM Boards, (vii) Consolidated report, (viii) Auditing report How to share information: - All above documents are regularly uploaded and publicly available on the SSCO website - Official announcement to central, provincial, local levels through appropriate way for easy access and understanding by CPMU and DARD
How does BSP provisions address underlying factors of change	Support to establishing ACMA system through group 3 illustrates bold decision for innovative and transformative approach to REDD+ implementation. Establishing an operational ACMA system at the scale of a full region of Vietnam is ambitious and has the potential to thoroughly change the way sustainable forest management is implemented in the country, and particularly on how local communities, forest owners, public authorities and the private sector can develop synergies and work together in collaborative and effective ways. Lump-sum to ACMA piloting through groups 2 and 3 is critical seed money to kick-off this innovation.
<b>1.4. Collecting and implementing Component 2 – group 1 and 2 activities</b>	
What are the conditions to access funding	- ACMA Operational Manual - List of FMCs and ACM Boards established, related ACM area and relevant information - ACM Agreements and annual workplans for FMCs
Who administers funding	PPMU/DARD

Who implements and revise work plans and budget	<ul style="list-style-type: none"> <li>- Local communities and forest owners implement</li> <li>- FMC revise workplan and budget</li> </ul>
Who is consulted on work plan and budget revision?	<ul style="list-style-type: none"> <li>- Local communities, forest owners, CSOs, NGOs, etc.</li> <li>- FMC participants, including CPC and DPC</li> </ul>
What are criteria and methodology for sub-allocation	Under this “advance payment scenario”, a lump-sum of USD 1.4 million is allocated for early implementation of the ACMA process activities as per ACM annual work plans developed by FMCs. As an exception for the advance payment modality, funding will be equally allocated to each FMCs in a direct way, without considering proposed targets or past performance. In practice, each FMC will receive USD 22.950 for implementing their respective work plans, considering the provision of 70% going to group 1 (local communities) and 30% going to group 2 (forest owners).
Who assesses and advises on disbursement decisions	PPMU
Who authorizes plans, revisions and disbursements	CPMU
Who monitors and reports on activities and finance	<ul style="list-style-type: none"> <li>- FMCs and respective bank to PPMU</li> <li>- PPMU to CPMU/VNFOREST</li> <li>- VNFOREST to MARD</li> </ul>
Who is consulted during the reporting and verification process	<ul style="list-style-type: none"> <li>- DARD</li> <li>- Representative of CSOs, NGOs</li> <li>- Local communities and forest owner – beneficiaries</li> <li>- SSCO</li> </ul>
Who controls and verifies implementation of activities and fund allocation	<ul style="list-style-type: none"> <li>- PPMU/DARD</li> <li>- Independent auditor</li> </ul>
Who approves activity and financial reports	MARD
What are the key documents and how are stakeholders informed throughout this step	<p>Key documents: (i) ERPA, (ii) ER-P document, (iii) Advance payment plan, (iv) Activity and performance report (specific to each FMC, and consolidated), (v) Financial report (specific to each FMC, and consolidated), (vi) Auditing report</p> <p>How to share information:</p> <ul style="list-style-type: none"> <li>- All above documents are regularly uploaded and publicly available on the SSCO website</li> <li>- Official announcement to central, provincial, local levels through appropriate way for easy access and understanding by CPMU and DARD</li> </ul>
How does BSP provisions address underlying factors of change	Advance lump-sum to support the ACMA process early deployment through groups 2 and 3 is critical seed money to put the ACMA innovation and challenge on good track. It will allow for the first large-scale deployment of systematic capacity building and dialogue at grass-root level on

	collaborative management and restoration of forests.
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Scenario 2 – Full result-based payment	
2.1. Collecting and implementing gross payment	
What are the conditions to access funding	<ul style="list-style-type: none"> <li>- Verified emission reduction results – FREL, MRV reports and assessment</li> <li>- Approved activity and financial reports on implementation of previous payments, including on safeguard implementation</li> <li>- Fulfilling the requirements set in ERPA</li> </ul>
Who administers funding	VRF/MARD
Who implements and revise allocation plan	<ul style="list-style-type: none"> <li>- CPMU in VNFOREST implement</li> <li>- CPMU revise and send to VNFOREST and VRF Advisory Board for appraisal before MARD minister approve</li> </ul>
Who is consulted on allocation plan	<ul style="list-style-type: none"> <li>- Representative of CSOs, NGOs, Private sector, relevant MARD departments, 6 provinces and beneficiaries</li> <li>- SSCO</li> <li>- National Steering Committee on Program 886 and REDD+</li> <li>- Sub-Technical Working Group on BDS of REDD+ Network</li> </ul>
What are criteria and methodology for sub-allocation	<p>At this stage, the allocation can be summarized as follows:</p> <ul style="list-style-type: none"> <li>(i) Money is set aside for the performance buffer: Set aside 5% for performance buffer as a rule for direct allocation. The performance buffer is then managed by the VRF.</li> <li>(ii) Direct allocation for the implementation of Component 1 at central level: MARD as one single recipient to receive finance and then re-allocate as appropriate to the various implementing partners at central level based on the workplans of ER-P on Component 1. Allocation is approved upon submission of an annual work plan for Component 1 implementation by the CPMU as a coordinating service for the various departments within and outside VNFOREST who will implement activities.</li> <li>(iii) Performance-based payment for the allocation of net payment to provinces: See full details on the methodology to calculate and apply R factor to allocate finance to each province in BSP section II.2.2.3.</li> </ul>
Who assesses and advises on disbursement decisions	<ul style="list-style-type: none"> <li>- Independent M&amp;E team</li> <li>- VRF Advisory board</li> <li>- SSCO</li> </ul>
Who authorizes plans, revisions and disbursements	MARD
Who monitors and reports on financial allocation	<ul style="list-style-type: none"> <li>- Bank to VRF</li> <li>- VRF to VNFOREST</li> <li>- VNFOREST to MARD</li> </ul>
Who is consulted during the	<ul style="list-style-type: none"> <li>- MARD</li> <li>- VNFOREST</li> </ul>

