



Follow-up studies for the design of a REDD- compliant Benefit Distribution System in Viet Nam

UN-REDD Viet Nam PROGRAMME

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Contents

| | |
|--|----|
| Acronyms | 5 |
| Executive Summary | 7 |
| 1 Potential of Community Forestry Management for REDD+ benefit distribution | 11 |
| 1.1 Community Forestry Management: Technical and administration guidelines | 11 |
| 1.1.1 Community Forest Management Pilot Program 2006-2007 | 11 |
| 1.1.2 GTZ-supported CFM project | 12 |
| 1.1.3 KfW-supported CFM project | 13 |
| 1.2 Community fund for the start up | 14 |
| 1.3 Linking payment to performance | 15 |
| 1.4 Forest protection and management under CFM project | 16 |
| 1.5 Issues, lessons-learned, and recommendations | 17 |
| 2 Legislation and Administrative Capacity in Support of Community Forestry Management | 19 |
| 2.1 Communities' tenure rights to forest | 19 |
| 2.2 National policy on community forest protection and management | 21 |
| 2.3 Legal status of village communities | 22 |
| 2.4 Policy framework on involvement of private companies and civil society organizations | 23 |
| 2.5 Issues, lessons learned and recommendations | 24 |
| 3 Institutional arrangements for Participatory Monitoring and Evaluation | 26 |
| 3.1 Principles of the participatory M&E system | 26 |
| 3.2 Key stakeholders in participatory M&E | 27 |
| 3.3 Possible Roles and functions of key stakeholders in the participatory M&E system | 28 |
| 3.4 Conclusions and recommendations | 32 |
| 4 Decentralized approach and equity in payment distribution | 34 |
| 4.1 Inequalities in PFES revenue distribution | 34 |
| 4.1.1 Inequalities as result of quality of services | 34 |
| 4.1.2 Inequalities as the different in forest areas | 35 |
| 4.1.3 Inequalities within a community | 35 |
| 4.2 Recommendations for Auditing | 36 |
| 4.3 K factors and challenges in adoption at the local level | 37 |
| 4.4 Local government in redressing inequalities | 38 |
| 4.5 Capacity of the local government | 39 |
| 4.6 Issues, lessons learned and recommendations | 40 |
| 5 Experience with Micro-Finance Approaches in Forestry | 41 |
| 5.1 The use of micro-finance approaches in Vietnam's forestry sector | 41 |
| 5.2 Determining the appropriate level of upfront support | 44 |
| 5.3 Tying upfront support to performance | 45 |
| 5.4 Timing the upfront support | 46 |
| 5.5 Distributing the risks of forest conservation | 48 |
| 5.6 Issues, lessons learned and recommendations | 49 |

| | | |
|-------|--|----|
| 6 | Participatory Recourse Mechanism..... | 51 |
| 6.1 | Principles of recourse mechanism | 51 |
| 6.2 | Recourse mechanism approach..... | 52 |
| 6.3 | The Review of Law of complaint and denunciation | 53 |
| 6.4 | Environment protection system..... | 54 |
| 6.5 | Education for Nature – Vietnam Hotline..... | 54 |
| 6.6 | Key elements of REDD recourse mechanism..... | 54 |
| 6.7 | Design a means to track and monitor the recourse mechanism..... | 56 |
| 6.8 | Organise recourse mechanism infrastructure | 56 |
| 6.8.1 | Define the Governance Structure..... | 57 |
| 6.8.2 | Determine key elements of the institutional framework for the Recourse Mechanism | 57 |
| 6.8.3 | Involve the Community/Indigenous People..... | 58 |
| 6.9 | Issues, lessons learned and conclusions | 59 |
| 7 | Conclusions..... | 60 |
| 7.1 | Key findings..... | 60 |
| 7.2 | A road map for piloting REDD+ BDS in Vietnam..... | 61 |
| 8 | References | 63 |

Acronyms

| | |
|---------|---|
| 5MHRP | Five-Million Hectare Reforestation Programme (also the “661 Programme”) |
| ADB | Asian Development Bank |
| ADR | Alternative Dispute Resolution |
| BDS | Benefit Distribution System |
| BSP | Bank for Social Policies |
| CEMMA | Committee for Ethnic Minorities in Mountainous Areas |
| CFM | Community Forest Management |
| CPC | Commune Peoples’ Committee |
| CSDM | Center for Sustainable Development in Mountainous Areas |
| CSO | Civil Society Organization |
| DARD | Department of Agriculture and Rural Development |
| DOF | Directorate of Forestry (up to March 2010: Department of Forestry), MARD |
| DPC | District Peoples’ Committee |
| FLITCH | Forest and Livelihoods Improvements in the Central Highlands |
| FPD | Forest Protection Department |
| FPIC | Free, Prior and Informed Consent |
| FSDP | Forest Sector Development Project |
| GPS | Global Positioning System |
| GTZ | <i>Gezellschaft für Technische Zusammenarbeit</i> (German Development Cooperation) |
| GoV | Government of Vietnam |
| IUCN | International Union for the Conservation of Nature |
| JICA | Japan International Cooperation Agency |
| KfW | <i>Kreditanstalt für die Wiederaufbau</i> (German Development Bank) |
| M&E | Monitoring and Evaluation |
| MARD | Ministry of Agriculture and Rural Development |
| NGO | Non-governmental Organization |
| ODA | Overseas Development Assistance |
| PFES | Payment for Forest Environmental Services |
| PPC | Provincial Peoples’ Committee |
| PPFP | Pro-poor Forestry Project |
| RECOFTC | The Centre for People and Forests |
| REDD | Reducing Emissions from Deforestation and Forest Degradation |
| REDD+ | Reducing Emissions from Deforestation and Forest Degradation, Sustainable Forest Management, Forest Conservation, and Enhancement of C-stocks |
| TFF | Trust Fund for Forests |
| UN-REDD | United National Programme to Reduce Emissions from Deforestation and Forest Degradation |
| VFPDB | Village Forest Protection and Development Boards |
| VFPDR | Village Forest Protection and Development Regulations |
| VND | Vietnamese Dong (US\$1 = VND 19,500; October 2010) |

Executive Summary

The study on Benefit Distribution Systems (BDS) published by UN-REDD and MARD in 2010 identified four critical issues for establishing a BDS in Vietnam: (1) participation by communities in REDD+ actions; (2) further development of the legal framework on community forestry; (3) use of a decentralized approach; and (4) application of R coefficients to differentiate benefits. This report follows up on these key issues identified in the 2010 report.

Various community forestry models have been piloted in Vietnam, with important lessons for any future REDD+ efforts. In particular, lessons applicable to the piloting REDD+ BDS include: the technical and administration guidelines for forest land allocation; options for linking payments to performance; the development of forest management plans that might serve as a foundation for timber harvesting, benefit sharing and benefit distribution; on the scale of upfront investment needed for the start-up of REDD+; and the potential for sustainable forest management through combination of forest protection and sustainable harvesting. Whilst these lessons could be useful for piloting REDD+ BDS, these guidelines still need to be adapted and improved so that they can be applied effectively on the ground.

Vietnam has the legal framework and administrative structures in place to enable community-based REDD+ actions. Yet, there is also the need for certain legal refinements and administrative capacity-building. Though community forestry can provide the foundations for REDD+ actions there are still a number of constraints which may prohibit communities from receiving an equitable share of REDD+ benefits. These constraints include: a top-down approach currently used for the allocation of forest land in Vietnam; lack of formal legal status for communities, preventing them from entering into economic transactions; and the absence of a legal framework enabling and regulating the interactions between civil societal organizations, the private sector and communities. For community-based REDD+ project to make a positive contribution to forests and local welfare, national forest policy in Vietnam needs to enshrine a more comprehensive set of rights for communities to protect and manage forests, to enable communities' engagement with civil society organizations and the private sector, and to recognize communities as legal entities.

Key principles must be set up to insure the institutional arrangements of participatory monitoring and the establishment of a recourse system to ensure cost efficient management of REDD revenues. Independent monitoring of REDD+ and financial disbursements in accordance the international standards and norms is required and essential. Institutional arrangements of participatory M&E in the BDS were designed from the stakeholders' interests, tasks and functions and involvement of civil society, and also participation of an NGO. It is recommended that a new institutional framework is established to ensure proper participation of all stakeholders. It is necessary to have direct involvement of representatives from indigenous peoples groups at the grassroots level. Vietnamese civil society groups should be involved from the district level to the national level. NGOs should be involved at all levels from grassroots to national levels to safeguard efficient and equitable application of the BDS. To ensure effective use of the funds distributed a standard amount for administrative cost must be established. Quarterly reporting of funds from district,

provincial and national level must be mandated and the information verified by independent auditors. The independent auditors would ideally be a panel including a member from GoV, NGOs and other stakeholders.

Based on the experiences drawn from the implementation of the government project on Payment for Forest Environmental Services (PFES) in Lam Dong and Son La, this report highlights that REDD+ revenues, if distributed based exclusively on performance, would trigger inequalities among different localities and increase the potential for local conflicts. It's suggested that the central and provincial governments should separate environmental objectives from social concerns and could use funds from other socially motivated efforts, such as poverty alleviation programmes, to redress inequalities in the distribution of REDD+ benefits. Doing this would require central government to decentralize REDD+ implementation authority to provincial governments, and simultaneously, to build the capacity of local administrations. Furthermore, the adoption of a step-wise approach should be used when implementing REDD+ BDS as provinces differ in terms of government capacity, political will, and tenure systems.

Under REDD+, local forest managers will be required to demonstrate actual performance prior to any disbursement of benefits, yet they will also require upfront resources and incentives to engage in REDD+ actions. Drawing on experience from micro-finance approaches adopted in Vietnam's forestry sector, the report argues that front-loaded financing can be made available through saving books, with withdrawals conditional upon compliance with contractual obligations and eventual performance. Disbursements should be made periodically, in order to avoid financial leakages. Because of the risks associated with upfront financial provision, it is important to establish risk-sharing and insurance arrangements, in order to spread the risks between forest managers and other stakeholders.

This report emphasizes that Vietnam is in an excellent position to make strong progress on preparing for REDD+ actions. The required conditions are in place for the government and UN-REDD to develop a REDD+ BDS pilot project in Lam Dong, and for the government and international donors to add REDD+ BDS components to their existing community forestry pilot projects in priority locations across the country. This report has identified three priority legal and policy issues on REDD+ BDS in Vietnam: (i) forest management and protection is sustained if economic incentives given to community are secured and sufficient; (ii) legal status of village community; (iii) and linking payment to performance through R coefficient. UN-REDD Vietnam Programme should assist the government in simplifying existing procedures related to timber harvesting, and in strengthening legal status of village community. Collaboration with other agencies such as those mentioned above is important for the success of REDD+ project. The report has identified four priority issues in piloting REDD+ BDS in Vietnam. The first is community forestry management. The government should develop simple procedures to allow community to benefit not only from forest protection but also from the sale of timber harvest. UN-REDD Programme should support the government in simplifying procedures. The second is forest land allocation. The government should develop responsive procedures for the allocation of the remaining forestland particularly to local community to guarantee better benefits from the forest will be accrued to them. UN-REDD should assist the government to implement responsive

allocation in REDD+ priority areas. The third is capacity of the local government. Local government's capacity should be strengthened with supports from central government and international community including UN-REDD Programme to allow them to adopt a stepwise approach in implementing REDD+ BDS. The final is risk sharing. The risk sharing and insurance arrangements should be developed by the government, with support from UNREDD Programme and other projects so that risks associated with implementation of REDD+ could be shared between local community and other stakeholders.

It is inevitable that even the most effectively designed BDS is going to be receiving complaints. Therefore a proper and effective recourse system must be in place to deal with problems and complaints in a timely manner. There are key principles of participatory recourse mechanism to be included such as legitimate, accessible, predictable, equitable, rights-compatible, transparency. The participatory recourse mechanism includes participation of mass organizations, civil societies, local indigenous peoples and an independent Vietnamese/international NGO. The GoV should develop recourse mechanism to include the participation of indigenous people, mass organizations at grassroots level, and Vietnamese civil society organizations from district to national level, the possibly there is a participation of international NGOs at national level given the completion of essential principles such as transparency, efficiency, effectiveness, equity and participation; and importance of managing complaints to ensure the BDS reward those who deserve to be rewarded on the basis of emission reductions and to generate information that can be used to improve the BDS, a credible recourse mechanism is required. The establishment of a policy/decreed is recommended to ensure the participation of administrative bureaucracy and cooperation of an NGO. As much of the success of the UN-REDD Programme will depend on the active participation and involvement of indigenous peoples, it is essential to determine the cultural mechanisms already in place within each cultural group for dispute resolution.

1 Potential of Community Forestry Management for REDD+ benefit distribution

From the 1990s, the Vietnamese forestry sector has promoted a shift from state forestry management toward a more decentralized approach, including community forestry management (CFM), whereby forest and forest land being allocated to individual households, groups of households or entire villages for protection and management. This chapter looks into three key CFM projects implemented in the country:

1. A CFM project implemented by Department of Forestry/MARD and financially supported by Trust Fund for Forest (TFF);
2. A CFM project implemented in various locations by GTZ;
3. A CFM project funded by KfW currently being implemented in various locations.

There are some key lessons to be learned from these projects which can be applied to the adoption of CFM model in piloting REDD+ actions in Vietnam, including:

- The development of standard operational procedures/guidelines for land use planning, forest and forest land allocation, forest management planning, benefit sharing, and financial management.
- Experience with establishment and operation of community start-up funds
- Good examples of how to link payments to performance
- Understandings of how sustainable forest management through forest protection and management can increase economic incentives for local communities

However, for these lessons to be useful for a REDD+ project, the procedures and guidelines should be simplified, so that they can be more easily adopted by different stakeholders, particularly those at the local level. In addition, new skills should be promoted for both local authorities and local people.

1.1 Community Forestry Management: Technical and administration guidelines

Since the 1990s, the CFM model has been implemented across various locations in Vietnam, often with technical and financial supports from donors. The main foci of CFM have been on forest and land use planning and allocation, forest protection and management planning, and forest utilization and benefit sharing (Wode and Bao Huy 2009). Three key CFM projects are reviewed in more detail below.

1.1.1 Community Forest Management Pilot Program 2006-2007¹

With financial support from TFF, MARD's Department of Forestry implemented the "Community Forest Management Pilot Program 2006-2007" in 64 villages from 38 communes, in 10 provinces. Tenure right for a total of 17,000 ha of forest was transferred to local communities. Various activities such as land use planning, forest land allocation, benefit sharing, forest management, and financial administration were tested in the field. In

¹ This section is primarily based on the work by Enters and Nguyen (2009).

addition, Community Forest Protection and Development funds were established, with €4,000 allocated to each commune in order to motivate active community participation. The TFF-MARD project resulted in three key project achievements:

1. The establishment of a set of standard operational procedures for CFM, including land use planning, land allocation, forest management planning, benefit sharing, financial management, forest extension. Specifically, there are 12 guidelines and two circular letters issued by MARD on planning and management of CFM and regulations on the Fund utilization.
2. These standard operational procedures were approved by MARD for adoption in 40 communes. The procedures include various training programs for key stakeholders, including for the forest protection guards, and local households. Trainings were provided in the process of forest land allocation to the community, disbursement of funds, and the preparation of forest harvesting and forest management plans.
3. A handbook for community forest management was completed.

The project has produced a set of technical and administration guideline. However, as the package has not been tested, it has been considered as a living document. While the guidelines, procedures and regulations are complex and scientific, this also makes them somewhat more difficult to understand and adopt at the local level.

1.1.2 GTZ-supported CFM project

Since the mid-1990s, GTZ has been supporting the Vietnamese government to implement CFM models (Wode and Bao Huy 2009)². In the first years, CFM projects focused mainly on development and piloting technical and administration procedures for forest land allocation to individual households. Procedures were further developed in the later stage, covering those on allocation of forest land to groups of household and community. These procedures were tested then in Son La, Lai Chau, and Dak Lak provinces. Experiences from these GTZ-sponsored CFM projects served as foundation for the formulation of various government policies, such as the Decree 163 in 1999 on guidance for the allocation and leasing of forest land to organization, households, and individuals; Article 9 of the Land Law in 2003 on allocation of forest land to households and individuals with long term land use rights; and the 2004 Forest Protection and Development Law on recognition of legal status of the community.