reporting and verification process	<ul style="list-style-type: none"> <li>- FIPI</li> <li>- SSCO</li> </ul>
Who controls and verifies fund allocation	<ul style="list-style-type: none"> <li>- Finance Department of MARD</li> <li>- Independent auditor</li> </ul>
Who approves activity and financial reports	MARD
What are the key documents and how are stakeholders informed throughout this step	<p>Key documents: (i) ERPA, (ii) ER-P document, (iii) BSP, (iv) BSP disbursement plan for relevant tranche of payment, (v) Consolidated annual activity and financial reports at central level, (vi) Auditing report</p> <p>How to share information:</p> <ul style="list-style-type: none"> <li>- Regular updated information in the VRF webpage by VRF Management Board, VNFF webpage by VNFF and in SSCO website</li> <li>- Official announcement of the information to central, provincial, local level with appropriate way for easy access and understanding by VRF Management Board, CPMU, PPMU and Sub-VNFF</li> </ul>
How does BSP provisions address underlying factors of change	<p>There is no particularly innovative and transformative provision related to the way Vietnam will collect and administer gross advance payments. However, this access to gross payment will represent the first time Vietnam access REDD+ RBP from international sources for verified ER at large sub-national scale. This is a potential game-changer and pave the way for relevant experience, political commitment and strengthened institutions and capacities to operate REDD+ at a larger scale. In addition, a specific BSP provision relates to the administration and management of CF RBP by the Vietnam REDD+ Fund, which as indicated above is meant to become a cornerstone to manage and expand REDD+ in Vietnam.</p>
<b>2.2. Collecting and implementing component 1 at central level</b>	
What are the conditions to access funding	<ul style="list-style-type: none"> <li>- Annual work plan for central implementation of Component 1</li> <li>- Approved annual activity and financial report on previous years</li> </ul>
Who administers funding	VRF/MARD
Who implements and revise work plans and budget	<ul style="list-style-type: none"> <li>- CPMU in VNFOREST to implement and coordinate implementing departments</li> <li>- CPMU revise and send to VNFOREST and VRF Advisory Board for appraisal before MARD minister approve</li> </ul>
Who is consulted on work plan and budget revision?	<ul style="list-style-type: none"> <li>- Representative of CSOs, NGOs, Private sector, relevant MARD departments, 6 provinces and beneficiaries</li> <li>- SSCO</li> <li>- National Steering Committee on Program 886 and REDD+</li> </ul>
Who assesses and advises on disbursement decisions	<ul style="list-style-type: none"> <li>- Appraisal Committee of MARD</li> <li>- SSCO</li> </ul> <p>Criteria:</p> <ul style="list-style-type: none"> <li>- A lump-sum of 3.2% of total net payments is allocated to component 1 on a direct basis</li> <li>- The activities under Component 1 are appropriate to the functions, roles and capacity of the stakeholders</li> </ul>