Since 2000, GTZ supported CFM projects placed a strong emphasis on technical guidance for the development of forest management plans at grassroots levels, in order to guide communities to meet the legal requirements, and to establish legal foundation for regulated timber harvest (Wode and Bao Huy 2009). The major achievements in this area included the development of standard procedures for village forest protection and development regulations. In addition, sustainable use of forest resources was one of the key components in the GTZ-funded CFM projects, managed through combinations of forest protection and extraction. The projects tried to improve tangible benefits for local households through the commercial sale of harvested timber. The GTZ supported CFM project in Dak Lak developed guidelines for harvesting and sharing benefits generated from

² Discussion on GTZ's CFM projects is heavily drawn from the synthesis report by Wode and Bao Huy (2009).

timber harvest between communities and the state (ibid.). Insights from these initiatives aided in developing standard guidelines and policies on forest utilization and benefit sharing arrangements in CFM.

Though a number of guidelines exist which might inform potential REDD+ projects, the adoption of these procedures nationwide often exceeds the available capacity of villagers and local administration. Thus, it is important to simplify the procedures so that they can be more easily adopted on the ground.

1.1.3 KfW-supported CFM project

The German bank KfW has been supporting a number of CFM projects in different provinces of Vietnam, with the aim to improve local livelihoods and forest conditions. The main activities of the project include forest land allocation to local community, the development of community forest protection and development plans, forest management plans (for one and five years), and the clarification of rights and duties of the community with regard to forest utility and management. Typically, the KfW projects started with participatory land use planning, followed by forest inventories to measure the status and timber value of the forest. After those steps, forest rights were granted to communities with long-term contracts (50 years). Five year and one year management plans, which included sustainable timber harvesting components, were prepared and submitted to local authorities for approval. Before revenue derived from timber harvesting became available, the project financially compensated the community’s labor in forest protection.

Two important procedures were developed and tested in the project area. The first was how to link payments to the performance of sustainable forest management through combinations of forest protection and management. The second was that the project was able to develop a mechanism for forest protection with close collaboration from the project, community, local administration, and the Bank for Social Policies (Ngân hàng Chính sách Xã hội). Under this mechanism, payments to communities for forest protection were made conditional upon their forest protection outcomes. Regarding the latter, the guideline on sustainable timber harvest plan were developed by the project and tested on the ground, promoting an increase in economic incentives to local community through sustainable forest management. Details regarding the procedures for linking payment to performance and for sustainable forest management are described in this chapter and in chapter 0.

The review of three key CFM projects has demonstrated that technical and administrative procedures for doing CFM model exist in the country and can be adopted in a community-based REDD+ project. However, there is a need for improvement of procedures and capacity building for stakeholders, particularly local people and officials.

| ISSUE 1.1 Procedures of CFM implementation | |
|---|--|
| Issue to be addressed | Lack of clear and locally appropriate guidelines and comprehensive approach integrating aspects of land-use planning, forest land allocation, forest management plan, forest utility and benefit sharing arrangements. |
| Options | <ul style="list-style-type: none"> a) Adopt existing procedures nation-wide. b) Synthesize existing procedures, simplify and test them on the ground to |

| ISSUE 1.1 Procedures of CFM implementation | |
|---|---|
| | make them more locally appropriate. In addition, provide technical support to increase capacity building to local stakeholders. |
| Lesson learned | Administrative and technical guidelines exist, but these procedures are complicated and exceed capacities of local people and local officials. |
| Recommended action to GoV | Simplify procedures to make them more accessible for local authorities and community to adopt on the ground. In addition, provide training to local officials and local people |
| Recommendation to UN-REDD | Technical assistance to the government in simplifying procedures by drawing lessons-learned from past and existing CFM projects. Furthermore, provision of technical supports to improve capacity of local authorities and local people |

1.2 Community fund for the start up

Community funds have been an integral component of various CFM pilots in Vietnam in recent years³. Their experiences have been documented to a large extent, and have been used for the formulation of suitable project guidelines, even though a systematic evaluation has not yet been published.

Significant differences remain between the funding mechanisms chosen by the various pilot projects, with important implications on community ownership. Some projects, such as the TFF-funded CFM project, have created accounts for village communities under the administrative oversight of Commune People's Committees. The accounts enable village communities to draw on funds transferred from external organizations for certain, pre-defined activities. These funds remain part of the state-budgeting system, however, and do not allow village communities to exercise full ownership over them. Other projects, such as the KfW-6 project, have opened accounts with the Bank for Social Policies (BSP) for communities. The accounts name the head of the Village Forest Protection and Management Board as the account holder, yet also include procedural safeguards to prevent the abuse of funds.

Thus, in contrast with forest management planning, timber harvesting and benefit sharing procedures, there may not be sufficient field experience with the use of community funds. There is no document or framework one can draw upon in order to evaluate and compare performance of community funds with a particular focus on the benefits and costs of promoting community-based actions. As existing approaches differ significantly from each other and have not been evaluated yet, there is the need to identify best practice before the enactment of supportive policy.

| ISSUE 1.2 Mechanism for REDD+ BDS and Community fund distribution | |
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| Issue to be addressed | A number of CFM pilots have generated valuable experience with the use of community funds to manage grants allocated by the government and revenues gained from community logging. There is a need now for MARD to issue corresponding regulations on community funds. |
| Options | a) Make guidelines developed under the TFF-CFM project applicable across |

³ Among others, the TFF-funded CFM project, GTZ projects in Dak Lak and Dak Nong, KfW-6 project, and ADB-funded Livelihood Improvement and Ethnic Minorities Development Plan for the Central Highland Areas.

| ISSUE 1.2 Mechanism for REDD+ BDS and Community fund distribution | |
|--|---|
| | Vietnam. b) Endorse provincial authorities to formulate regulations on community funds. c) Review existing experience from CFM pilots, identify good practice and develop enabling regulations on community funds. |
| Lessons learned | There is significant experience with the use of community funds in CFM. Yet there are also significant differences among the approaches developed under CFM pilots, particularly with regards to communities' ownership of the funds. There is a need to evaluate experience with community funds and identify good practice. |
| Recommended action to GoV | Initiate review of experience with community funds in TFF-PPFP and ODA projects, involving representatives from all levels of government and major CFM donors, identify good practice and develop enabling central regulations on the establishment and management of community funds. |
| Recommendation to UN-REDD | Provide technical assistance to the review, identification of good practice, and formulation of regulations. |

1.3 Linking payment to performance

For REDD+ to work well, forest managers should only be financially rewarded for their emission reductions. However, experience in Vietnam, from Program 661, the TFF-funded CFM project, and the recent Payment for Forest Environmental Services (PFES) mechanism, have shown that payments under these projects are not clearly tied to the performance (UN-REDD and MARD 2010; Enters and Nguyen 2009; Gilmour and Doan 2008). In Ban Yen village of Hoa Binh province, payment to the community for forest protection under Program 661 was equally distributed to all existing households including some who did not have the land (To 2007). After the payment, no change in the way villagers used and managed the forest was observed as compared to their activities prior to the payment (ibid.). Also under Program 661, natural forest in Thanh Cong village of Phu Tho province was allocated to the village community for protection. However, villagers did not change the way they used the forest despite the payment paid to them (ibid.). In Lam Dong and Son La province where government PFES projects have been piloting, many forest users do not change the way they use and protect the forest despite the payment.⁴

Failure to link payment with performance is attributed to two main reasons. First, it can be hypothesized that the levels of payments to the forest users are not high enough to motivate a fundamental change in forest user behaviour. This is particularly in the areas like Lam Dong and Son La where opportunity costs are high.⁵ In Son La, the household with the least payment from PFES scheme only obtained 12,500 VND/year (\$0.6 US). This is the same amount paid to one hectare of forest as PFES payment in some areas in Lam Dong province before PPC adjusted payment (personal communication with a senior staff from MARD). Secondly, the mechanisms for enforcement of performance-based payment are not yet in place. To date, there have been no assessments of the quality and quantity of environmental

⁴ Nguyen and Hess (2010) claim that the implementation of PFES has contributed to the 15% decrease of poverty incident and 50% of illegal wood cutting in the piloting sites in Lam Dong. Following the authors, payment to 1 ha of forest in Lam Dong and Son La is \$15 US and \$8 US respectively; each household in Lam Dong in the project area obtains \$439 US whereas in Son La is \$61 US. These figures may be misleading as the different in forest area among the households are not taken into account.

⁵ Lam Dong and Son La are the places where the land and climate are very suitable for cash crop and corn production.

services provided by the forests before and after the payment. So far, efforts have been focused on the functioning of payment structure rather than evaluation of the services.

However, the KfW-6 project has been able to link payment to performance. Compensation is provided for the labour involved in forest protection. Payments are made conditional through the BSP, and payment are only made if local communities can demonstrate an improvement of forest conditions as a result of their protection efforts, as assessed by a third party. The project pays money to the community to an account opened in the BSP with the head of the community as the account holder. To avoid the misuse of funds, withdrawal of money from the bank is made dependent not only on their performance but also on the approval from local authorities. Payment is subject to suspension if the community does not comply with project requirements.

| ISSUE 1.3 | |
|----------------------------------|---|
| Payment-based performance | |
| Issue to be addressed | Most of the existing payment schemes such as Program 661 or PFES are not performance-based thus have a risk that payment does not lead to the maintenance or enrichment of ecosystem services. |
| Options | <ul style="list-style-type: none"> a) REDD+ payment is made the same way with that under 661 Program or PFES with no linkage between payment and performance b) REDD+ payment is closely tied to performance such as those adopted by KfW-6 project |
| Lesson learned | KfW-6 provides a good example for the performance-based payment through the CFM model. Success from this model is strongly dependent on the supportiveness of local authorities, technical and financial support from external actors to help with bureaucratic procedures and requirements |
| Recommended action to GoV | Implementing REDD+ BDS using lessons-learnt from payment-based performance derived from KfW-6 project |
| Recommendation to UN-REDD | Providing technical assistance for up-scaling the payment-based performance model in a REDD+ project |

1.4 Forest protection and management under CFM project

The social and financial costs involved in transacting the business associated with CFM, such as the time spent at meetings and the direct labour inputs needed to carry out forest inventory, forest protection, and tree planting, can be quite substantial for local communities (Gilmour and Doan 2008). There are opportunity costs associated with these requirements that are quite significant, particularly for the poor (ibid.).

Oftentimes, forests allocated to local communities under CFM projects are of poor quality. Consequently, it is difficult for local communities to derive a considerable material benefits from the forests (Gilmour and Doan 2008; Wode and Bao Huy 2009). Under the TFF-funded CFM project for instance, the forests handed over to communities were relatively small and of mostly poor quality. Only two out of 64 villages engaged in the project received forests classified as 'rich', amounting to only 242 ha. out of a total of 17,000 ha allocated. In addition, about 55 percent of the forests allocated to the 64 villages were designated for protection purpose, and thus no harvesting was permitted. In other words, little or no benefits from forest products are accrued to local communities, and this surely acted to discourage of community participation in the project.

Sustainability of forest protection is dependent on economic incentives provided to communities (Wode and Bao Huy 2009). In the context of Vietnamese CFM, the economic incentives generated from forest protection are usually not sufficient or sustainable. The implication is that a sustainable timber harvest from natural production forest is needed to provide sufficient incentives for local communities (ibid.). A good example of this kind can be found with the KfW-6 project. The project has been working with local authorities and communities to integrate forest management into CFM. Under the project, the community in Phu My commune of Binh Dinh province was allocated 364 ha of natural production forest. The project provides 36.4 million VND (\$1,900), or 100,000 VND/ha, as annual payment to the community to compensate for the community labour contributed to forest protection. As the community has been able to demonstrate the improvement of forest quality as a result of their protection effort, sustainable timber harvest is currently being permitted by the local authorities. During a field visit in August 2010, the community with support from the project was preparing a timber harvesting plan to be submitted to district and provincial governments. Estimate shows that about \$12,000 from timber sale will accrue to the community.

Allocating natural production forest to local communities, and then allowing the communities to benefit from sustainable timber sales, has been adopted by various CFM projects in Vietnam (Bao Huy 2009). Better economic incentives to local community through forest protection and management would encourage further actions toward better forest protection and conservation.

| ISSUE 1.4 Forest protection and management under CFM program | |
|---|---|
| Issue to be addressed | Forest protection and management can only be sustainable if economic incentives given to community are sufficient and long-term. Payments to community from forest protection are usually small thus fail to protect the forest. CFM with forest management and protection aspects can provide better incentives to local community. However, existing procedures for sustainable timber harvest are still cumbersome and bureaucratic. |
| Options | <ul style="list-style-type: none"> a) Community-based REDD+ project is designed in a way that focuses primarily on forest protection and is independent from other existing CFM initiatives. b) Community-based REDD+ project is piloting in the area where CFM with both forest protection and management exists, with procedures for sustainable timber harvest simplified and adopted. |
| Lesson learned | Combination of forest protection and management in CFM, as demonstrated in the KfW-6 project, shows the potentials in providing high economic incentives for community thus better forest |
| Recommended action to GoV | Simplifying cumbersome and bureaucratic procedures those related to timber harvest, and institutionalizing sustainable timber harvest. The government should pilot community-based REDD+ project following the option b. |
| Recommendation to UN-REDD | Technical assistance to the government in simplifying timber harvest procedures and institutionalizing timber harvest. Helping the government in selecting community for implementing community-based REDD+ project. |

1.5 Issues, lessons-learned, and recommendations

This chapter has shown the potentials of CFM in implementing REDD+BDS in Vietnam.

- The existing experience from CFM projects, particularly standard operational procedures/guidelines for land use planning, forest and forest land allocation, forest management plans, benefit sharing, and financial management.
- The existing experience of establishment and operation of community fund for start up
- An example of how to link payment to performance.
- Insights into how sustainable forest management can be achieved through forest protection and management, through better economic incentives offered to local community.

Although procedures exist to expedite the above, they are complicated and the adoption of the policies goes far beyond the capacity of most local officials and communities. As a result, there is a need to synthesize and simplify the procedures to make them more locally appropriate and understood, and thus earlier to apply at the ground level. In addition, capacity building for local officials and community is likely required. Table 1-1 summarizes issues, lessons learned and suggests some further recommendations.

Table 1-1: Issues, lessons-learned, and recommendations

| Issue | Lessons learned | Recommendation to the GoV | Recommendation to the UN-REDD Programme |
|-----------------------------------|---|--|--|
| Procedures | Administrative and technical guides on CFM exist and show potentials for implementation of community-based REDD+ project. But existing procedures are complicated thus difficult to use at the local level. | Synthesizes and simplify procedures to make them more locally appropriate. Provide trainings to local officials and community. Pilot a community-based REDD+ project in the area where CFM exists. | Assist the government in improving procedures. Provide technical trainings to selected trainers, officials and some local communities. |
| Community fund | Experiences in establishment and operation of community funds exist. However, lessons learned from characteristics of the funds and benefits and costs of promoting community-based actions are absent. | MARD should issue corresponding regulations on community funds. | Technical assistance to review, identify of good practices and formulation of regulations. |
| Linking payment to performance | Existing payment schemes are not performance-based thus have a risk that no additionality is produced as the result of payment. | Implementing REDD+ BDS using the conditional payment mechanism similar to that adopted by KfW-6 project. | Technical assistance provided to the implementation. |
| Community-based forest management | Forest is sustainably protected if economic incentives given to community are sufficient and long-term. CFM with forest protection and management aspects could provide higher incentives to community | Simplify cumbersome and bureaucratic procedures those related to timber harvesting and then institutionalize these procedures. | Technical support to the government. Help the government to test improved procedures on the ground |

2 Legislation and Administrative Capacity in Support of Community Forestry Management

The GoV has recognized CFM over the past decade for its potential to contribute to sustainable forest management. The 2004 Forest Protection and Development Law enables the allocation of forest land to local households, groups of households and village communities. The 2006 Forest Development Strategy names the promotion of CFM as a priority action until 2020. By the end of 2009, local communities held land use rights to more than one quarter of all forest land in Vietnam. Various pilot projects, including the large pilot program implemented by the Department of Forestry with funding by the TFF have developed procedures for community forest management (see Chapter 1). Nonetheless, the procedures have yet to be translated into an enabling policy framework and supportive administrative structure for the large-scale promotion of CFM in Vietnam.

Drawing on a review of good practice from other countries (e.g., Edmunds and Wollenberg 2003; Larson et al. 2010), this chapter starts from the premise that CFM can provide the foundations for REDD+ actions if the following conditions are in place:

- Communities hold tenure rights for forest land either as through individual titles or a single collective title.
- National policy enables village communities or household groups to protect *and manage* forests collectively.⁶
- Village communities or household groups can register as legal organizations in order to enter into contractual relations with third parties.
- National policy enables and regulates a variety of actors, including state entities, private companies, and civil society organizations (CSOs), in their interactions with local communities managing forests.

The chapter briefly reviews the situation in Vietnam with regards to each aspect to identify key issues, lessons learned and options for the implementation of community-based REDD+.