	<ul style="list-style-type: none"> <li>- The selection of service providers and experts follows the competence-based procedure</li> <li>- The delivery is satisfactory and meet deadlines</li> </ul> <p>Methodology:</p> <ul style="list-style-type: none"> <li>- Based on the plan submitted by the relevant departments and agencies to VNFOREST for review and make a common plan, and then</li> <li>- Based on the plan submitted by VNFOREST to MARD</li> <li>- Appraisal Committee of MARD organize the technical review and report on the quality and timeline of the delivery to MARD for approval and disbursement.</li> </ul>
Who authorizes plans, revisions and disbursements	VNFOREST
Who monitors and reports on activities and finance	<ul style="list-style-type: none"> <li>- Bank to VRF</li> <li>- VRF to VNFOREST</li> <li>- VNFOREST to MARD</li> </ul>
Who is consulted during the reporting and verification process	<ul style="list-style-type: none"> <li>- SSCO</li> <li>- CPMU</li> </ul>
Who controls and verifies implementation of activities and fund allocation	<ul style="list-style-type: none"> <li>- Finance Department of MARD</li> <li>- VNFOREST</li> <li>- Independent auditor</li> </ul>
Who approves activity and financial reports	MARD
What are the key documents and how are stakeholders informed throughout this step	<p>(i) ER-P document, (ii) BSP, (iii) BSP disbursement plan for relevant tranche of payment, (iv) Annual consolidated work plan and budget for Component 1 at central level, (v) Annual activity and financial reports for Component 1 at central level, (vi) Auditing report of auditor, (vii) Appraisal report of the Appraisal Committee of MARD</p> <p>How to share information:</p> <ul style="list-style-type: none"> <li>- Regular updated information in the VRF webpage by VRF Management Board, VNFF webpage by VNFF and in SSCO website</li> <li>- Official announcement of the information to central, provincial, local level with appropriate way for easy access and understanding by VRF Management Board, CPMU, PPMU and Sub-VNFF</li> </ul>
How does BSP provisions address underlying factors of change	As highlighted in the ER-PD and in line with broader National REDD+ Program, component 1 activities are critical to improve enabling legal and institutional environment for REDD+ and sustainable forest development in general. The ER-PD includes provisions for cross-sector support to allow for effective improvement of laws and policies in an integrated manner, as well as plans, budgeting and other relevant reforms including on fiscal and law enforcement issues that have the potential to generate significant leveraging effect.
<b>2.3. Collecting and implementing provincial level activities</b>	
What are the conditions to access funding	<ul style="list-style-type: none"> <li>- R factor and R factor underlying data at provincial level</li> <li>- Provincial consolidated annual work plans and budget</li> <li>- Provincial consolidated and approved annual activity and financial reports for previous years</li> </ul>

Who administers funding	Sub-VNFF
Who implements and revise work plans and budget	PPMU/DARD
Who is consulted on work plan and budget revision?	CPMU/VNFOREST
Who assesses and advises on disbursement decisions	SSCO
What are criteria and methodology for sub-allocation	<p>Provincial net payments can be sub-allocated to:</p> <ul style="list-style-type: none"> <li>(i) Provincial implementation of Component 1: a direct allocation of 6% of total net provincial payments directly goes to DARD and other PPC departments for implementation of Component 1 at provincial, district and commune level. Money is disbursed against approved activity and financial reports for previous years, and consolidated annual work plan and budget.</li> <li>(ii) (FMCs under ACMA modalities: 75.2% of total net provincial payments is allocated to FMCs for implementation of annual work plans. For each FMCs, allocation is based on relative performance. Allocation requires the annual update of the R factor according to modalities detailed in BSP section II.2.4.1. Money is allocated from sub-VNFF to FMCs bank accounts once individual FMC performance is calculated and on the basis of FMC annual work plan and previous approved consolidated reports on activities and finance.</li> <li>(iii) Project developers within the province: 18.8% of total net provincial payments is allocated to project developers, following a competitive selection process detailed in section II.2.5.3 of the BSP. Project developers are requested to provide a concept note, and full project proposal, and then to fill out funding request forms and possibly to provide intermediate activity and financial report in order to be allocated subsequent funding</li> </ul>
Who authorizes plans, revisions and disbursements	DARD
Who monitors and reports on activities and finance	<ul style="list-style-type: none"> <li>- PPMU</li> <li>- Sub-VNFF</li> </ul>
Who is consulted during the reporting and verification process	<ul style="list-style-type: none"> <li>- CPMU</li> <li>- VRF</li> <li>- SSCO</li> </ul>
Who controls and verifies implementation of activities and fund allocation	VNFOREST
Who approves activity and	MARD