2.1 Communities' tenure rights to forest

Local communities are the largest forest tenure group in Vietnam next to Protected Area Management Boards. Local people hold individual and collective rights to 26 percent of the country's total forest area of 13.1 million hectares (see Figure 2-1). Another 18 percent of the forest area is currently under temporary management of communal authorities. This

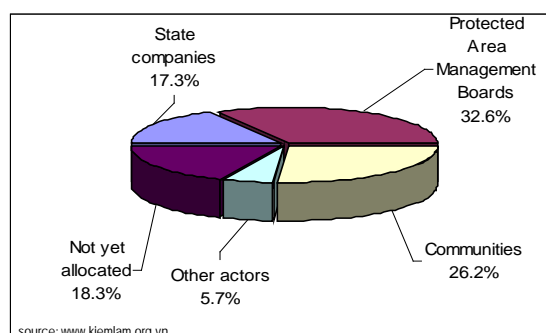


Figure 2-1: Forest land tenure in Vietnam.

⁶ Note that forestland allocation to individual households does not preclude collective forest management in groups or village communities. The collective management of individually-owned forests is a common phenomenon in many countries.

area is expected to be partially or wholly allocated to local people in the future.

Legislation and technical procedures are in place for the allocation of forest land to communities (Wode and Bao Huy 2009). The 2004 Forest Protection and Development Law enables the allocation of forest land to local people in various forms: individuals households, groups of households, and village communities. Circular 38 from 2007 provides comprehensive procedures for forest land allocation and forest inventories, which require the participation of local people and match the human and financial resources available to local authorities. The procedures have been applied in various pilot projects, including the TFF-funded CFM project implemented by Department of Forestry within its regular operations.⁷

The key question is about the allocation of the 18 percent of Vietnam’s forest area that is currently under temporary management of communal authorities (Nguyen et al. 2010). What actors will be eligible to receive forest land? The 2006 Forest Development Strategy states targets of 2.5 million ha and four million ha of forest land to be allocated to village communities by 2010 and 2020, respectively. These targets imply that virtually all the unallocated land (plus some forest land currently allocated to other actors) would be allocated to village communities, which may neither be feasible nor match local people’s preferences. Local people may prefer allocation to individual households, even where they want to manage forests in groups or the village collective (UN-REDD and MARD 2010, particularly Chapter 5). The targets specified in the Forest Development Strategy also reflect ongoing practice in forest land allocation, in which targets set at the central or provincial level are implemented locally in campaign-style programs. An alternative to this top-down approach would be a responsive mode, which facilitates local communities the opportunity to apply for the allocation of forest land in a bottom-up process.

| ISSUE 2.1 Allocation of remaining forest land | |
|--|---|
| Issue to be addressed | The GoV has already allocated 26% of Vietnam’s forest land to local communities. Another 18% are available for further allocation. The question is what portion of the remaining forest land should go to local communities, in what form (households, groups or village communities), and by what procedures. |
| Options | <ul style="list-style-type: none"> a) Allocate all remaining forest land to village communities in reflection of the targets defined in the 2006 Forest Development Strategy. b) Allocate the remaining forest land in various forms according to quotas or criteria decided at the central or provincial level. c) Allocate the remaining forest land in various forms in response to applications submitted by local people to district authorities. |
| Lessons learned | It is important to consider local people’s priorities, as they have variable preferences for the form of allocation. They may prefer individual allocation even where they manage forest in groups or in the village collective. |
| Recommended action to GoV | Develop responsive procedures for the allocation of the remaining forest land under which local people submit applications for the allocation of specific forests and district authorities decide about the applications. |
| Recommendation to UN-REDD | Assist the GoV to design and implement responsive forest land allocation in REDD+ priority areas. |

⁷ The one key remaining procedural issue is the harmonization of FLA procedures between MARD and MoNRE (Wode and Bao Huy 2009: 19).

2.2 National policy on community forest protection and management

The GoV has made significant progress on defining and implementing national policy on the *protection* of forests by local communities. Circular 70 (promulgated in 2007 and replacing Circular 56 from 1999) provides clear guidelines for the development of Village Forest Protection and Development Regulations (VFPDRs). Such regulations are now found in many villages throughout Vietnam, as are Village Forest Protection and Development Boards (VFPDBs).⁸

Progress has been much more limited on policy that enables local communities to get involved in the *management* of forests, even though CFM pilots have developed and tested suitable procedures (Wode and Bao Huy 2009). The applicable procedures for forest management planning, timber harvesting and benefit sharing are too cumbersome for communities, as they have been designed with a view towards large-scale operations undertaken by silvicultural engineers. At the same time, the CFM pilots funded by KfW and GTZ have demonstrated the ability of local communities to develop forest management plans, harvest timber and receive a share of forest benefits given appropriate support from outside (see Chapter 1). Corresponding guidelines exist and have all been approved by provincial authorities and MARD for application in the project areas.

MARD is in a good position to utilize existing project guidelines as a basis for the formulation of enabling policy on forest management planning, timber harvesting and benefit sharing for community forestry. For example, the final evaluation of the TFF-funded CFM project concluded that MARD should develop suitable CFM policy on the basis of the guidelines developed by the TFF-funded CFM project and donor projects (Enters and Nguyen 2009), a conclusion that resonates with the key recommendations of a GTZ-commissioned review (Wode and Bao Huy 2009) and a policy brief published by RECOFTC – The Centre for People and Forests (Nguyen Quang Tan et al. 2010). The establishment and operation of community funds is the only CFM component where there is a need for further pilots and systematic evaluation. Because existing approaches differ significantly from each other and have not been evaluated yet (see Chapter 1), there is the need to identify good practice before the enactment of enabling national policy. Developing appropriate national policy on community funds will be a critical precondition for large-scale REDD+ action.

| ISSUE 2.2 Policy on community forest protection and management | |
|---|--|
| Issue to be addressed | MARD has defined and implemented policy on forest protection, yet has still to issue corresponding policy on community forest management, although project-specific guidelines have been approved. Communities require a policy framework that enables forest protection <i>and</i> management. |
| Options | <ul style="list-style-type: none"> a) Make guidelines developed under TFF-funded CFM project applicable across Vietnam. b) Endorse provincial authorities to formulate regulations on community forest management. c) Review existing guidelines from TFF-funded CFM project and ODA projects to develop national policy that enables and delimits the guidelines |

⁸ Problems remain, however, because of the inability of communities to fine violators and, in many situations, call upon local forest protection officers for effective law enforcement support (Wode and Bao Huy 2009; Hughes 2008).

| ISSUE 2.2 Policy on community forest protection and management | |
|---|--|
| | formulated by provincial and local authorities. |
| Lessons learned | Even though CFM pilots in a number of provinces have produced a number of guidelines approved by MARD, there is an urgent need to assist MARD in the formulation of enabling national policy. The use of community funds needs further evaluation and identification of good practice. |
| Recommended action to GoV | Initiate review of existing guidelines from TFF-funded CFM and ODA projects, involving representatives from all levels of government and major CFM donors and learning from local experiences, to develop enabling policy framework. |
| Recommendation to UN-REDD | Coordinate with other donors about the provision of technical assistance to the review and policy formulation. |

2.3 Legal status of village communities

Village communities have not been recognized as legal organizations under the 1995 and 2005 Civil Codes. This lack of legal recognition has been a major barrier for the promotion of community forestry in Vietnam. Some of the problems have been resolved by the 2003 Land Law and 2004 Forest Protection and Development Law, as they allow the allocation of forest land to village communities. In addition, CFM projects have commonly formed VFPDBs in accordance with the national policy and developed clear regulations on the formation and operation of the boards. The boards have allowed village communities to enter into contractual arrangements with state entities, such as Forest Protection Units, and receive payments from them. Nevertheless, these advances have been limited to the administrative field, not resolving village communities' inability to engage in any transactions outside the state sector. For example, they cannot hold bank accounts, charge users fees for the extraction of forest products, sell timber directly to traders, or be held accountable for violations against forest protection contracts. Consequently, senior policymakers have expressed concerns about communities' ability to receive REDD+ benefits due to the lack of legal recognition (IUCN 2010).

CFM projects have developed various kinds of ad hoc solutions in response to the lack of legal recognition (see Chapter 1), yet these have often prevented village communities from taking up a more independent role. For example, it is common practice in CFM projects to establish 'community funds' under the oversight of communal authorities (e.g. in TFF-funded CFM project and ADB-funded FLITCH), which bears problematic consequences for village communities' ability to exercise ownership over the funds supposedly given to them (see Chapter 1). Another illustration comes from community logging in the GTZ and KfW-6 pilots, where communities had to sell timber via local authorities as they could not sell directly to traders. The lack of legal recognition thus keeps communities tied to local state authorities in a vertical relationship of dependence, effectively preventing them from taking on a more independent role as partners.

The limitations of these ad hoc efforts demonstrate the necessity to develop a simple procedure through which village communities can register as legal organizations. Suitable procedures exist in other countries, such as *ejidos* and community forestry enterprises in Mexico (Bray et al. 2005). In Vietnam, village communities may be able to register as cooperatives, using their forest tenure rights to contribute the required assets and

developing the VFPDBs into an acceptable organizational structure (Group of Community Forestry Specialists 2008; Nguyen Ba Ngai 2009; IUCN 2010).

| ISSUE 2.3 Legal status of village communities | |
|--|--|
| Issue to be addressed | Village communities can receive forest land under the 2004 Forest Protection and Development Law, yet they are not recognized as legal entities under the Civil Code. Lack of legal recognition constrains the ability of communities to engage in civil transactions. |
| Options | a) Continue to deal with the lack of legal recognition through ad hoc solutions. b) Change the Civil Code to recognize village communities. c) Simplify existing procedures to incorporate village communities as legal organizations under the Civil Code, for example as cooperatives. |
| Lessons learned | Village communities' lack of legal recognition has been a major barrier to the promotion of CFM in Vietnam for the past decade. A few CFM pilots have developed ad hoc solutions, yet those do not look suitable for up-scaling. Changes to the Civil Code would require major legislative action. |
| Recommended action to GoV | MARD should work with the Ministry of Justice to simplify the existing procedures for the registration of village forest cooperatives under the Law on Cooperatives. |
| Recommendation to UN-REDD | Provide technical assistance to MARD and Ministry of Justice on the development of a simple procedure for the registration of communities. |

2.4 Policy framework on involvement of private companies and civil society organizations

The promotion of CFM in Vietnam continues to rely to a large extent on state entities, particularly MARD, provincial DARDs, and district-level Forest Protection Units, and international donors (cf. Enters and Nguyen 2009). The heavy reliance on the state sets Vietnam apart from many other countries with significant CF. CSOs provide crucial support to local communities in many countries, such as Nepal and India (e.g. Springate-Baginski and Blaikie 2007). The private sector also offers important services and market outlets to local communities in some countries, such as Mexico and Indonesia (e.g. Bray et al. 2005).

In Vietnam, there is incipient experience with the involvement of CSOs in CFM. Some CSOs, such as the Center for Sustainable Development in Mountainous Areas (CSDM), have developed new ways of working with local communities on forest management, providing training in critical areas of forest management and helping local communities to deal with local authorities. Yet in the absence of any significant documentation or evaluation, it remains unclear if and how communities have benefitted from their engagement with CSOs. It is even unclear how many CSOs, and what kinds of CSOs actually provide what kinds of services to communities in forest management. Moreover, there has been no attempt to develop policy that enables and regulates communities' engagement with CSOs in forest management.

Similar observations apply to the dealings of local communities with private companies. Private companies commonly supply seedlings and other inputs for local communities' tree plantations or contract local people for the management of tree plantations. They are a major source of demand for the timber and wood produced by village communities managing

forests. At the same time, local people frequently report problems in their dealings with the private sector. An example of these problems is that village communities of Dak Lak and Dak Nong experienced significant problems to attract private sector participation in timber auctions.

The need to enable and regulate local people’s engagement with the private sector and CSOs will be even more urgent under REDD+. Village communities will require supportive relations with private companies and CSOs if they want to participate in REDD+ actions in an effective and equitable manner, considering the novelty of REDD+ and the expected level of technical skills required.

| ISSUE 2.4 Enabling and regulating CSOs and private companies | |
|---|--|
| Issue to be addressed | Communities cannot be expected to manage forests all on their own. They require support not only from the state and international donors but also CSOs and private companies. Yet the promotion of CFM in Vietnam has relied on the state and donors to a large degree. |
| Options | a) Continue to tolerate involvement of CSOs and private companies in CFM in unregulated manner. b) Issue central regulation on local communities’ engagement with CSOs and private companies. c) Initiate consultation process with representatives from all levels of government, major CFM donors, CSOs, and private companies on the development of enabling regulations. |
| Lessons learned | The GoV has so far not paid attention to the involvement of CSOs and private companies in CF. This has allowed some CSOs and private companies to develop new ways of supporting local communities, yet it has also led to complaints by local people over companies’ practices. |
| Recommended action to GoV | MARD should initiate a consultation process with representatives from all levels of government, major CFM donors, CSOs, and private companies on the development of enabling regulations for the involvement of CSOs and private companies in CFM through the Forest Sector Support Partnership. |
| Recommendation to UN-REDD | Coordinate with other donors about the provision of technical assistance to the review of how communities have or have not benefitted from their engagement with private sector and CSOs and development of enabling regulations. |

2.5 Issues, lessons learned and recommendations

This brief overview demonstrates that the GoV has made major progress on the recognition of CFM over the past decade. The two key conclusions for future REDD+ action in Vietnam are:

1. Vietnam’s forest policy supports the establishment of community-based REDD+ pilots.
2. The nation-wide implementation of REDD+ actions will require further action at the national policy level.

More specifically, this chapter has found:

- Local communities hold tenure rights to 26 percent of Vietnam’s forest land already and may receive a significant portion of the 18 percent awaiting allocation.
- Suitable procedures for community-based forest protection are implemented nation-wide, and existing project-specific procedures for forest management planning, timber

harvesting and benefit sharing provide the foundations for the formulation of an enabling policy framework. Community funds require further piloting, systematic evaluation and identification of good practice before the formulation of enabling policy.

- The GoV has yet to develop simple procedures for the registration of village communities as legal organizations.
- A policy framework enabling and regulating local communities' engagement with CSOs and private companies is absent due to a general lack of documentation and evaluation.

The chapter has identified four key issues, summarized corresponding lessons learned and developed recommendations to the GoV and UN-REDD, as summarized in Table 2-1.

Table 2-1: Priority issues for legislative and policy framework

| Issue | Lessons learned | Recommendation to the GoV | Recommendation to the UN-REDD Programme |
|-------------------------------------|--|---|--|
| Forest land allocation | Need to consider the priorities of local communities for the form of allocation. | Develop responsive procedures for the allocation of the remaining forest land. | Assist the GoV to implement responsive allocation in REDD+ priority areas. |
| Forest protection & management | The existing CFM guidelines (except those on community funds) provide the basis for the formulation of enabling policy. | Review guidelines with stakeholders to develop enabling policy. Test community funds further. | Coordinate with other donors about technical assistance. |
| Legal status of village communities | Village communities' lack of legal recognition has been a major barrier to CFM. | Develop a procedure for the registration of village communities as legal organizations. | Provide technical assistance. |
| Role of CSOs and private companies | CSOs and private companies have developed working relations with communities, yet there is little knowledge of outcomes. | Consult relevant stakeholders on policy enabling and regulating CSOs and private companies. | Coordinate with other donors about technical assistance to consultation process. |

3 Institutional arrangements for Participatory Monitoring and Evaluation

This section describes the principles, mandates of national stakeholders and the design of institutional arrangements for participatory M&E for REDD+ benefits sharing in Viet Nam. The participatory M&E system will follow the same key principles identified for the BDS. Following stakeholders' interests, tasks and functions, the participatory M&E system can become a sustainable and efficient element of the BDS. Both the internal and external M&E system are discussed in this section, as well as institutional arrangements for the participatory M&E framework.

3.1 Principles of the participatory M&E system

Different options are being discussed internationally for monitoring, reporting and verification (MRV) that balance participation and ownership by stakeholders with enhanced transparency and accountability. The optimal approach depends on the aims and the interests of the users amongst following points:

- The benefits of the REDD+ program are shared equitably among all stakeholders and rights holders.
- The REDD+ program contributes to sustainable livelihoods and poverty alleviation for forest-dependent peoples.
- The REDD+ program contributes to broader sustainable development and good governance objectives.
- All relevant stakeholders and rights holders are able to participate fully and effectively in the REDD+ program.
- All stakeholders and rights holders have timely access to appropriate and accurate information to enable good governance of the REDD+ program.

The principle that determines the acceptability of REDD+ is the effectiveness of the program in reducing emissions and enhancing removals. In this context, international REDD+ revenues will be distributed on a transparent, clearly explained and understandable and equitable basis. The incentives are directed to influence the practices and behaviors of the stakeholders at the lowest feasible level, down to local communities and local government as much as possible. The revenues retained by central government and sub-national entities will only cover their costs of administering the revenue distribution system. REDD+ revenues contribute to sustainable livelihoods and poverty alleviation for forest-dependent peoples. All relevant stakeholders and rights holders are able to participate fully and effectively in REDD+. All stakeholders and rights holders have timely access to appropriate and accurate information to enable good governance of REDD+. The relevant commercial monitoring and financial checks and balances will be required.

The key principles include:

- Efficiency
- Transparency
- Equity
- Participation

A REDD-compliant Benefit Distribution System must therefore satisfy each of these key principles, and monitoring must provide the basis for demonstrating that each principle has been satisfactorily addressed. This implies that there need to be monitoring functions, as shown in Table 1, below:

Table 3-1: Monitoring functions in a REDD-compliant Benefit Distribution System

| Type of monitoring | Key principle addressed |
|---|--|
| Cost efficient management of REDD+ revenue | Efficiency |
| Independent monitoring of REDD+ activities and financial disbursement | Relevance, Effectiveness, Transparency, Equity and Participation |

3.2 Key stakeholders in participatory M&E

In the internal M&E system, the administrative unit and independent auditors are able to participate in the M&E system. In state organizations, DARD, FPD and VNFOREST could be involved in the development of the database related to BDS implementation. However, the financial data will need to be verified by independent auditors, so it is very important that the auditors could provide certification of accurate process to ensure the cost efficient management of REDD+, while the administrative process has to collect, verify and store data about the implementation. It is consistent with functional properties of and the direction of the administrative unit.

At the independent side of the M&E system, there is a need to involve the people council and fatherland front/mass organizations from grassroots level. More importantly, the civil society acting as non-state actors and media will have to engage to ensure the independent aspects.

Vietnamese provinces are controlled by a People's Council, elected by the inhabitants. The People's Council appoints a People's Committee, which acts as the executive arm of the provincial government. Each People's Council has a Standing Committee made up of the Chairperson and his/her deputies, who are elected from among the representatives in the People's Council. Citizens are eligible to vote in People's Council elections from when they are aged eighteen, but cannot stand for election until they are aged twenty-one. To become a candidate, one can either nominate oneself or be selected by the Vietnamese Fatherland Front.

The Vietnamese Fatherland Front (Mặt Trận Tổ Quốc Việt Nam) is an umbrella group of pro-government "mass movements" in Viet Nam, and has close links to the Communist Party of Vietnam (CPV) and the Vietnamese government. The Front is described by the Vietnamese government as "the political base of people's power." It is intended to have a significant role in society, promoting "national solidarity" and "unity of mind in political and spiritual matters." Many of the government's social programs are conducted through the Front. Recently, it has been given a role in programs to reduce poverty. The Front is also responsible for much of the government's policy on religion, and has the ability to determine which religious groups will receive official approval. Surely more importantly, the Front is intended to supervise the activity of the government and of government organizations.

Because the Front is based around mass participation and popular mobilization, it is seen as representative of the people, and both Viet Nam's constitution and laws give it a special role.

According to Shozo Sakata⁹ (2006), mass-organizations in Viet Nam have traditionally been essential political actors in rural areas, but today they are beginning to become important development partners for governmental agencies as well as international donors. There are four major mass-organizations, namely the Viet Nam Farmers' Union (hereunder called Farmers' Union), the Viet Nam Women's Union (hereunder called Women's Union), the Ho Chi Minh Communist Youth Union (hereunder called Youth Union) and the Viet Nam Veteran's Association (hereunder called Veteran's Association). These four organizations can be found in almost all rural communes in Viet Nam, have similar four layered organizational structures from central to rural levels, and are committed to implementing lending poverty reduction activities at local level (Hai DO, 2008). Mass-organizations have played more practical roles in socio-economic development by delivering social services instead of the government (Hai DO, 2009).

The concept of civil society and NGOs is new in Viet Nam. Most scholars agree that civil society in Viet Nam is weakly organized although there are a number of forms of communities set up voluntarily by people at the grassroots level to manage natural resources and development for a sustainable livelihood. As observed, there are some newly established local NGOs who are willing to participate in the M&E system. However, the local NGOs lack capacity to work on this. The role of local communities in monitoring of results and expenditures has not been realized yet, because decision-making mainly takes place at provincial levels, while the projects lack the flexibility to accommodate local people's inputs. Besides, local people have little information on what they expect in terms of projects' activities. Many types of socio-organizations currently exist in Viet Nam, four main types are particularly significant at the moment: mass organizations (MOs), professional associations (PAs), Vietnamese NGOs (VNGOs) and community-based organizations (CBOs). All of these organizations are regarded as being part of Vietnamese civil society and are collectively called "civil society organizations" (CSOs) (VASS¹⁰, 2009).

The fuller the participation, the better the quality of participatory M&E system; actually, this ensures no overlap between implementation and supervision. It is also consistent with functionality and less costly; if to bring full participation of different key stakeholders, the local communities have to engage in the M&E system. By this, each member of fatherland front has to contribute the responsible target in each dimension. For example, the women's union will responsible for gender impact analysis.

3.3 Possible Roles and functions of key stakeholders in the participatory M&E system

Policy makers in MARD agreed upon the participatory monitoring of Vietnam REDD+ BDS recommendations, they already preferred the Option 1 "Accept the value of

⁹ Shozo Sakata (2006). *Changing Roles of Mass-organisations in Poverty Reduction in Vietnam*. Actors in Poverty Reduction in Vietnam : pp. 49-52.

¹⁰ VASS : Vietnam Academy of Social Sciences

participatory monitoring and embrace the concept as a means of enhancing transparency and equity”.

For internal monitoring, the regular update of database plays an important role at project units. It has to go along with an internal management information system of the administration at the three levels province, district, and commune where the BDS locates. Possibly, district administrative levels will be involved in the update of information on M&E of BDS. The legal framework¹¹ is favorable for this role which is set up in the administration to establish the information channel on the BDS. The People Committee and its bureaucracy is an executive organ responsible for continuous process monitoring of the socio-economic development plan. By Law of People Council and People Committee, People Committees have to be responsible for implementing the resolutions of People Councils at the same level to ensure the direction and implementation. So they can take charge of roles to measure the outputs on M&E in the BDS.

The internal M&E system will have to provide information needed for management, in order to lead the implementation of the BDS led by the Committees. Especially the process monitoring is to update the input information for managerial decision-making of the BDS. However, there is no doubt that the management of information systems is weak at the administration level (such as local FPD). It is certain that it is not well developed from forest managers to local FPD and People committees. If the M&E information is fragmented, not systematized to record within the M&E framework, the internal monitoring of the BDS is not meeting the demand. Therefore, there is a need of independent auditors to be involved in the process to ensure the accurate information provision.

In independent monitoring, it is necessary to ensure transparency, equity and participation, so there is a need to involve as much as possible the civil society to engage in the participatory monitoring system. The civil society involvement could bring the positive outcomes both for policy and program (Hai Do, 2009). The People Council can play a role in independent monitoring¹². The independent monitoring of People Council could be done through the action plan of independent monitoring, and Resolutions of People Council. The people council will establish the action plan of independent monitoring and evaluation of the BDS under the implementation of a Resolution of People Council. The independent monitoring and evaluation action plan works through getting in touch with the voters in coordination with Fatherland Front to conduct the independent monitoring and evaluation for at least two times a year during the meeting session. Possibly, the report on M&E of the BDS has to be reviewed by the People Council with full participation of fatherland front and mass organizations such as women union, famer association and veteran association.

There is a priority need of participatory discussion on core indicators of outcomes and impacts of the BDS at the grassroots people council including indicators selection, data collection methods and analysis (what and how to measure) whereas there is a need to involve the civil society to work out the set of indicators, frequency of monitoring, work

¹¹ Clearly stated in Decision 555/2007/QĐ-BKH (30/5/2007) about promulgating the M&E framework, based on results of implementation of socio-economic development.

¹² Law on People Council and People Committee (Article 1, 2; Article 51-66) and regulations of operation of People Council (753/2005/NQ-UBTVQH11, dated 02/4/2005).

plan for monitoring. A set of indicators with easy measurable indicators is essential to ensure participatory M&E. Thus, People Council plays important role in independent M&E of the BDS at local level. In practice, People Council is a centre in independent M&E of the BDS while the mass organizations are responsible for each dimension of the BDS with the active involvement of civil society, especially the local NGOs will be given the priority to participate. However, there are some weaknesses at People Council. The first, the capacity of People Council is variable. The second, some People Councils do not meet the demand so that the participation of social members will not be given favorable conditions to contribute the success of the independent monitoring.

In practice, the civil society organizations (CSOs) could not be involved in all stages, all levels. The CSOs must participate into the formulation, decision making on the independent monitoring. The CBSs participate to provide what and how to measure. The CBSs must play as a key member in the decision of independent monitoring. The CBS will have to involve in the formulation and decision making in the participatory M&E system from district level to national level.

Table 3-2: The role and important actor involvement in M&E system of Benefit Distribution System

| Actor | Role | Involvement | Importance level |
|--|--------------------|--------------------------|------------------|
| Administrative bureaucracy | Process monitoring | Functional additionality | +++ |
| Provincial and Commune People Councils | Independent M&E | Functional additionality | ++++ |
| Fatherland Front | Independent M&E | Functional additionality | ++ |
| Mass organizations (women union, farmer associations, etc) | Independent M&E | Functional additionality | ++++++ |
| NGOs | Independent M&E | Costly | ++++++ |
| Media at province | Independent M&E | Functional additionality | ++++++ |
| Auditors | Independent M&E | Costly | +++ |

It can be summarized that:

- The People Council will conduct independent M&E. at the BDS with the involvement of fatherland front and mass organization and CSOs. The fatherland front has the roles and duties under the coordination for independent M&E. It is clearly stated in the Article 12 of Law of Fatherland Front “The activities of Fatherland front of Vietnam is people monitoring, support for monitoring, checking, inspecting in the state; aimed to contribute to build and protect the Socialist Republic of Vietnam for cleanliness, strongest, effective operation, efficiency, to maintain the rights and interests of ordinary people”. The fatherland front has legal documents to regulate the working mechanism with People Councils hierarchically.
- The independent M&E is independently implemented by people. It happens¹³ when the mass organizations such as Women Union, Farmer Association, Youth Association, Veterinary Association and CSOs such as local NGOs and community-based organizations (People Inspection Committee, M&E Community Committee) get involvement in the M&E system at their clear roles and tasks.

¹³ By this, there are legal documents such as Decree 99 (2005), Decision 80 (2005), Decree 47 (2007), and Grassroots Democracy Ordinance (2007).

In other words, ordinary people could supervise the administrative and public service deliveries as the rights of people to know, discuss, decide. The independent M&E could be executed by some form of procedures originated in Law. For example, it is possible to establish the People Inspection Committee by ordinary people or Monitoring Investment Committee of commune. Above all, the ordinary people could use the universal suffrage in order to implement their rights in independent M&E such as complaints, denunciation and petitions directly or indirectly through the mass organizations.

However, there are some weaknesses. The capacity of fatherland front is weak at independent M&E. Actually it has not yet been able to mobilize the ordinary people to implement independent M&E for the BDS in the past. Of course, the fatherland front could recognize their duties under the Law of Fatherland Front to mobilize the ordinary people for the independent M&E of benefit distribution system at local level.

The mass organizations have strong points that they could mobilize numerous members at grassroots level, they are ordinary people to participate into the independent M&E. The Women Union could mobilize the participation of indigenous women. The mass organizations could benefit from the BDS by having operational budget to maintain their operations at three levels (they use state budget either).

In practice, if the point of view and concerns of the members of mass organizations reach the state organizations, they are the real success of these organizations. The mass organizations could be able to play their substantive roles to contribute for the independent M&E of the BDS though there are some limitations. Up to now, the role of mass organizations in independent M&E of the BDS is not recognized. While it is easy to appreciate the roles of the mass organizations at the independent M&E under the fatherland front because they are rooted at the villages.

The CSOs could exist at local level; it actually appears that most of them are community based organizations. In practice, however, they are weak at independent M&E aspects as well as advocacy (Hai Do, 2010). Among ethnic minority groups there are no existing CSOs. That is why the key player could be one of mass organizations. Alternatively, the key informant might be the best way to replace due to the fact that some areas participating in REDD+ in Viet Nam are severely lacking in communication services and are geographically remote. There is really a need for an innovative approach to independent monitoring systems. An example of this is a project carried out in Guinea to stop illegal incursions by industrial trawlers into inshore fishing grounds. The National Center for Fisheries Surveillance and Protection could only make 6 or 7 patrols a month, insufficient to have any real effect on the problem. Local fishermen were trained to use GPS and radios. When they spotted a trawler they would then call a surveillance unit to send out a patrol boat and make an arrest. Despite a budget over only \$20,000 in the two years the project was operational illegal incursions of trawlers was reduced by 60%. A system like this could be adapted for use in REDD+ monitoring in Viet Nam for some of the remote areas included in the project.

3.4 Conclusions and recommendations

The participatory M&E will have to address the internal monitoring and independent M&E. The first one will need the improvement of information system to record accurately the BDS implementation with the verification of independent auditors. It should be able to ensure effective management from utilization of the administrative agencies; they must provide process information, verified by independent auditors.

Another aspect, to achieve the success of the participatory M&E of the BDS, some key principles have to be respected in the design of M&E framework. Importantly, CSOs must be involved in the independent M&E to ensure the transparency and equity principles.

On the whole, it is better to arrange the new institutional framework to ensure the participation of all stakeholders by using some elements of exiting institutional framework and additional involvement of civil society and independent agencies such as auditor and media (summarized in Issue 3.1 below). The people council and mandate of fatherland front/mass organizations and involvement of CSOs are centered to establish the participatory M&E for BDS. Also, there is a must of direct involvement of indigenous people at grassroots level while the local NGOs will have to start the involvement from district level to national level.

| ISSUE 3.1 | |
|---|--|
| Institutional framework for participatory monitoring and evaluation | |
| Issue to be addressed | <ul style="list-style-type: none"> In this context, it is not easy to address the key principles such as Efficiency, Transparency, Equity and Participation in the Participatory M&E; It is difficult to mobilize the involvement of CSOs for the REDD+ monitoring at local level, especially at grassroots level; Local NGOs tend to be weak at their capacity and network; Not CSOs present in difficult areas; There is a need of transparency at international level while the international NGOs could not reach all levels. |
| Options | <ol style="list-style-type: none"> 1. Use current monitoring framework 2. Use current monitoring framework with involvement of CSOs and individual indigenous people 3. Arrange new institutional framework to ensure the participation of all stakeholders by using some elements of exiting institutional framework and additional involvement of civil society and independent agencies such as auditor and media. |
| Recommended strategy and policy adopted | <p>Option 3 is recommended. It should be able to utilize the power of people council and mandate of fatherland front/ mass organizations at the exiting monitoring of socio-economic development to establish the participatory M&E for BDS. Indigenous people at grassroots level must be directly involved while the local NGOs could start the involvement from district level to national level. It should be able to ensure effective management information system from utilization of the administrative agencies; they must provide process information, verified by independent auditors.</p> |
| Actions required | <p>The policy/decree is set up to ensure that:</p> |

ISSUE 3.1

Institutional framework for participatory monitoring and evaluation

+ *Process monitoring (efficiency)*

1. The administration has to provide internal monitoring system on REDD+ (input + output information)
2. Employ independent auditors at national level

+ *Independent M&E*

3. Put in working agenda of people councils (province and commune) of REDD+ monitoring;
4. Establish tasks for fatherland front/mass organizations from grassroots to provincial level to work together with people council in what and how to measure, how to analyze with the involvement of CSOs;
5. Involve local NGOs to conduct independent monitoring in REDD+, especially there is a participation of international NGOs for REDD+ monitoring in national level;
6. Establish the informant network from CSOs to keep eyes to all areas.

4 Decentralized approach and equity in payment distribution

Any external payment schemes should be performance-based. This means higher payment should be paid to those who provide better quality and quantity of environmental services and vice versa. In Vietnam, under the government PFES schemes currently being piloted in Lam Dong and Son La, K coefficient (or K factor) is applied to differentiate payments. This chapter presents some key lessons learned from distribution of PFES benefits. It emphasizes that performance-based payment produces inequalities in payment distribution. But these inequalities can be redressed if the following conditions are in place:

- A decentralized approach applied to the distribution of payments to forest users.
- A clear separation of environmental objectives from social ones when central and provincial governments implement projects (e.g. those targeting poverty). State agencies could use funds from these projects to redress inequalities resulted from payment distribution.
- A step-wise approach to providing local governments with flexibility in distributing payment at the local level. In addition, capacity building particularly for local authorities is needed.