financial reports	
What are the key documents and how are stakeholders informed throughout this step	<p>(i) ER-P document, (ii) BSP, (iii) BSP disbursement plan for relevant tranche of payment, (iv) Annual consolidated workplan and budget for each province, including work plan and budget for component 1 at provincial level, ACMA and project developers, (v) Consolidated and approved annual reporting on activities and finance at provincial level for past years, (vi) Auditing report from auditor, (vii) Appraisal report of the Appraisal Committee of MARD</p> <p>How to share information:</p> <ul style="list-style-type: none"> <li>- Regular updated information in the VRF webpage by VRF Management Board, VNFF webpage by VNFF/Sub-VNFF and in SSCO website</li> <li>- Official announcement of the information to central, provincial, local level with appropriate way for easy access and understanding by VRF Management Board, CPMU, PPMU and Sub-VNFF</li> </ul>
How does BSP provisions address underlying factors of change	<ul style="list-style-type: none"> <li>- The provisions under BSP allow to significantly strengthen capacities at provincial level through robust PPMU and sub-VNFF. As provinces will be the key linkage for effective roll out of the National REDD+ Plan, this specific arrangement allowing for controlled autonomy and close backstopping of provincial coordination and management offers high potential for replication.</li> <li>- At this level, more specifically, the provinces are empowered to administer the competitive process to support ER project developers outside FMBs and SFCs areas. Even though provincial decisions are put under the technical supervision and control of central entities like CPMU and VRF, they illustrate a real transfer of capacity and power over REDD+ implementation. In addition, the BSP provision to allow for project developers to develop and submit projects introduces an innovative approach to REDD+ deployment. It is worth noting that this provision was not yet approved in the ER-PD and has been introduced later on in 2018 based on active consultations with the various stakeholders. It reduces the risk of complaints from stakeholders outside FMBs and SFCs area willing to participate to the ER-P, and the risk of leakages when implementing ER activities.</li> </ul>
<b>2.4. Collecting and implementing component 1 at provincial level</b>	
What are the conditions to access funding	<ul style="list-style-type: none"> <li>- Consolidated workplan on component 1 at provincial level reviewed by VNFOREST and then approved by MARD</li> <li>- The organizations proposed for implementation are selected based on their appropriate functions, roles and capacity to implement Component 1 activities to contribute ER targets</li> <li>- Clear results and timeline for delivery</li> <li>- Approved annual activity and finance reports from previous years when relevant</li> </ul>
Who administers funding	Sub-VNFF
Who implements and revise work plans and budget	PPMU/DARD
Who is consulted on work plan and budget revision?	<ul style="list-style-type: none"> <li>- Relevant sectors and departments</li> <li>- REDD+ Steering Committee, Provincial Program 886 Steering Committee</li> <li>- Representatives of CSOs, NGOs, Private sector, etc.</li> <li>- CPMU</li> <li>- SSCO</li> </ul>
What are criteria and methodology for sub-allocation	<p>Criteria:</p> <ul style="list-style-type: none"> <li>- A lump-sum of 6% of total net payments at provincial level is allocated to component 1 on a direct basis</li> <li>- The activities under Component 1 are appropriate to the functions, roles and capacity of stakeholders</li> </ul>

	<ul style="list-style-type: none"> <li>- The selection of service providers and experts follows the competence-based procedure.</li> <li>- Past delivery from each implementing entity is satisfactory and has met deadlines.</li> </ul> <p>Methodology:</p> <ul style="list-style-type: none"> <li>- Based on the plan submitted by the agencies to DARD for review and make a common plan, and then</li> <li>- Based on the plan submitted by DARD to VNFOREST</li> <li>- Appraisal Committee of VNFOREST organize the technical review and report on the quality and timeline of the delivery to VNFOREST for approval and disbursement.</li> </ul>
Who assesses and advises on disbursement decisions	<ul style="list-style-type: none"> <li>- Appraisal Board of DARD</li> <li>- SSCO</li> </ul>
Who authorizes plans, revisions and disbursements	CPMU
Who monitors and reports on activities and finance	<ul style="list-style-type: none"> <li>- PPMU and Bank to Sub-VNFF</li> <li>- Sub-VNFF to DARD</li> <li>- DARD to VNFOREST</li> <li>- VNFOREST to MARD</li> </ul>
Who is consulted during the reporting and verification process	<ul style="list-style-type: none"> <li>- Relevant sectors</li> <li>- REDD+ Steering Committee, Provincial Programme 886 Steering Committee</li> <li>- Representatives of CSOs, NGOs, Private sector, etc.</li> <li>- CPMU</li> <li>- SSCO</li> </ul>
Who controls and verifies implementation of activities and fund allocation	<ul style="list-style-type: none"> <li>- VNFOREST</li> <li>- Finance Department of MARD</li> <li>- Independent auditor</li> </ul>
Who approves activity and financial reports	MARD
What are the key documents and how are stakeholders informed throughout this step	<p>(i) ER-P document, (ii) BSP, (iii) BSP disbursement plan for relevant tranche of payment, (iv) Consolidated annual work plan for Component 1 at provincial level, (v) Approved consolidated annual reports on activity and finance for past years, (vi) Auditing report from auditor, (vii) Appraisal report of the Appraisal Committee of MARD</p> <p>How to share information:</p> <ul style="list-style-type: none"> <li>- Regular updated information in the VRF webpage by VRF Management Board, VNFF webpage by VNFF/Sub-VNFF and in SSCO website</li> <li>- Official announcement of the information to central, provincial, local level with appropriate way for easy access and understanding by VRF Management Board, CPMU, PPMU and Sub-VNFF</li> </ul>
How does BSP provisions address underlying factors of change	As reported for the central level, component 1 activities are critical to improve enabling legal and institutional environment for REDD+ and sustainable forest development in general. This is particularly relevant at provincial level, where a significant power allows for experimenting pilot arrangements and regulations to improve land use and sustainable access to resources. Considering the specific importance of piloting