This chapter starts with a discussion on inequalities in PFES revenues distribution in Lam Dong and Son La province. Next it describes how K factor mechanisms have been adopted on the ground. The chapter then discusses the current measures used by local authorities to redress the inequalities in payment distribution. The chapter suggests that such measures can only be developed and adopted on a nation-wide basis if the capacity of local authorities is strengthened.

4.1 Inequalities in PFES revenue distribution

In the Decision 380 on Pilot Policy on Payment for Forest Environmental Service, or PFES policy, K coefficient (factors) are used to differentiate payments between and within communities. K factors are determined according to forest administrative zoning (special use, protection and production forest), qualities of forest (rich, medium, and poor), and the origin of the forest (natural or planted). In principle, the adoption of K coefficient on the ground will produce different payment levels, and thus inequalities will result as groups with the forest providing better services will receive higher payment and vice versa. We observed some inequalities in PFES payment distribution in Lam Dong and Son La.

4.1.1 Inequalities as result of quality of services

In Son La, the adoption of K factor resulted in four levels of payments to forest managers. The annual payment for natural special use forest and protection forest is 140,234 VND/ha (\$7.40), for planted special use and protection forest 126,219 VND/ha (\$6.60); for natural production forest 84,146 VND/ha (\$4.40); and for planted production forests 70,121 VND/ha (\$3.70). The payment gap between the highest and lowest levels is 70,122 VND/ha (\$3.70).

In Lam Dong the adoption of K values produced three levels of payment. The annual payment for the forest in the catchment area for Da Nhim hydropower plant is 290,000 VND/ha (\$15), in the Dong Nai river 270,000 VND/ha (\$14), and in Dai Ninh catchment area 10,000 VND/ha (\$0.50). These different payment levels correspond to different kinds of forest, quality and origin of the forest.

4.1.2 Inequalities as the different in forest areas

The Decision 380 stipulates that 90% of the total revenues derived from the payment are to be paid to service providers. Many of these providers are local households. The remaining 10%, usually called management fees, are retained within the Forest Protection and Development Fund, which is maintained at the provincial level. This 10% should be used to cover the costs related to disbursement of the payments to service providers. The disbursement of the payment to local households involves authorities at the provincial, district, and commune levels. As a result, the local authorities are entitled to receive some share in the 10%. In Son La, the Provincial People's Committee decided that 6% of the 10% should go to Commune Peoples' Committee (CPC), 2% to the District Peoples' Committee (DPC), and the remaining 2% to the Fund at the provincial level. This means that the budget share allocated to the Commune PC is higher than that which is allocated to district and provincial authorities. There were some tensions related to the way in which this 10% management fee was distributed. Some district officials complained that 2% retained at the province was too high, given the small number of districts that this province manages (11 districts in province in total) as compared to a larger number of communes which the district manages (about 50-60 communes per each district). In addition, the suggested rationale for the allocation of a 6% management fee share to the commune PC was that each commune has to manage a large number of villages and households (around 1,000 households) on the ground. However, what has been happening in Son La is that given the limited capacity of the commune officials, at present most of the technical work supposedly to be done them are actually being performed by district officials.

Horizontally, a difference in payment also exists. Of the total 156 communes of Son La, for example, six communes are managing less than 300 ha each, and as a result, they have received lower management fees. Tuong Ha commune is one of the six. The total management fee which the commune obtained in 2009 was 250,000 VND (\$13). By contrast, 76 communes managing more than 2,000 ha of forest each thus have obtained correspondingly higher management fees. Ngoc Chien commune obtained the highest management fee – about 155 million VND/year (\$8,100).

4.1.3 Inequalities within a community

A recent research by Center for International Forestry Research on CFM in 11 countries shows that local control over the forest does not always guarantee a better forest management (The Economist, 2010). To do a good job, community will need strong property rights and external support technically and financially (ibid.). The Nobel Prize winner Elinor Ostrom says, "Panaceas, like 'community forests are always great' are dangerous" (ibid.). In Vietnam, poor households particularly those with labour and capital shortages were not able to derive benefits from the forest despite their control over the forest (Nguyen et al. 2009; To

2007). In Thanh Cong village of Phu Tho province, for example, CFM creates opportunities for the village leader to capture all forest protection payment under the 661 program (To 2007). Another example of local elite capture was found in Hop Son village of the former Ha Tay province (now Hanoi) where the land in a national park supposedly to be contracted to individual households was entirely captured by local officials (ibid.). Fieldwork for this study revealed that in some areas where the PFES revenues were about to be distributed leaders of some communities in Son La intended to keep all PFES revenue for community operation; some wanted to distribute the revenues among members of a forest protection team thus excluding all the remaining households in the village. This means unless payment revenues are distributed in a participatory and transparent manner there is a danger that local household particularly the disadvantaged ones are excluded from payment schemes.

Inequalities in payment distribution can be mitigated through the effective enforcement of existing regulations which relate to local democracy, such as the government's Decree 29 issued in 1998 (amended in 2003). This decree is aimed at reinforcing the rights of people at the commune levels to participate in local government affairs. According to the decree, four democratic rights were granted to local people: right to be informed, right to be directly consulted, right to implement, and right to monitor or inspect. However, on the ground these rights are difficult to enforce, and the measures in the Decree are considered as democratic guidelines or practices in which local officials are ought to follow (Minh Nhat Duong, no date). There is a need to strengthen the policy enforcement at the local level, as well as third party monitoring, and evaluation and recourse mechanisms to accommodate local interests.

| ISSUE 4.1 Equity in payment distribution | |
|---|--|
| Issue to be addressed | There is a risk of local elite capture of payment revenues. Failure to address this risk would discourage local people from participating in REDD+ project. If a large number of community members fail to participate, the entire REDD system risks failure. |
| Options | <ul style="list-style-type: none"> a) It is up to the community leaders to decide how payment revenue should be distributed within the community b) The government provides general guidelines agreed upon by different stakeholders on the way payment revenue should be used within the community; third party monitoring and evaluation and recourse mechanisms should be established to make sure community members particularly the disadvantaged ones benefit from payment revenue |
| Lesson learned | Equity in payment distribution can be achieved payment is made in a transparent and participatory manner. Check and balance and recourse mechanisms should be initiated and in place to make sure there is no problem of elite capture. |
| Recommended action to GoV | Government provides general guidelines in payment distribution to community. Government should also call on support from civil society organizations and strengthen existing recourse system |
| Recommendation to UN-REDD | Provide technical support to the government and community in implementing payment distribution to local community |

4.2 Recommendations for Auditing

1. Administrative costs to be established and fixed at a certain percentage.

2. Establishment of a quarterly reporting system of monies distributed from grassroots level to national level.
3. Review of quarterly reports by a three member tribunal consisting of GoV personnel, NGO staff and other stakeholders.

4.3 K factors and challenges in adoption at the local level

The adoption of K factor mechanisms in some communes in Son La has resulted in a number of local concerns. For example, payments for natural forests are always higher than for planted forests, even though the latter may provide better ecological services. In some areas, local people were not happy with the way local authorities classified the forest. The report by Provincial PC in July 2010 highlights that *“The adoption of K factor is time-consuming, easy to make mistakes; there are many disagreements on the calculation of the K values.”*¹⁴ By June 2010, more than 60 billion VND (\$3.1 million US) as PFES revenue were collected from hydro power plants and water supply companies. However, only 10 percent of the total has been actually distributed to local community so far, partly because of the difficulties in delineating K factor zoning on the ground.¹⁵

Future distribution of REDD+ revenue in Vietnam should be performance-based. R coefficient (or R factor) should be established based on experiences drawn from construction and implementation of K factor to differentiate payments. Strict adoption of R factor, however, will trigger differentiation in REDD+ benefits accrued to different forest users. This may discourage forest protection efforts.

| ISSUE 4.3 Basic elements of R coefficient | |
|--|--|
| Issue to be addressed | Distribution of REDD+ benefit should be performance-based. R coefficient should be constructed and implemented on the ground to differentiate REDD+ payment based on different carbon stocks provided by the forests. Construction and implementation of K factor in Lam Dong and Son La provide important experiences for the construction and implementation of R factor. However, strict implementation of R factor will produce inequalities in REDD+ benefit distribution. This may discourage forest protection efforts. |
| Options | a) REDD+ benefits are distributed based exclusively on carbon stocks provided by the forests; R coefficient is constructed to differentiate level of payment. b) Distribution of REDD+ benefits is based on carbon stocks but mechanisms should be created to mitigate the inequalities. |
| Lesson learned | The implementation of PFES in Lam Dong and Son La reveals difficulties adopting K factor on the ground. The difficulties are not only about the technical requirements but also are capacity of local authorities. |
| Recommended action to GoV | Develop R factor based on the experience from construction and implementation of K factor in the two provinces. However, it's important to strengthen technical and management capacity of provincial, district, and commune authorities before adopting the R factor. |
| Recommendation | Supporting the government in providing trainings for local authorities |

¹⁴ Ủy ban nhân dân tỉnh Sơn La. Báo cáo thực hiện quyết định số 380/QĐ-TTg của Thủ tướng Chính phủ về chính sách thi điểm chi trả dịch vụ môi trường rừng và kết quả chi trả dịch vụ môi trường rừng thi điểm trên địa bàn tỉnh Sơn La. [Report on implementation process of the PM's Decision 380 on piloting policy on payment for environmental services, and on the result of venue payment distribution in Son La. July 2010, draft.]

¹⁵ Another key difficulty in payment distribution is that the data on forestland allocation on paper (e.g. areas, boundaries) do not match with the actual data

4.4 Local government in redressing inequalities

In Son La, the difficulties experienced in adopting K factor mechanisms on the ground resulted in the sluggish distribution of PFES revenues. Added to this is a degree of hesitation on the part of the PPCs, because of disagreements amongst different stakeholders on the calculation of the K value. As a result, though most of the revenue has been transferred to the PC of the commune it has not actually disbursed to local households. To hasten the process of distribution, the PPC decided through its Decision 1460 issued in June 2010 that only one level of payment, with K equals to 1, was adopted to all kinds of forest, regardless of forest type, origin, and status. Under the new decision, payment was set at 136,000 VND/ha (\$7).¹⁶

Effort to reduce inequalities resulted from payment distribution was also observed in Lam Dong province where PFES policy has been implemented. The Lam Dong PPC decided to transfer the payment for forest protection under Program 661 (100,000 VND/ha) from communes with high PFES payment (250,000 VND/ha/year) to the communes with low PFES payment (only 10,000 VND/ha/year). As a result, the communes with low PFES payment received an additional 100,000 VND/ha in addition to the payment obtained from PFES project.

Mechanisms should be established in order to minimize inequalities in REDD+ revenue distribution. One way to do this is through government projects such as Program such as the so-called Program 30a, Program 135, and Program 661.¹⁷ When designing and implementing these programs, the national and provincial government should clearly separate environmental objectives from social ones. They could use funds from these other programs to redress inequalities.

The government has passed the PFES Decree recently and the decree will be adopted nationwide soon. Given a large number of households and villages eligible for PFES payment, and also for the future implementation of REDD+ project, transaction costs would be too high for the government to differentiate payments at household and village scales. It would be more feasible for the government to adjust the payment at the commune level and upward.

ISSUE 4.4 Local authorities influence the payment distribution

Issue to be addressed

REDD+ payment will tie to performance. Distribution of REDD+ revenues based strictly on performance principle will produce inequalities thus may discourage forest protection effort on the ground. Mechanisms should be

¹⁶ Ủy ban Nhân dân tỉnh Sơn La. Quyết định về việc điều chỉnh hệ số chi trả dịch vụ môi trường rừng (hệ số K) áp dụng để triển khai chính sách thí điểm chi trả dịch vụ môi trường rừng trên địa bàn tỉnh Sơn La. [Decision on readjustment of the coefficient of payment distribution (K factor) for the implementation of piloting policy on payment for forest ecosystem services] Decision number 1460/QĐ-UBND dated 21 June 2010.

¹⁷ The so-called Program 30a is a government supported program on rapid and sustainable poverty alleviation for 61 poor districts in the country. The program has been implemented since 2008. The Program 135 is on approval of socio-economic development for extremely poor communes in the mountainous areas.

| ISSUE 4.4 Local authorities influence the payment distribution | |
|---|---|
| | created to minimize the different in payment while complying with performance-based principle. PPC should be given power to use funds from other projects (e.g. Program 661, Program 134) to adjust payment levels from commune level and upward. |
| Options | a) REDD+ benefits are distributed based exclusively on performance b) REDD+ benefits are distributed based on the performance thus inequalities but PCC uses funds from other projects to mitigate the different in payment |
| Lesson learned | Inequalities triggered by PFES payment distribution have been mitigated by PPC of Lam Dong and Son La mitigated the different In some local areas of Lam Dong and Son La. In Lam Dong, payment from 661 Program has been shifted from areas with high PFES payment to the area with low PFES payment. In Son La, PPC mitigated inequalities by adjusting the K factor (see below) |
| Recommended action to GoV | The government should allow provincial government to use the funds from different projects to adjust REDD+ payments to communes and upward |
| Recommendation to UN-REDD | Providing technical assistance to local authorities to readjust payment levels |

4.5 Capacity of the local government

When piloting PFES policy, the PC of Lam Dong were able to adopt the K factor with full elements. However, the PPC of Son La have not been able to do so, mainly because of complex land tenure systems, limited political support from the province, and capacity issues with local authorities. The different between Lam Dong and Son La suggests that the government should adopt a step-wise approach for the adoption of R factor when piloting REDD+ BDS. R factor with full elements should be adopted in the province with strong capacity, strong political support, and clear land tenure systems. By contrast, the province with limited capacity, limited political support, and complicated land tenure systems may want to pick up a simplified R for the start.

| ISSUE 4.5 Capacity of local authority | |
|--|--|
| Issue to be addressed | It takes time for different stakeholders including local authorities to understand how REDD+ payment based on performance can work on the ground. |
| Options | a) No capacity of the local government is strengthened for the implementation of REDD+ project and adoption of R-coefficient b) Capacity of the local government should be built and strengthened before and during the piloting of REDD+ project. A step-wise approach should be adopted when applying R-coefficient |
| Lesson learned | Lacking capacity, adoption of R coefficient in a mechanical way will not work. Local government with limited capacity may want to adopt R-coefficient with simple elements before their capacity gets strengthened when they can adopt R coefficient with full elements. |
| Recommended action to GoV | Allow local government flexibility in piloting REDD+ while providing support to strengthen capacity of local government |
| Recommendation to UN-REDD | Technical support provided particularly to the local government |

4.6 Issues, lessons learned and recommendations

This chapter has shown the potential for a decentralized approach to achieving equity in distributing REDD+ revenues. The future distribution of REDD+ revenues will need to be linked to performance. Inequalities at various scales may be produced as result of this. Experiences drawn from PFES scheme have shown that inequalities could be redressed if: (i) the national and provincial governments clearly separate environmental and social objectives and use funds from socially motivated projects to redress the inequalities. This lesson-learned is very relevant to the future distribution of REDD+ benefits in the country. An important question that should be asked is that to what level upward one can differentiate payments? Huang et al. (2009) highlight that one of the important constraints to payment for watershed services is high population density, which escalates transaction costs of contracting potential service providers. Following them, identifying potential service providers, contracting with them, monitoring the activities of each provider, and negotiation a price that is sufficient to secure the desired services are much more difficult because of the large number of potential providers (ibid.). In Vietnam, given a large number of households and villages, coordinating and monitoring the actions of thousands of households would be very complex and costly. Thus, differentiation of REDD+ payments should be made from commune level and upward to avoid transaction costs. Table 4-1 summarizes issues, lessons learned and recommendations.

Table 4-1: Issues, lessons-learned, and recommendations

| Issue | Lessons learned | Recommendation to the GoV | Recommendation to the UN-REDD Programme |
|-----------------------------|---|---|---|
| Local elite capture | Local elite capture would discourage local people from participating in REDD+ project. If a large number of community members fail to participate, the entire REDD system risks failure | Government provides guidelines in payment distribution to community. Government should also call on support from CSOs and strengthen existing recourse system | Provide technical support to the government and community in implementing payment distribution to local community |
| R coefficient | Distribution of REDD+ benefits should be performance based. R coefficient should be constructed in order to differentiate payment level | Develop R coefficient based on the experience with K factor in the two provinces. Strengthen capacity of local governments | Supporting the government in providing trainings for local authorities |
| Local authorities | Distribution of REDD+ revenues will produce inequalities and may discourage forest protection effort. | The government should allow PPC to use the funds from other projects to redress inequalities | Providing technical assistance to local authorities to readjust payment levels |
| Capacity of local officials | It takes time for local officials to understand how REDD+ payment can work on the ground | Allow local government flexibility in piloting REDD+ while providing support to strengthen capacity of local government | Provide technical support to the local government |

5 Experience with Micro-Finance Approaches in Forestry

The GoV has developed significant experience with the use of micro-finance approaches in forestry. Even though their use is largely limited to afforestation/reforestation¹⁸ projects, existing micro-finance approaches offer valuable lessons for their potential use in REDD+ actions. Conceptually, afforestation projects and REDD+ actions face the same challenge: how one can convince local people to expend effort in forestry when the rewards of their actions accrue after some years only? In afforestation, it takes trees a few years to grow before people can harvest and sell them. In REDD+, forest carbon stocks will have to increase over a few years until people can receive REDD+ benefits. Thus, in both situations benefits arise *ex post*, whereas people require incentives and resources *ex ante*.

This chapter reviews existing experiences with the use of micro-finance approaches in Vietnam's forestry sector and identifies key issues for the design of a suitable micro-finance approach to provide upfront resources and incentives under REDD+. It starts from the premise that a suitable approach meets the following conditions:

- Forest managers receive an appropriate level of support.
- The micro-finance support is clearly tied to performance.
- The timing of support provides incentives for forest conservation and matches the distribution of forest protection costs over time.
- The micro-finance approach distributes the risks of forest conservation among the involved actors in an effective and equitable manner.

The chapter begins with brief summaries of the major micro-finance initiatives in Vietnam's forestry sector and then proceeds to discuss four key issues, identify relevant lessons and develop suitable options for the use of a micro-finance approach in REDD+ actions.

5.1 The use of micro-finance approaches in Vietnam's forestry sector

The use of micro-finance approaches in Vietnam's forestry sector is almost exclusively limited to household-based afforestation efforts. The state '661 Program' (also called 5-Million-Hectare-Reforestation Program), the World-Bank funded Forest Sector Development Project (FSDP), and the seven KfW-funded afforestation projects all build in significant micro-finance components. In addition, the KfW-funded Project on Forest Rehabilitation and Sustainable Forest Management in four provinces of central Vietnam (KfW-6) and the new KfW-funded Forest Development in Hoa Binh and Son La Project (KfW-7) include CFM components, which employ a micro-finance approach to facilitate the protection and management of forests by village communities.

The '661 Program' has been the single most important program through which the GoV has funded tree plantations. The Program initially focused on the protection of natural forests, paying local people to protect natural forests at a fixed rate (VND 100,000/ha in

¹⁸ In the following we use the term 'afforestation' to refer to both afforestation and reforestation efforts for reasons of convenience.

recent years). Afforestation loans were not accessible to households, most going to the General Paper Corporation and General Forest Corporation. Yet since 2006, the 661 Program has provided direct support to plantations established by households. The objective has been to establish new plantations at an annual rate of 150,000 ha between 2007 and 2010.

The 661 support takes the form of small grants in kind to households planting trees at a nation-wide cost norm of VND 2 million per ha. Households usually sign a contract with an executing agency (such as a Forest Protection Unit) specifying the area and tree species to be planted, required planting density and other management practices, and a medium rotation period (around 7 years). Households do not need a Land Use Right Certificate to be eligible for program support, but they have to prepare the land before they can receive support. In return, households receive free tree seedlings and, in some cases, fertilizer. The executing agency purchases the inputs from the program allocation of VND 2 million/ha. The agency also organizes training courses and other extension activities, for which it may use some 25-30% of the total budget allocation. Furthermore, it is required to inspect the plantations three times after planting and expected to request repayment of the cash equivalent of the expended investment from households in case of their non-compliance with their contractual obligations. When households harvest the plantations, they retain 100% of the receipts.¹⁹

The World Bank-funded FSDP offers plantation loans to households under a loan agreement between Vietnam's government and the World Bank signed in April 2005. The project objective is to establish production-oriented household plantations on a total of 66,000 ha in selected communes of four central provinces until 2010. The loan agreement between Vietnam's government and the World Bank specified that households can get loans for up to 75% of total investment costs. Until 2007, project management translated this general provision into the prescription that households could receive loans of VND 10 million/ha for 7 or 8 years. In 2008, it raised the amount to VND 15 million/ha, citing rising labor costs and other cost increases in justification. In the summer of 2009, it expanded the loan duration to 15 years.

Households can apply for project support in form of afforestation loans. The loans are accessible to households through the Bank for Social Policies (BSP), as one of the several loan programs operated by the Bank. Households are required to deposit a Land Use Right Certificate with the Bank as collateral. They receive the total loan amount in three installments: half at the point of planting, 40% in the second year, and the remaining 10% in the third year. The disbursements are tied to certain conditions, such as land preparation for the first installment.

Afforestation projects funded by KfW have a long tradition in Vietnam, as KfW began to fund afforestation in the mid-1990s already. By now, KfW has supported seven projects in different parts of the country, with a strong emphasis on household plantations of "production forest with protective functions". The two most recent projects include additional CFM components, supporting household plantations and community forest

¹⁹ Circular 147 (2007) and the Law on Forest Protection and Development Funds (2008) specify that households have to pay a small percentage of the revenues earned from state-supported plantations into protection funds at the village or commune level. It is unclear to what extent the new rule is implemented on the ground.

management in selected communes of six provinces of central and northern Vietnam. KfW-6 has a total volume of US\$ 18 million to fund reforestation and natural regeneration on 22,700 ha between 2005 and 2012. The project has supported forest management by village communities on a total of 3,100 ha in four pilot sites of Binh Dinh and Quang Ngai provinces. KfW-7 has yet to begin full implementation on the ground.

KfW projects support household tree plantations through grants in kind and cash (van der Poel 2007). They provide free tree seedlings and fertilizer to households. They also establish savings books for the participating households at BSP to compensate for their labor inputs. Under KfW-6, the savings books amount to VND2.0-3.4 million per ha depending on the planted species (providing a lower amount for mixed plantations with a high share of imported, fast-growing species and a higher amount for plantations with a high share of indigenous, slow-growing species). Households receive the savings books three months after planting if the survival rate is at least 80%. They can withdraw up to 20% of the deposited funds right away, and then an additional 15% every year up to year 6.

The micro-finance approach used in the CFM component resembles the one employed with households in its principal design elements. The project establishes savings books for the participating village communities once they have formed a VFPDB, formulated VFPDR, and developed a forest management plan. Initial deposits on the savings books are calculated on the basis of the forest area managed by the village community, multiplied with a rate of VND 600,000 per ha (VND 100,000 per year for the first six years). Subsequently village communities are allowed to withdraw pre-specified amounts from the savings deposit every three months. The withdrawals are expected to pay for the operation of the VFPDBs and patrolling activities.

Both the World-Bank-funded FSDP and the KfW-funded afforestation projects cooperate with the BSP in their micro-finance components. They work with the BSP because it offers two key advantages which are rarely found in other countries: first, the Bank has the explicit mandate to serve social objectives; and second, the bank possesses a nation-wide network of branches. Vietnam's government set up the BSP in 2002 to take over the tasks previously handled by Vietnam Bank for the Poor, above all to support the government's poverty alleviation efforts. As a result, the Bank operates a number of central government programs, including loan schemes for the poor, people living in remote areas, members of ethnic minority groups, and students, some of them funded by international donors. Because of its primarily social goals, the BSP does not operate under commercial principles, as Vietnam's central government does not expect it to make a financial profit in the short term in contrast to the other state-owned banks (Nguyen Kim Anh 2008).

Its extensive network of outlets sets the BSP apart not only from other banks in Vietnam but also rural banks in other countries. The BSP operates 612 district offices and 9,800 mobile transaction points at the commune level. The Bank thus offer the opportunity for rural people throughout most of the country to obtain loans of VND 10-15 million for up to three years relatively easily. The maximum available loan amount depends on the specifications of the government program. It is VND 30 million for the Loan Program for the Poor, which accounts for two thirds of total lending. Households do not require any collateral for most programs.

5.2 Determining the appropriate level of upfront support

Determining the appropriate level of support requires attention to multiple considerations.

- The support cannot exceed the expected level of REDD+ benefits, as those will need to eventually cover the upfront support made available to forest managers.
- The support should be sufficient to cover the costs of forest protection, including the operations of the VFPMBs, forest patrolling, and possibly forest enrichment activities. Experience from forest protection projects, such as KfW-6, indicates that external actors have to cover protection costs during initial years even if the goal is to make forest protection and management self-financing over time.
- The level of support should consider the incentive function of upfront payments, as those lend additional force to the forest protection duties specified in the REDD+ contracts in the minds of forest managers. Insights from CFM pilots demonstrate that forest managers have little confidence in contractual promises to retain the eventual benefits derived from forest management. There is the need to emphasize forest protection duties until forest managers have witnessed the eventual benefits of forest protection and their ability to retain a significant share of the benefits first hand (Wode and Bao Huy 2009).
- The level of upfront support should ensure that a significant portion of the expected REDD+ benefits is paid upon verification of performance only to retain a clear link between performance and benefit disbursement (UN-REDD and GoV 2010).
- Upfront support should not go much beyond the immediate costs of forest protection as a way to avoid leakage. Evidence from the FSDP suggests that households have used a significant share of afforestation loans for other purposes, as the loan amounts exceeded the costs of afforestation to households significantly (Sikor 2009).

A connected but separate question is how the level of upfront support should vary across sites. The provision of upfront support may not need to be differentiated spatially to reflect variable carbon absorption rates, even though REDD+ benefits may vary across space

Box 5-1: Estimating the potential range of upfront support

One can estimate the potential range of upfront support in the following manner:

- Upper bounds: Assuming an average level of benefits distributed to forest managers of US\$ 4/tCO₂e and a carbon retention rate of 10 tCO₂e per hectare and year, forest managers could expect to receive US\$200 per ha over a five-year period.
- Lower bounds: The cost norm currently applied for forest protection in the 661 Program and KfW-6 project is US\$5/ha/yr, or US\$25 per ha over five years.

These considerations suggest that upfront support should be in the range US\$25-200/ha over a five-year period. It may want to stay close to the lower bounds to highlight the performance base of REDD+ benefits, accommodate site variability, avoid leakage, and provide a buffer for below-standard performance. At the same time, the upfront support should provide sufficient upfront incentives to discourage forest managers from alternative land uses.

due to different site conditions (see Chapter 3). Offering different levels of upfront support may exceed the capacities of the involved state and financial institutions. Nevertheless, the central government may make explicit provisions for provincial or district authorities to determine the exact level of upfront support within a predefined range in response to different costs of forest protection. Provincial (or district) authorities will require support to do so, as highlighted by observation in the 661 Program that provincial authorities tend to apply recommended national cost norms even where they have the permission to adapt those to local circumstances (see Chapter 3).

| ISSUE 5.2 Level of upfront support | |
|---------------------------------------|---|
| Issue to be addressed | Forest managers require upfront support to cover the costs of protection and provide incentives for forest conservation. At the same time, upfront support cannot exceed the expected REDD+ benefits and should not dilute their performance base. |
| Options | <ul style="list-style-type: none"> a) Provide upfront resources to forest managers across Vietnam at a uniform level decided by MARD. b) Give provincial or district authorities the mandate to decide levels of upfront support. c) Allow provincial or district authorities to define the level of upfront support within range set by the central government. |
| Lesson learned | Local authorities tend to apply national cost norms even when they are given flexibility for local adaptation. They require assistance for decentralized decisions on the appropriate level of support. |
| Recommended action to GoV | MARD should define the range of allowable upfront support to be offered to forest managers and assist provincial or district authorities to define the level applicable within their jurisdiction. |
| Recommendation to UN-REDD | Provide technical assistance to MARD and selected provincial or district authorities on determination of level of upfront support. |

5.3 Tying upfront support to performance

The existing micro-finance approaches in forestry indicate that the GoV has several options to ensure the performance base of upfront support. The provision can take the form of conditional grants as in the 661 Program, loans as in the FSDP, and conditional savings books as in the KfW-6 project.

The use of loans and conditional savings books offers much better opportunities for tying the provision of upfront support to eventual performance. Experience from the 661 Program demonstrates that projects have virtually no leverage on the use of grants once they have been disbursed to forest managers. Both forest managers and implementing state units have little incentive to report failures, such as below-standard survival rates, and to attempt the recollection of delivered support. This is particularly true if the same state organization is in charge of project implementation and performance monitoring.

Loans offer much better chances than grants to tie upfront support to eventual performance, especially if loans and REDD+ benefits are delivered through two different institutions. Loans are granted from the beginning with the expectation that they will be repaid to the same institution at the end of duration. Repayment would be required

independent of the actual disbursement of REDD+ benefits through a different institution. Nevertheless, there are plenty of examples in Vietnam where state officials have waived the obligation to repay loans in response to local people’s complaints, natural disasters, etc.

Just as loans, conditional savings books allow a close link between upfront support and performance. Moreover, they offer the added advantage that a single institution may provide upfront resources and disburse eventual REDD+ benefits in a coherent procedure, reducing overall transaction costs. At the same time, their administration by a single institution contains the danger to dilute the performance base of REDD+ benefits from forest managers’ perspectives. Nevertheless, the provision of upfront support through savings books can be made conditional to compliance with contractual obligations at several intermediate stages, as happening under the KfW-6 project. The establishment of the savings books can be tied to the formation of VFPDBs and development of VFPDRs and forest management plans. Intermediate withdrawals can be made dependent on compliance with other conditions (e.g. regular protection activities), allowing (temporary) halts of disbursement of forest managers fail to comply with their contractual obligations. Suitable monitoring procedures, which build in actual checks in the field, have been established, tested and documented in the KfW-6 project. In addition, a significant share of the deposited funds can be made available upon ultimate performance only.

| ISSUE 5.3 Performance base | |
|-------------------------------|--|
| Issue to be addressed | The distribution of REDD+ benefits will have to be based on actual performance. Yet upfront resources will be provided before performance is assessed. There is a need for a credible mechanism to tie the provision of upfront resources to eventual performance. |
| Options | <ul style="list-style-type: none"> a) Distribute upfront resources through conditional grants. b) Provide upfront resources as loans to be repaid from REDD+ benefits. c) Make upfront resources available through savings books conditional upon compliance with contractual obligations and eventual performance. |
| Lesson learned | Experience shows that grants cannot be recouped after disbursement if forest managers do not comply with their contractual obligations. Loans and conditional savings books tie upfront support to eventual performance a lot more effectively than grants. |
| Recommended action to GoV | Allocate budget to BSP and develop corresponding procedures in order to make upfront resources available through loans or conditional savings books. |
| Recommendation to UN-REDD | Provide technical assistance to MARD and the Bank for Social Policies for the development of suitable operational procedures and enhancing the Bank’s operational capacity. |

5.4 Timing the upfront support

Appropriate timing of upfront support will be critical, as highlighted by experience from the afforestation programs. The three micro-finance approaches discussed above differ radically in the timing of support provided by them. The 661 grants provide all resources right at the beginning. The loans offered under the FSDP concentrate the disbursement of upfront support in the initial two years. The KfW-6 savings books distribute cash payments evenly across six years.

The provision of all resources through either a single, initial disbursement or concentration in the initial years creates the danger of significant leakage. Forest managers may easily use the REDD+ support for other, unrelated purposes, as highlighted by experience under the FSDP. Beneficiaries used a significant share of the loans to fund other investments and expenses, as the loan amounts exceeded the cash investment requirements of tree plantations (Sikor 2009).

The KfW savings books demonstrate how one can combine the provision of strong upfront incentives with an appropriate distribution of disbursements over time. The initial deposit of the total available upfront support provides strong incentives for forest managers to engage in afforestation (in the case of household plantations) or forest protection (in the CFM component). Yet the actual disbursement of the deposited amount is staggered over time, matching the disbursement schedule with the changing financial requirements of forest managers over time. In future REDD+ actions, these requirements will primarily relate to the initial costs of forming VFPDBs and developing VFPDRs and forest management plans and the recurring costs of VFPDBs and forest patrolling. They may also arise from enrichment activities (selective reforestation, thinning, selective harvests) undertaken by forest managers.