	innovating ideas in Vietnam, transferring capacities and resources at provincial and sub-provincial level to experiment improved arrangement for improving enabling conditions for REDD+ implementation offers major opportunities for impact and replicability of ER-P.
2.5. Collecting and implementing Component 2 – group 1 and 2 activities under ACMA/ FMC	
What are the conditions to access funding	<ul style="list-style-type: none"> <li>- ACMA Operational Manual</li> <li>- List of FMCs and ACM Boards established, related ACM area and relevant information as requested to calculate respective FMCs performance</li> <li>- ACM Agreements and annual workplans for FMCs and other ACMA entities as relevant</li> </ul>
Who administers funding	Sub-VNFF at province level
Who implements and revise work plans and budget	<p>FMC revise workplan and budget and send a request for disbursement to PPMU. PPMU then guide the Sub-VNFF to make request to FMC local bank for disbursement.</p> <p>Local communities and forest owners receive money from the local bank upon the request of Sub-VNFF FMC through Window 3 to implement ACM annual workplans.</p>
Who is consulted on work plan and budget revision?	<ul style="list-style-type: none"> <li>- PPMU/DARD</li> <li>- Representative of CSOs, NGOs</li> <li>- Local communities and forest owner - beneficiaries</li> </ul>
What are criteria and methodology for sub-allocation	<p>At provincial level, a lump-sum of 75.2% of total net provincial payments is allocated to FMCs for implementation of annual work plans based on relative performance. As group 3 activities are fully financed through the advance payment (subject to negotiation), additional allocation to ACMA implementation from CF RBP payments are directed solely to group 1 and 2.</p> <p>Detailed modalities for sub-allocation from FMCs to group 1 (70%) and group 2 (30%) participants are developed in BSP section II.2.4.4.</p>
Who assesses and advises on disbursement decisions	PPMU
Who authorizes plans, revisions and disbursements	CPMU
Who monitors and reports on activities and finance	<ul style="list-style-type: none"> <li>- FMCs and Bank to PPMU</li> <li>- PPMU to CPMU/VNFOREST</li> <li>- VNFOREST to MARD</li> </ul>
Who is consulted during the reporting and verification process	<ul style="list-style-type: none"> <li>- PPMU and DARD</li> <li>- Representative of CSOs, NGOs</li> <li>- Local communities and forest owner – beneficiaries</li> </ul>
Who controls and verifies implementation of activities and fund allocation	<ul style="list-style-type: none"> <li>- FMCs and ACM Boards</li> <li>- PPMU</li> <li>- Independent auditor</li> </ul>

Who approves activity and financial reports	MARD
What are the key documents and how are stakeholders informed throughout this step	<p>Key documents: (i) ERPA, (ii) ER-P document, (iii) BSP disbursement plan for relevant tranche of payment, (iv) FMCs annual work plan, (v) Approved annual activity and financial report for previous years (consolidated for each FMC), (vi) Auditing report</p> <p>How to share information:</p> <ul style="list-style-type: none"> <li>- Regular updated information in the VRF webpage by VRF Management Board, VNFF webpage by VNFF/Sub-VNFF and in SSCO website</li> <li>- Official announcement of the information to central, provincial, local level with appropriate way for easy access and understanding by VRF Management Board, CPMU, PPMU and Sub-VNFF</li> </ul>
How does BSP provisions address underlying factors of change	<p>Full deployment of the ACMA system across a full region can definitely be considered as a bold and innovative approach for Vietnam to accelerate sustainable forest development. This is fully in line with assessment of local barriers and gaps for effective REDD+ implementation as identified in the ER-PD and in the National REDD+ Plan. Empowering local communities as new and important agents for effective forest conservation and restoration at the grass-root level, providing resources and backstopping to experiment collaborative approach with forest owners and other relevant stakeholders including the private sector for connection to markets... These are very appropriate responses from the BSP to REDD+ challenges and opportunities in Vietnam.</p>