The disbursement of upfront support may need to take place according to predetermined schedules to reduce transaction costs. Flexible disbursement in response to forest managers' actual needs may be preferable theoretically. Yet they may exceed fund managers' capacity to verify that the required conditions are in place, or invite excessive requests for the early disbursement of upfront support. It is therefore advisable to use predetermined disbursement schedules as a ceiling, as used in the KfW savings books. Forest managers can draw on a certain percentage of their funds, which increases over time, yet they may also decide to leave the money in the accounts.

| ISSUE 5.4 | |
|---------------------------|---|
| Timing of support | |
| Issue to be addressed | Forest managers require financial resources at various times for forest protection, in particular to cover the costs of forest patrolling and possibly enrichment activities. The challenge is to match the disbursement of upfront resources with the financial requirements of forest managers. |
| Options | a) Provide all upfront resources initially in a one-time installment. b) Allow forest managers to request support in a flexible manner. c) Stagger the disbursement of upfront resources in periodic installments. |
| Lesson learned | Providing all resources in a single initial disbursement creates the danger of significant leakage and reduces the leverage on intermediate compliance with contractual obligations. Flexible withdrawal schedules incur high transaction costs and may exceed the fund managers' capacity. |
| Recommended action to GoV | Cooperate with the BSP to provide upfront resources through predetermined, staggered disbursements conditional upon compliance with contractual obligations. |
| Recommendation to UN-REDD | Provide technical assistance to MARD and the BSP for the development of suitable operational procedures. |

5.5 Distributing the risks of forest conservation

Forest protection involves significant risks originating from a wide variety of natural and socio-economic factors. Only some of the risks relate directly to forest manager's actions, such as in the case of forest encroachment by outsiders due to a lack of patrolling. Other risks remain outside forest manager's control, including those due to natural factors, such as extended draught or spread of large wildfires, and socioeconomic factors, such as immigration and large construction projects. Some of those can be partially caused by the negligence by third parties, such as in the case of forest encroachment reported by forest managers but not prosecuted by local authorities. Consequently, forest managers receiving upfront support face the possibility that they may never produce the contractually specified performance and become liable to the return of upfront support even if they do everything in their power to protect forests.

The provision of upfront support under future REDD+ actions will need to develop a mechanism for effective and equitable risk distribution. The mechanism will need to be effective in the sense that it does not diminish forest manager's incentive to protect forest and local authorities' incentives to provide law enforcement and other support to forest managers. It will also need to be equitable by avoiding a situation in which forest managers become liable to risks outside their control. The latter implies that a loan model, under which forest managers are made liable to the repayment of upfront loans whatever the eventual performance, is not suitable.

A mechanism along the lines of the micro finance approach developed by KfW may be more suitable. Under the KfW savings books, both forest managers and the project implementing agency carry some of the risk of failure. The agency reserves the right to freeze or terminate savings books in case of non-compliance with the required management practices. It has direct leverage on the funds remaining in the savings books, as those are released in staggered disbursements. This is particularly true if the agency withholds a significant share until the point when performance is assessed.

As a result, the micro finance approach used under future REDD+ action will need to include an insurance component. There is little experience with the use of insurance mechanisms in forestry. The new PFES Decree approved on 23 September 2010 specifies that five percent of all revenues will feed an insurance fund. The Son La pilot scheme sets one percent of all revenues aside for a fund that combines insurance with incentive functions by offering additional rewards for forest managers exceeding contractually specified performance and for local authorities in whose jurisdictions forest managers exceed required performance. It will be important to perform further studies on the design of a suitable insurance mechanism in the absence of relevant experience in the forestry sector in Vietnam and beyond.

Such a study will also need to analyze whether or not the REDD+ micro finance approach needs to require forest managers to deposit their forestland certificates as collateral. This is standard practice in the FSDP and general banking operations, although it tends to discriminate against risk-averse and resource-poor households (Sikor 2009). Requiring land use right certificates as collateral may be feasible in future REDD+ actions

where forest managers are individual households, but it may deter participation if households require the certificates to obtain loans for other purposes. An alternative would be to administer household accounts through village-based groups, as commonly practiced by the BSP, thereby relying on peer monitoring of compliance. The use of forestland certificates as collateral will be difficult in the case of contracts with village communities: if tenure rights are with the village community, they may not serve as a collateral as they exclude the right of transfer according to the 2004 Forest Protection and Development Law; if they are held by individual households, then it may be difficult to convince all households to deposit their forestland certificates as collateral.

| ISSUE 5.5 Risk sharing | |
|---------------------------|---|
| Issue to be addressed | The success of forest protection efforts depends on a variety of factors, of which only some are under the control of forest managers. The challenge is to share risk between forest managers and other involved parties in a manner that does not make forest managers liable to damages outside their control but keeps them accountable for their own actions. |
| Options | <ul style="list-style-type: none"> a) Make forest managers 100% liable to the repayment of upfront resources. b) Waive forest managers' liability in the case of events determined by the central government, as decided by local authorities on a case by case basis. c) Develop risk-sharing and insurance arrangements between forest managers, local authorities and central government. |
| Lesson learned | There is little experience with insurance schemes in Vietnam's forestry sector. It is important to study and test suitable mechanisms. |
| Recommended action to GoV | Develop risk-sharing and insurance arrangements between forest managers, local authorities and central government, including tests in the field. |
| Recommendation to UN-REDD | Provide technical assistance to MARD and Bank for Social Policies for the development of suitable risk-sharing and insurance arrangements. |

5.6 Issues, lessons learned and recommendations

This chapter has shown that there is considerable experience with the use of micro-finance approaches relevant to future REDD+ action in Vietnam. The chapter has discussed four key issues in the design of a micro-finance approach for REDD+ action in Vietnam, identified relevant lessons learned and developed recommendations to the GoV and UN-REDD Programme as summarized in Table 5-1.

Table 5-1: Issues, lessons learned and recommendations

| Issue | Lessons learned | Recommendation to the GoV | Recommendation to the UN-REDD Programme |
|------------------|---|---|--|
| Level of support | Local authorities tend to apply national cost norms even where they are given flexibility for local adaptation. | Define the range of allowable upfront support and assist local authorities to define applicable levels. | Provide technical assistance to MARD and selected local authorities. |
| Performance base | Experience shows that grants cannot be recouped after disbursement if forest managers do not comply with their contractual obligations. | Allocate budget to BSP and develop procedures to make upfront resources available through loans or conditional savings books. | Provide technical assistance to MARD and the Bank for Social Policies. |
| Timing of | Providing all resources in a | Provide upfront resources | Provide technical |

| Issue | Lessons learned | Recommendation to the GoV | Recommendation to the UN-REDD Programme |
|--------------|--|--|--|
| support | single initial disbursement creates the danger of significant leakage. | through predetermined, staggered disbursements in period disbursements. | assistance to MARD and the Bank for Social Policies. |
| Risk sharing | There is little experience with insurance schemes in Vietnam's forestry sector. It is important to study and test suitable mechanisms. | Develop risk-sharing and insurance arrangements between forest managers, local authorities and central government. | Provide technical assistance to MARD and BSP. |

The overview demonstrates that the savings book developed by KfW for household afforestation and now extended to support village communities in forest protection and management may be usefully expanded to serve REDD+ action in the future. A suitable micro-finance approach for REDD+ would include the following design elements:

- Forest managers would receive upfront support at a level above the current cost norms in forest protection (US\$5/ha/yr) and below the expected REDD+ benefits.
- Disbursements would be tied to forest managers' compliance with their contractual obligations and eventual performance in carbon conservation.
- Savings books would be established for forest managers once they have complied with initial conditions to create strong incentives for forest conservation. Deposited funds would be made available in staggered installments over time to provide forest managers with the required resources for forest protection and management.
- The risks of forest conservation would be shared between forest managers, local authorities and central government.

6 Participatory Recourse Mechanism

Inevitably, any benefit distribution system is going to generate the cases of complaints and dissatisfactions. Even the best and most effectively designed Benefit Distribution System will have problems with violations and complaints. Specifically, where a legitimate beneficiary believes he or she has not received the funds he or she is due. There is the very real problem of “elite capture” of funds and this has been identified as one the largest risks for legitimate beneficiaries.

Additionally, there is the issue of land disputes, especially where rent seekers will attempt to claim or have land diverted to them for the purpose of receiving REDD+ funds. There are exists some conflict among indigenous peoples in Viet Nam, specifically the Khmer and J'rai over land ownership.

There are also systemic complaints which need to addressed and dealt with separately from individual complaints. Systemic complaints are those dealing with poor legislation and will most likely they will need to be dealt with on an international level and with the cooperation of the VN government to formulate and enact appropriate legislation.

In order for a REDD+ recourse system to be effective in Viet Nam, it must not only have enforcement power but it must also have a built in appeal process to ensure equity. An effective recourse mechanism is therefore, vital to the success of the REDD+ Programme in Viet Nam.

There are recourse systems currently in place in Viet Nam and some maybe applicable in the formation of a REDD+ recourse mechanism. However, additional procedures are needed.

6.1 Principles of recourse mechanism

The recourse mechanism must be grounded in principles of mediation and interest-based negotiation common to the field of alternative dispute resolution (ADR). ADR approaches emphasize creating an enabling environment for inclusive decision making and generation of locally owned decisions. Ultimately, ADR approaches focus on empowering parties to participate in a process that is fair, principled, and robust.

There are circumstances when interest-based conciliation approaches are not appropriate or desirable to one or the other party in a dispute. Under these circumstances, arbitration or judicial recourse may be more appropriate after careful consideration. Some observers are concerned that interest-based approaches can encourage one party (usually the weaker) to compromise or negotiate away its fundamental human rights. Clearly, any recourse mechanism incorporating mediation or other interest-based processes must be grounded in a framework of ethics and principles that should not be violated. The recourse mechanism for REDD+ should be:

- Legitimate: A mechanism must have clear, transparent, and sufficiently independent governance structures to ensure that no party to a particular recourse process can interfere with the fair conduct of that process.

- Accessible: A mechanism must be publicized to those who may wish to access it and provide adequate assistance for aggrieved parties who may face barriers of access, including language, literacy, awareness, finance, distance, or fear of reprisal.
- Predictable: A mechanism must provide a clear and known procedure, with time frames for each stage; clarity on the types of process and outcome it can (and cannot) offer; and a means of monitoring the implementation of any outcome.
- Equitable: A mechanism must ensure that aggrieved parties have reasonable access to sources of information, advice, and expertise necessary to engage in a recourse process on fair and equitable terms.
- Rights-compatible: A mechanism must ensure that its outcomes and remedies accord with internationally recognized human rights standards.
- Transparent: A mechanism must provide sufficient transparency of process and outcome to meet the public interest concerns at stake and should presume transparency wherever possible. Non-state mechanisms in particular should be transparent about the receipt of complaints and the key elements of their outcomes.

6.2 Recourse mechanism approach

Four approaches for recourse can be identified:

1. *The FPD/Administrative proposes a solution.*

In this approach, the administrative agency proposes a solution and offers it to the complainant. The administrative and community would jointly decide if the solution is acceptable and, hence, share decision-making authority. There are some advantages as follows:

- A more rapid response
- Use of fewer administrative personnel and material resources
- Some control of resolution procedures and outcomes.

If the complainant rejects the proposal, offer the option of a joint decision process (Approach 2). If this approach is not acceptable, the recourse may be referred to an external mechanism for assessment or adjudication.

2. *The community and FPD/Administrative decide together*

“Decide together” approaches are probably the most accessible, natural, and unthreatening ways for communities and the administrative agency to resolve differences. In order to ensure transparency and equity when resolving disputes it is essential to have a tribunal to resolve complaints. The tribunal should include a government official, a member of mass organizations such as the Women's Union or Farmer's Union, a member of an indigenous group where applicable and a member from Vietnamese civil society organization from district to provincial level, possibly an international NGO at national level. If a majority decision cannot be reached, the member from civil society organizations should have the deciding vote. All complaints and decisions resolving the complaint must be publicized at all levels.

3. The community and FPD/Administrative defer a third party to decide

On occasion, the administrative and complainants are unable to resolve a problem on their own. In such cases, the parties hand decision-making authority over to an independent, neutral party. The inclusion of a representative forms Vietnamese NGO participation from provincial level to national level, an International NGO in national level of the recourse mechanism. They have credibility with the administrative, work in many of the rural areas with indigenous people where communication services are lacking and as they have been working in Viet Nam they also have credibility with the local communities.

4. The community and FPD/Administrative engage traditional and customary practices

All societies have internal ways of handling their differences. In some areas in Vietnam, local people may go to secular or religious leaders to resolve their disputes with one another. At indigenous groups, they may use traditional problem-solving or judicial procedures and may employ local standards and criteria to guide decisions. In some ethnic communities, traditional dispute resolution procedures are more acceptable than any external ones provided by governments or “foreign” parties. Those responsible for designing recourse mechanisms should inventory local and customary approaches for solving conflicts and consider how to adapt traditional dispute-resolution mechanisms to deal with the complainant.

Box 6-1: Customary practices of forest resource utilization among ethnic groups

Poor ethnic minority people are most dependent on natural resources. Rattan, bamboo, shoots, leaves, wood, vegetables, fish, and wild animals help generate the most part of the income of the poor. At monitoring points in mountainous areas, most poor ethnic people go ‘forest tramping’ for consumption and for daily income, especially in times of disaster or during the off-season. At Phuoc Dai and Phuoc Thanh, collecting dry cow manure from the forest in the dry season and bamboo shoots in the wet season are the two most common livelihood sources for poor Raglai women. At Phuoc Dai, when lake Song Sat was completed, the poor took the opportunity to supplement their diet with fish from the lake. However, from 2009 lake Song Sat was contracted for aquaculture and fishing was forbidden. Dwindling natural resources plus rigid regulations are creating more difficulties for the poor. At all the monitoring points there are almost no effective initiatives to develop non-timber forest produce. Income from “forest management and protection” or “growth and exploitation of timber trees” remains low for the poor. All Vietnamese legal documents recognize gender equality in land access, most prominently the 2003 Land Law which stipulates that land use certificates (red book) would bear the names of both husband and wife. However traditions and customary laws coexist with state laws regarding the use, division and inheritance of land. Patrilineal inheritance (land is often given to sons only, excluding married daughters) or matrilineal inheritance (land is often given to daughters, excluding married sons) still dictate the land access of men and women. The application of customary laws is flexible. In cases where couples are from the same hometown (same village, commune) then parents on both sides may give them a piece of land to start their new life.

6.3 The Review of Law of complaint and denunciation

There is space for complaints and dissatisfaction as Law of Complaint and Denunciation Enacted on December 2, 1998, its stated goal is “to ensure that complaints and/or

denunciations are made and settled lawfully, thus contributing to the promotion of democracy, the enhancement of socialist legal system, and protection of the interests of the State as well as the legitimate rights and interests of citizens, agencies and organizations;”

The inherent problem with this law lies in the fact that complainants and/or denunciations are made to the civil servants who are all part of the governmental structure. In reality the law does not appear to have any use at all for its stated purpose to resolve or the protecting of anyone other than the government structure. However, there is one provision in the Law under Chapter 1, Article 15, concerning complaints and denunciations made by press agencies, which is more fully covered in the Press Law that may be useful to the REDD+ Recourse system.

6.4 Environment protection system

A complaint system is in place regarding environmental protection and this system has viability as part of REDD+ recourse system. Groups and individuals are able to complain about government officials, especially urban pollution. Access to the media has become part of this system and newspapers regularly publish expose stories, similar to the following head line: *Forest rangers raid restaurants selling wildlife meat* Last update 12:10, Saturday, *Vietnam Net Bridge – Forest protection forces of the Central Highland province of Lam Dong and experts of the Wildlife Conservation Society (WCS) made a sudden raid on many restaurants in Da Lat city on August 26.*

However, there are some difficulties this when applied to rural areas that lack availability to many communication systems, telephone, reliable postal service and also the inability of many indigenous people to communicate effectively in Vietnam.

6.5 Education for Nature – Vietnam Hotline

In 2005 the Education for Nature-Vietnam set up an anonymous hotline. Callers could make anonymous tips concerning restaurants serving illegal wild game and/or animals being kept illegally as pets. The caller was given a reference number they could refer to for information on resolution. The Hotline received over 3500 calls during it's time of operation. One great benefit to hotline system such as this is anonymity. The caller does not have the worry of reprisals or personal repercussions. Unfortunately again, the communication difficulties faced by much of the indigenous population, poses a challenge in Viet Nam but a large majority of the population could access a Hotline and has been proven effective. Perhaps a variation could be used in remote areas with no telephone access, an anonymous drop box for written complaints. The drop box then monitored by a member of the indigenous population, a member of a civil society and an NGO member.

6.6 Key elements of REDD recourse mechanism

An effective recourse system for REDD+ in Viet Nam must have the following key elements:

- Recourse systems in place at the international, national, provincial and district or local levels.