## ANNEX 2. LIST OF FMC AND DETAILS

Province	FMC	Forest land area (ha)	Forest area (ha)	Number of surrounding communes	Population of the communes	Ethnic minorities in communes (people)	Ratio of EM in the communes (%)
Thanh Hóa	6	87.925	84.440	42	152.753	141.049	92
1	Ben En National Park	11.801	11.044	10	55.398	52.628	95
2	Cuc Phuong National Park	4.339	4.051	3	13.597	12.964	95
3	Pu Hu Nature Reserve	28.359	27.775	10	19.531	19.048	98
4	Pu Luong Nature Reserve	16.935	16.560	10	18.572	18.105	97
5	Xuan Lien Nature Reserve	24.729	23.671	5	26.095	21.541	83
6	Bai Tranh Forest Company	1.762	1.338	4	19.560	16.763	86
Nghệ An	14	237.310	222.477	106	570.520	356.930	63
7	Anh Sơn Protection Forest	4.578	4.578	6	29.806	866	3
8	Kỳ Sơn Protection Forest	23.216	23.216	20	75.510	66.826	89
9	Tương Dương Protection Forest	34.691	34.691	16	75.993	68.188	90
10	Quy Chau Protection Forest	19.360	15.086	6	31.001	29.372	95
11	Quy Hop Protection Forest	6.298	5.500	4	20.229	17.098	85
12	Con Cuông Protection Forest	8.219	8.219	4	20.923	18.825	90
13	Thanh Chương Protection Forest	1.354	1.354	7	45.313	6.845	15
14	Quỳ Hợp Forest Company	3.144	2.601	8	84.571	43.975	52
15	Quỳ Châu Forest Company	1.745	1.186	7	30.762	25.153	82
16	Thanh niên Forest Company	788	375	0	0	0	0
17	TNXP II Forest Company	2.833	2.833	2	13.157	0	0
18	Pù Hoạt Nature Reserve	85.231	76.985	11	49.479	42.530	86
19	Pù Huống Nature Reserve	22.885	22.885	9	52.201	37.252	71
20	Pù Mát National Park	22.968	22.968	6	41.575	35.540	85
Hà Tĩnh	7	165.475	165.475	74	287.789	4.347	2
21	Nam Hà Tĩnh Protection Forest	15.296	15.296	19	69.806	0	0
22	Ngàn Phố Protection Forest	20.814	20.814	15	59.451	2.378	4
23	Ngàn Sâu Protection Forest	15.954	15.954	8	36.472	1.094	3
24	Sông Tiem Protection Forest	12.835	12.835	4	18.488	184	1
25	Chúc A Forest Company	13.834	13.834	3	14.686	147	1
26	Kê Gỗ Nature Reserve	31.317	31.317	16	61.643	0	0
27	Vũ Quang National Park	55.425	55.425	9	27.243	544	2
Quảng Bình	13	218.179	212.357	78	348.104	63.433	18
28	Động Châu Protection Forest	10.819	10.819	2	5.075	2.774	55
29	Ba Ren Protection Forest	4.735	4.735	6	36.830	3.734	10
30	Long Đại Protection Forest	17.500	17.500	3	8.761	5.224	60
31	Minh Hóa Protection Forest	17.049	17.049	7	22.412	10.971	49
32	Quảng Trạch Protection Forest	7.706	7.280	5	34.551	0	0
33	Quang Trạch Forest Company - Bắc Quảng Bình SFC	128	128	11	60.872	0	0
34	Tuyên Hóa Protection Forest	26.923	26.923	7	23.078	797	3
35	Khe Giũa Forest Company – Long Đại Forest Company	4.847	4.003	5	13.836	7.998	58
36	Kiên Giang Forest Company – Long Đại Forest Company	2.615	0	4	13.996	4.115	29
37	CTLN Phú Lâm – CTLN Long Đại	356	0	5	16.256	5.037	31
38	Minh Hóa Forest Company – Bắc Quảng Bình Forest Company	1.505	1.505	4	11.257	3.206	28
39	Trường Sơn Forest Company – Long Đại Forest Company	5.246	5.246	6	33.307	3.468	10
40	Phong Nha Kẻ Bàng National Park	118.750	118.750	13	67.873	16.109	24
Quảng Trị	9	44.373	38.515	53	225.663	77.731	34
41	Hồ Chí Minh Road Protection Forest	1.329	1.329	2	6.150	5.120	83
42	DakRong Nature Reserve	9.207	9.207	8	22.027	15.060	68
43	Bắc Hướng Hóa Nature Reserve	5.239	0	5	18.045	12.452	69
44	Bến Hải Protection Forest	8.341	7.824	4	12.552	5.432	43
45	Hướng Hóa Protection Forest - Dakrong Protection Forest	11.959	10.969	15	58.563	31.348	54
46	Thạch Hãn Protection Forest	2.215	2.215	4	16.421	3.031	18
47	Bến Hải Forest Company	2.829	1.732	7	43.163	3.132	7
48	Đường 9 Forest Company	1.255	0	4	27.164	2.156	8
49	Triệu Hải Forest Company	1.999	0	4	21.578	0	0
TT Huế	12	61.019	54.658	86	339.088	57.544	17
50	A Lưới Protection Forest	23.509	21.302	8	13.424	9.744	73
51	Bắc Hải Vân Protection Forest	10.517	9.899	4	39.879	0	0
52	Hương Thủy Protection Forest	20.287	17.093	8	85.162	0	0

53	Nam Đông Protection Forest	11.303	10.785	3	6.219	5.195	84
54	Sông Bồ Protection Forest	3.571	3.124	3	31.775	0	0
55	Sông Hương Protection Forest	2.089	1.262	3	27.981	3.212	12
56	Nam Hoa Forest Company	17.411	13.620	13	68.932	10.476	15
57	Phong Điền Forest Company	982	0	1	8.923	0	0
58	Tiền Phong Forest Company	4.919	4.816	12	103.145	206	0,2
59	Sao La Nature Reserve	15.323	14.167	5	11.902	7.570	64
61	Phong Điền Nature Reserve	6.300	6.300	11	34.165	12.325	36
61	Bạch Mã National Park	9.290	9.290	15	61.422	12.028	20
<b>61</b>		<b>814.281</b>	<b>778.345</b>	<b>439</b>	<b>1.923.917</b>	<b>701.034</b>	<b>36</b>

## ANNEX 3. ILLUSTRATION OF KEY TOPICS DISCUSSED DURING CONSULTATIONS

Key topics	Associated Outcome	Level to be consulted	Example of specific question	Example of day/place of consultation
1. What are the appropriate interventions to lead to ER	Outcome: Methods of benefit sharing	Central, Provincial and local level	What do you think local communities can do towards better forests in your province?	Day: 25 Dec. 2018 Place: Sub-FPD guess house of Quang Binh Discussed during the group discussion
2. Who are the beneficiaries of ER-P	Outcome: Methods of benefit sharing	All three levels	Who do you think the most important beneficiary in ER-P? And Why?	Day: 7 Dec. 2018 Place: Dong Ha, Quang Tri Facilitated by a representative of Farmer Union
3. Conditionality for getting benefits – the difference between REDD+ and other initiatives in benefit sharing	Outcome: Methods of benefit sharing	Provincial and local	What conditions for getting benefits from REDD+? Are they different from current PFES? Why?	Day: 7 Dec. 2018 Place: Place: Dong Ha, Quang Tri Facilitated by a representative of Women Union
4. The need of ACMA	Outcome: Benefit allocation	Provincial and local	Do you think ACMA can be the good mechanism for forest management in your area? Why?	Day: 25 Dec. 2018 Place: Sub-FPD guess house of Quang Binh Discussed during the group discussion, facilitated by a representative of forest owner – Long Dai Forest Company
5. The need of FMC and its function	Outcome: Benefit allocation	Provincial and local	Are you interested in setting FMC? Why? If yes, then what roles they can play?	Day: 7 Dec. 2018 Place: Dong Ha, Quang Tri Facilitated by a representative of Women Union
6. The tentative share of roles and benefits between forest owner and local community in ACMA	Outcome: Benefit allocation	All three levels	Who should get more, local community or forest owner in ACM? Why?	Day: 25 Dec. 2018 Place: Sub-FPD guess house of Quang Binh Discussed during the group discussion
7. Types of benefits and preference in cash and non-cash form of benefits	Outcome: Methods of benefit sharing	All three levels, particularly local	Do you prefer cash or non-cash form of benefits? Why? If you prefer non-cash, then what type of non-cash benefits are you interested in?	Day: 3. Dec. 2018 Place: Thanh Hoa town Discussed during the group discussion, facilitated by a representative of Women Union
8. Disbursement modality	Outcome: Window of disbursement	All three levels	Do you think direct allocation is appropriate to all beneficiaries? If no, why?	Day: 7 Dec. 2018 Place: Dong Ha, Quang Tri Facilitated by a representative of Women Union

Key topics	Associated Outcome	Level to be consulted	Example of specific question	Example of day/place of consultation
9. Under-performance risk management	Outcome: Performance scenarios and risk management	All three levels	What should be done if there is under-performance scenario? How can you get back the advance?	Day: 3. Dec. 2018 Place: Thanh Hoa town Discussed during the group discussion, facilitated by a representative of DARD
10. Corruption risk management	Outcome: Window of disbursement	All three levels	Do you prefer to have someone of commune staff or village head getting cash payment and bring to you or get cash payment directly from mobile bank service? Why?	Day: 3. Dec. 2018 Place: Thanh Hoa town Discussed during the group discussion, facilitated by a representative of DARD
11. Roles of VRF and VNFF in fund management and roles of central level and provincial level	Outcome: Window of disbursement	Central and provincial	What opportunity and challenge of using VRF and VNFF for benefit sharing?	Day: 21 Sept. 2018; Place: VNFOREST; chaired by VNFOREST leader Day: 7. Dec. 2018; Dong Ha, Quang Tri; Facilitated by a representative of Women Union
12. Disbursement arrangement	Outcome: Window of disbursement	All three levels	Are you satisfied with the mobile bank service? Why?	Day: 7 Dec. 2018 Place: Dong Ha, Quang Tri Discussed in a group discussion facilitated by a representative of CPC of Huong Hoa district
13. Rights and responsibilities of beneficiaries	Outcome: Rights and responsibilities of beneficiaries	All three levels	Do you think local farmers have their right in land use planning? Why?	Day: 3. Dec. 2018 Place: Thanh Hoa town Discussed during the group discussion, facilitated by a representative of DARD
14. Monitoring of performance	Outcome: Monitoring of performance	All three levels	How can you know your neighbor do good work?	Day: 7 Dec. 2018 Place: Dong Ha, Quang Tri Discussed in a group discussion facilitated by a representative of Sub-FPD
15. Safeguards monitoring	Outcome: Monitoring of safeguards	All three levels	Is there opportunity for local ethnic minority to promote their traditional knowledge in sustainable use of natural resources? If yes, please give more information.	Day: 7 Dec. 2018 Place: Dong Ha, Quang Tri Discussed in a group discussion facilitated by a representative of DARD
16. FGRM arrangement and the need of TSG	Outcome: FGRM	All three levels, particularly local level	Are you sure you need someone to provide you necessary information on legal and technical issues? Do you believe the local mediation team can be best used in FGRM?	Day: 7 Dec. 2018 Place: Dong Ha, Quang Tri Discussed in a group discussion facilitated by a representative of DARD
17. Roles and functions of central, provincial and local government and CSOs	Outcome: Implementation arrangement	All three levels	What CSO can do in ER-P and benefit sharing? What is the challenge for CSOs to actively join? Why? And What solutions can overcome the challenges?	Day: 7 Dec. 2018 Place: Dong Ha, Quang Tri Facilitated by a representative of Women Union