- Resolution at the lowest level of complaint possible. This ensures fast resolution of an issue and inspires confidence in the recourse system. This approach is recommended in the Recommendation to Government of Mongolia regarding recourse mechanisms for FPIC and REDD.
- The recourse system must have a clearly defined appeal process. If a complaint cannot be resolved at a low level, the complainant clearly understands he/she can appeal a decision until it is resolved. Again this inspires confidence in the recourse system.
- In order for a recourse system to be effective it must have enforcement capability of remedy solutions. Remedy solutions could include the following:
 - a. Declaration and transparency – Issue and publicize findings of violations.
 - b. Injunction – halt violation and have violations mediated and arbitrated by a tribunal.
 - c. Compensation – payment for harm caused by violation.
 - d. Sanction – punish violation.
 - e. Restitution – restore to pre-harm state.

| ISSUE 6.6 | |
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| Design participatory recourse mechanism | |
| Issues to be addressed | Inevitably, any benefit distribution system is going to generate the cases of complaints and dissatisfactions, even the best and most effectively designed Benefits Distribution System will have problems with violations and complaints by those who think that they have not been rewarded appropriately and/or are losing out to free riders who receive benefits but have made no contribution to forest protection and reducing carbon emissions. |
| Options | <ol style="list-style-type: none"> 1. Recourse mechanism that is entirely managed by the Government, The Law of Complaint and Denunciation. 2. Recourse mechanism includes participation of mass organizations, civil societies, local indigenous peoples and an independent Vietnamese/international NGO. |
| Recommended Option | Option 2 is recommended. The GoV should develop recourse mechanism to include the participation of indigenous people, mass organizations at grassroots level, and Vietnamese civil society organizations from district to national level, the possibly there is a participation of international NGOs at national level given the completion of essential principles such as transparency, efficiency, effectiveness, equity and participation; and importance of managing complaints to ensure the BDS reward those who deserve to be rewarded on the basis of emission reductions and to generate information that can be used to improve the BDS, a credible recourse mechanism is required |
| Actions required | The policy/debate sets up to ensure the participation of administrative bureaucracy and cooperation of an international NGO (Action Aid and Oxfam GB are recommended) at national level, while Vietnamese civil society organizations participate from provincial level to national level; At grassroots level, it is important to have the involvement of indigenous individual people, and participation of mass organizations such as women union and farmer association and veteran association, youth association. |

6.7 Design a means to track and monitor the recourse mechanism

At implementers, recourse mechanism needs to be tracked and monitored as they proceed through the system as community involvement in case of monitoring and tracking. Effective tracking and documentation accomplishes several goals:

- Document the severity of a complaint (high, medium, low) according to specific criteria. The level of severity guides requirements for alerting senior management and determines the seniority of management oversight needed.
- Provide assurance that a specific person is responsible for overseeing each of recourse from receipt and registration to implementation.
- Promote timely resolution.
- Inform all concerned parties about the status of the case and progress being made toward resolution.
- Document the REDD implementer's response and outcome(s) to promote fairness and consistency
- Record stakeholders' response(s) and whether additional research or consultation is needed.
- Provide a record of settlements and helps develop standards and criteria for use in the resolution of comparable issues in the future.
- Monitor the implementation of any settlement to ensure that it is timely and comprehensive.
- Provide data needed for quality control measures, to assess the effectiveness of the process and action(s) to resolve complaints.
- Identify learning from specific cases to be used later to assess the effectiveness of the mechanism or address systemic issues that may require changes in company policies or performance.

Tracking and documenting recourse resolution requires the following elements:

- Tracking forms and procedures for gathering information from complainant(s)
- Dedicated staff to update the database routinely (REDD implementers)
- Systems with the capacity to analyze information so as to recognize recourse patterns, identify any systemic causes of recourse, promote transparency, publicize how complaints are being handled by the implementer, and periodically evaluate the overall functioning of the mechanism
- Processes for informing stakeholders about the status of a case (such as written status reports)
- Procedures to retrieve data for reporting purposes.

6.8 Organise recourse mechanism infrastructure

Questions of governance and oversight, the institutional framework for the recourse mechanism, and staffing needs should be considered. These are complex and important decisions that have practical and political ramifications.

6.8.1 Define the Governance Structure

Governance of recourse mechanisms refers to the authority, procedures, and personnel involved in handling and resolving complaints, including:

- Authority delegated to specific personnel who have general oversight of the recourse mechanism as a whole, serve as gatekeepers for acceptance of complaints, and make decisions regarding the redress of issues
- REDD implementer' internal policies and procedures that provide direction to managers and employees on how to process and resolve complaints
- Internal procedures to ensure that the chief recourse manager can obtain the necessary inputs and cooperation from REDD implementer staff with close knowledge of the subject of the recourse
- Explicit steps for resolving recourses.
- Recourse mechanism policies should be derived from the work of the design team; however, successful implementation depends upon approval and active promotion by the highest levels of management. Without strong commitment from the top, the initiative is likely to be ineffective or underutilized.

6.8.2 Determine key elements of the institutional framework for the Recourse Mechanism

In many situations, the recourse mechanism is institutionalized inside the REDD implementer in one of its functional units (community relations, external affairs, human resources, legal, environmental management). In other situations, parts of the mechanism may be institutionalized in a local forest managers or government agency.

The complaints are most effectively addressed if recourse resolution is seen as everyone's tasks. In Vietnam case, there should be a single point for coordination of this function, however, and a single, high-level person who has ultimate responsibility for the system. Where the mechanism resides and who is responsible within the REDD implementer sends a strong message to the community, REDD implementer employees, and contractors about the REDD implementer's commitment to recourse resolution. While the mechanism's coordination function should be in a prominent unit of the REDD implementer and high-level personnel should be assigned to manage it, the work of the system should be mainstreamed throughout work plan operations, integrated into the participatory monitoring system. If responsibility for resolution of complaints is assigned exclusively to community affairs or a social and environmental unit, these entities and their leaders may not have the authority to secure effective resolutions. Similarly, the effectiveness of the mechanism is likely to be compromised if the mechanism is totally disconnected or only loosely linked to operations—often the source of a complaint and therefore necessary to engage in resolution.

REDD implementer have sought various ways to mainstream recourse resolution activities and link social and environmental functions with operations. Some solutions include regular forums, such as meetings that bring together community affairs, environmental, and operations staff to discuss community concerns. Sometimes, staff members are assigned to multiple departments. In other cases, all REDD implementer

personnel have been trained to handle complaints, with responsibility for recourse management ranging from merely receiving complaints to offering a solution, depending upon the level of the employee. A highly innovative approach—empowering operations staff on the ground to accept and resolve complaints within their authority—is described.

A multi-level recourse system should be established independent of the Law of Complaint and Denunciation. The system must start at the lowest local level but must also ensure access or right of appeal to higher levels all the way to the international level. The levels should follow the same levels that are to be established for the BDS but in reverse order.

Establish a Hotline for anonymous complaints which ensures complainants from reprisal. In areas, there is a lack of communications, postal, telephone, etc. and anonymous drop box could be established and monitored by an NGO member.

Encourage the established use of the media to publicize complainants and encourage internal investigations.

6.8.3 Involve the Community/Indigenous People

To draw upon the community's perspective, the system may tap community leaders, elders, chiefs, or other respected people. Some of their functions may include accepting and forwarding community complaints to the appropriate REDD implementer official; serving as witnesses who publicly verify the fairness of a resolution process; acting as advisors or advocates for either individual complainants or a REDD implementer and complainant on fair, reasonable, and/or customary procedures or solutions that could be used to settle a complaint; and serving as facilitators or mediators. The involvement of indigenous group is important. It specifies that one of five objectives of Second Decade is promoting full and effective participation of Indigenous People in decisions which directly or indirectly affect their lifestyles, traditional lands and territories, their cultural integrity as Indigenous Peoples with collective rights or any other aspect of their lives, considering the principle of free, prior and informed sector consent (UN General Assembly Resolution 60/142)

Regardless of whether staff or others involved in designing or operating a recourse mechanism are from a REDD implementer or community, it is critical to clearly define and have common understandings concerning roles, responsibilities, and authority. The representative of mass organizations are possible solution, it is the best approach for the community involvement.

Other type of involvement related to consultation and participation, are crucial components of a consent process. Consultation should be undertaken in good faith. The parties should establish a dialogue allowing them to find appropriate solutions in an atmosphere of mutual respect in good faith, and full and equitable participation. Indigenous peoples should be able to participate through their own freely chosen representatives and customary or other institutions. The inclusion of a gender perspective and the participation of indigenous women is essential, as well as participation of children and youth as appropriate.

6.9 Issues, lessons learned and conclusions

The participatory recourse mechanism that includes participation of mass organizations, civil societies, local indigenous peoples and an independent Vietnamese civil society organizations/international NGO to ensure the principles: legitimate, accessible, predictable, equitable, rights-compatible, transparency. Thus, GoV should develop recourse mechanism to include the participation of indigenous people, mass organizations at grassroots level, and Vietnamese civil society organizations from district to national level, the possibly there is a participation of international NGOs at national level given the completion of essential principles such as transparency, efficiency, effectiveness, equity and participation; and importance of managing complaints to ensure the BDS rewards those who deserve to be rewarded on the basis of emission reductions and to generate information that can be used to improve the BDS, a credible recourse mechanism is required. The policy/decrees set up to ensure the participation of administrative bureaucracy and cooperation of an international NGO at national level, while Vietnamese civil society organizations need to participate from provincial level to national level. At grassroots level, it is important to have the involvement of indigenous individual people for information, and participation of mass organizations such as women union and farmer association and veteran association, youth association.

Additional recommendations:

1. Establishment of three member tribunal panels for dispute resolution. Possibilities for persons to be included would be a member from one of the socio-economic groups, International NGO member, indigenous peoples' member, UN-REDD member and GoV member.
2. Involvement of a team from US People to People Ambassadors Group who specialize in alternative dispute resolution to aid in establishment of effective dispute resolution systems.
3. Consultation with the Ministry of Ethnic Peoples to gain information as to resolution methods currently in place and working among ethnic minorities.

7 Conclusions

This chapter concludes the report with a summary of key findings and a road map for piloting REDD+ BDS in Vietnam.

7.1 Key findings

The single most important finding is that Vietnam is in an excellent position to make strong progress on preparing REDD+ actions in the future. Making progress on REDD+ BDS will require attention to the resolution of legal, policy and institutional issues and on-the-ground implementation of REDD+ pilots. Work at the policy and program level will need to go hand in hand with the testing of REDD+ BDS on the ground. Progress will be limited if either of these two lines of work is pursued at the expense of the other. More specifically, the report has found:

- Existing technical and administrative guidance for CFM can be applied for community-based REDD+ actions.
- Vietnam’s forest policy supports the establishment of community-based REDD+ pilots, even though nation-wide implementation of REDD+ actions will require further action at the policy level.
- Distribution of REDD+ benefits based exclusively on performance triggers inequalities, but the inequalities can be mitigated through the adoption of a decentralized and step-wise approach in the implementation of REDD+ actions across localities combined with capacity-building measures for local governments.
- There is considerable experience with the use of micro-finance approaches in Vietnam’s forestry sector, which can be readily applied in a REDD+ BDS.
- There is a context for a recourse mechanism, but specific arrangements have to be made, and agreed upon by all stakeholders, for REDD+ implementation.

Each chapter has identified a number of issues which require further attention. The most important issues at the policy level are summarized in Table 7-1. The rationale for giving absolute priority to these is the following:

- Institutionalizing timber harvest in CFM and simplifying cumbersome and bureaucratic procedures those related to timber harvest.
- Clarifying the legal status of village communities is a crucial precondition for those to participate in a REDD+ BDS.
- Decentralized and step-wise approach is important in piloting REDD+ combined with capacity building for stakeholders particularly local governments

Table 7-1: Priority legal and policy issues on REDD+ BDS in Vietnam

| No. | Issue | Recommendation to the GoV | Recommendation to the UN-REDD Programme |
|-------------|---|---|---|
| Table 1-1:4 | Forest management and protection is sustained if economic incentives given to | Simplifying cumbersome and bureaucratic procedures related to timber harvesting and | Assist the government in simplifying and testing procedures |

| No. | Issue | Recommendation to the GoV | Recommendation to the UN-REDD Programme |
|-------------|--|---|--|
| | community are secured and sufficient | then institutionalizing the procedures | |
| Table 2-1:3 | Legal status of village communities | Develop a procedure for the registration of village communities as legal organizations. | Provide technical assistance. |
| Table 4-1:2 | Linking payment to performance through R coefficient | Construct R factor to reflect different carbon sequestration capacity of the forest | Collaborate with other agencies to help government construct R coefficient |

7.2 A road map for piloting REDD+ BDS in Vietnam

Piloting REDD+ on the ground, including the piloting of a REDD+ BDS, will allow the GoV to make critical progress towards nation-wide implementation of REDD+ actions in the future. This report has shown that Vietnam is in a very strong position to pilot a REDD+ BDS, as the required legal and policy framework is in place, the GoV has proven the capacity to implement pilots through the Directorate of Forestry, and a series of CFM and PFES pilots have produced relevant experiences, lessons and implementation procedures for application in REDD+.

A key challenge in REDD+ BDS piloting will be to make smart use of the GoV's capacity and the existing experiences from CFM and PFES. Provincial authorities are generally limited in their capacity to implement innovative approaches to forest management and, in particular, to facilitate the required learning from initial experiences. External assistance in the form of technical advice and process facilitation is essential to them, as evidenced in the CFM and PFES pilots. These pilots, in turn, provide valuable foundations for the development of REDD+ pilot action. Not only have they improved the general capacity of provincial and district authorities to provide effective support to forest managers, but also created a set of concrete procedures for potential use and adaptation in REDD+ pilots. This report therefore suggests a three-pronged approach to piloting REDD+ BDS in Vietnam:

- Develop a BDS in the UN-REDD pilot site in Lam Dong.
- Add REDD+ BDS components to existing CFM pilots in 4-5 sites across the country.
- Facilitates learning processes in Lam Dong and at the national level.

None of the three strategies would suffice by itself. Lam Dong would become a 'learning laboratory' on REDD+, facilitating systematic and regular exchange between the REDD+ pilots supported by UN-REDD and SNV Netherlands Development Organization and the PFES schemes developed with assistance by Winrock and JICA, and drawing on lessons from CFM pilots in the neighboring provinces of Dak Nong and Dak Lak.

ISSUE 7.2
Piloting REDD+ BDS in Vietnam

| | |
|---------------------------|---|
| Issue to be addressed | The GoV needs to develop and test suitable procedures for a REDD+ BDS on the ground, building on relevant experiences in Vietnam's forestry sector. |
| Options | <ul style="list-style-type: none"> a) Develop a REDD+ BDS in the UN-REDD pilot site in Lam Dong province. b) Add REDD+ BDS components to existing CFM pilots in 4-5 sites. c) Facilitate learning processes in Lam Dong and at the national level which bring together and evaluate experience from REDD+ pilots and other projects. |
| Lessons learned | MARD possess the capacity to implement pilot projects, as proven under the TFF-PPFP. Yet the pilots will benefit from technical assistance, particularly to facilitate systematic learning from the pilots and other relevant projects. |
| Recommended action to GoV | Pilot REDD+ BDS through a three-pronged approach that combines a UN-REDD pilot in Lam Dong, the addition of REDD+ BDS components to existing CFM pilots in 4-5 sites, and learning processes in Lam Dong and at the national level. |
| Recommendation to UN-REDD | Provide technical assistance to REDD+ BDS pilots in Lam Dong and learning processes in Lam Dong and at the national level. |

The piloting of REDD+ BDS will be able to utilize procedures developed, tested and evaluated under relevant other projects, particularly the CFM pilots facilitated by GTZ in Dak Lak, Dak Nong and Quang Ninh and by KfW in Binh Dinh and Quang Ngai. These proven procedures will allow a focus on a few remaining implementation issues, which are identified in Table 7-2.

Table 7-2: Priority issues in piloting REDD+ BDS in Vietnam

| No. | Issue | Recommendation to the GoV | Recommendation to the UN-REDD Programme |
|-------------|------------------------------|---|--|
| Table 1-1:4 | CFM management | Develop simple procedures to allow community to benefit not only from forest protection but also from the sale of timber harvest. | Support the government in selecting appropriate community forest sites and help the government in developing procedures. |
| Table 2-1:1 | Forest land allocation | Develop responsive procedures for the allocation of the remaining forestland. | Assist the GoV to implement responsive allocation in REDD+ priority areas. |
| Table 4-1:4 | Capacity of local government | Provide training to local government and allow them to adopt a stepwise approach in implementing REDD+BDS. | Provide training to local government. |
| Table 5-1:4 | Risk sharing | Develop risk-sharing and insurance arrangements. | Provide technical assistance to MARD and BSP. |

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