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## ANNEX 4. KEY LESSONS LEARNT FROM BENEFIT DISTRIBUTION PILOT UNDER THE UN-REDD PROGRAM

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1. Site selection: Effective participatory driver analysis is critical to select the appropriate site and formulate relevant interventions.
2. Multi-sector approach: Active communication is needed to ensure that all relevant stakeholders to be engaged into REDD+ interventions are effectively informed and mobilized. This is particularly important for sectors beyond forestry who can be new comers.
3. Performance-based payment: The concept is new and uneasy to understand for local stakeholders. It requires communication effort, and checking the right level of understanding and acceptance is reached when shaping expectations and engaging stakeholders.
4. Stakeholders' engagement: The role, opportunities and constraints of each group of stakeholders must be carefully analyzed, and engagement should be tailored through effective consultation processes. FPIC should be applied with clear guidelines, and secure responsibility and ownership from local stakeholders. Consideration and respect for traditional practices is essential to secure and empower local agents for change.
5. M&E: This is a central element of the performance-based mechanism and requires a careful balance between operability and effectiveness. SMART indicator, comprehensive arrangement for sharing and enforcing responsibilities, operational specifications are key factor of success.
6. Benefit allocation: Indirect intervention packages such as livelihood improvement, technical training or land demarcation are very important and require significant allocation. The M&E element also proved to be more resource intensive than first thought, and should have a separated budget line.
7. Advance and risk management: Advance payment to local stakeholders is often necessary to switch from BAU practices. Need for financial risk management measures suggest that allocation can be structured according to local needs, with multiple and small payments.
8. Integration with PFES: Pooling of PFES and REDD+ BDS resources has been piloted with integration of planning, budgeting, M&E, contracting and implementation arrangements, and mutualized institutional solutions like FGRM. It opens significant opportunities for increasing the impact of each mechanism. It can improve monitoring and effectiveness of the PFES distribution, increase overall efficiency and increase motivation for sustainable forest management.
9. Political commitment: Strong political will at all administrative level, and including in relevant sectors beyond forestry is a key factor of success.
10. Arrangements: Clear, practical but also relevant and flexible are needed to support a process that needs local adaptation and innovation. Transparency, participation as well as accountability must be secured.

## ANNEX 5: LESSONS FROM PILOT ACMA EXPERIENCES IN VIETNAM

Success	<ul style="list-style-type: none"> <li>• Since Forestry Law 2017 and Land Law 2013 have recognized the legal status of local community, the ACMA process is seen to be appropriate to help communities become forest owners, increase forest protection responsibilities and become an effective legal party in all contracting modality.</li> <li>• Participatory land use planning capacity enhancement enables local community to better understanding their roles and benefits in forest management.</li> <li>• Community self-organization in forest management: in a lot of cases, local community based on their traditional culture can organize themselves in forest management with very diverse modalities and local regulations that seem very effective to ensure the strong commitment and respect of all community members and recognized by outsiders.</li> <li>• Many cases show that local communities can themselves identify the comprehensive and appropriate benefit sharing mechanisms.</li> <li>• The ACMA process shows clearly the opportunities for community empowerment that directly contributes to forest management.</li> </ul>
Lessons	<ul style="list-style-type: none"> <li>• On planning: Participatory approach should be applied in all steps of planning and benefit sharing. If this approach is applied, then the risk of low commitment, low engagement and conflicts raising can be minimized.</li> <li>• On data management: Data on resources and clear boundaries on maps and on the ground are key for consultation during the ACMA process.</li> <li>• Technical support: while the ACMA is quite new in Vietnam and requires adequate attention. Technical support is always vital in any case, in any area, it has been implemented in pilot form in a similar form in different provinces in the NCC region</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>• On legality: Recognition of legal status of communities is new (Land law 2013 and Forest Law 2017) and needs to be deployed. Further recognition by the Civil Law would enhance their active role by securing equal rights and benefits.</li> <li>• On capacity: The capacity at all level is limited, especially on ACMA. ACMA needs certain capacity at all levels, particularly at grassroot level.</li> <li>• On coordination: The cross-sector coordination and collaboration is still limited, while ACMA need strong commitment of all relevant sectors at various levels.</li> </ul>