

Design of a REDD- Compliant Benefit Distribution System for Viet Nam

UN-REDD PROGRAMME

July 3, 2009



1. Background

The Stern Review on the economics of climate change¹, released in 2006, noted that ‘Reducing emissions from deforestation and forest degradation in developing countries’ (REDD) could be a cost-effective route for mitigating the impacts of climate change. This recognition of the potential role and reasonable cost of REDD led to its inclusion in the “Bali Action Plan”², agreed at CoP13 of the UN Framework Convention on Climate Change (UNFCCC) in 2007.

While the details of REDD are still under discussion and negotiation within the framework of the UNFCCC, a basic principle is that REDD will involve performance-based payments to participating developing countries in response to measured and verified reductions in deforestation and forest degradation (see Figure 1). Related to this, a report by the International Institute for Environment and Development (IIED)³ concluded that “*Effective local institutional capability, and the knowledge and preparedness to put good forestry into practice, will be essential for REDD. For this to be achievable, effective and equitable local property rights are needed*”. The report goes on to identify some key recommendations, including:

- *Shape REDD schemes to contribute to improved forest governance, not vice versa.*
- *Strengthen local resource rights, including customary rights.*
- *Develop effective arrangements to channel benefits to the local level.*

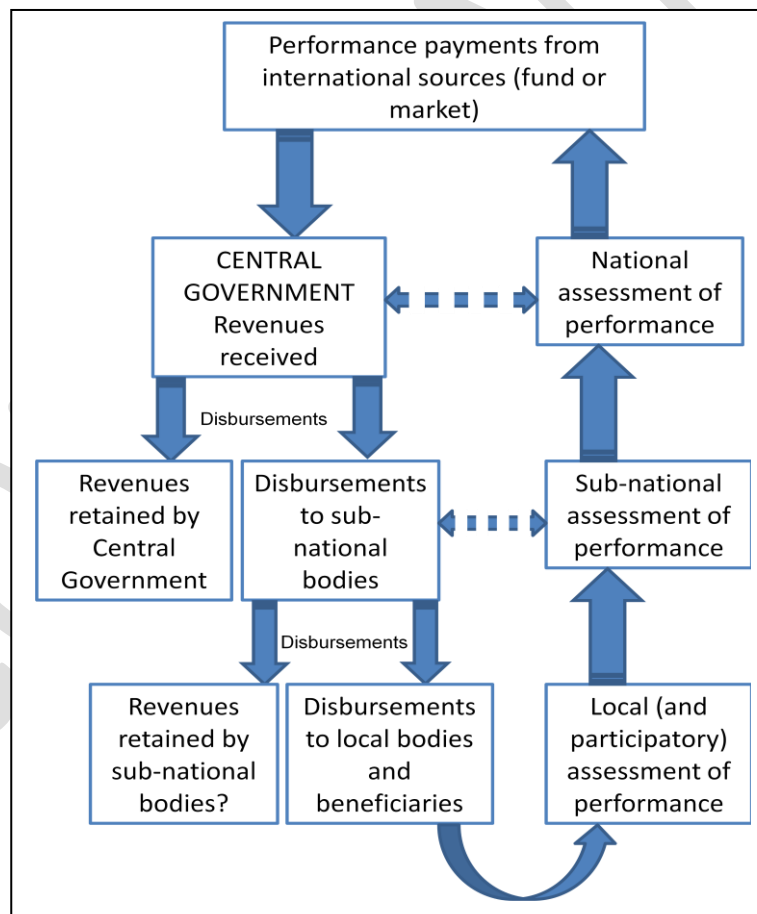


Figure 1: Basic REDD system

¹ http://www.hm-treasury.gov.uk/sternreview_index.htm

² http://unfccc.int/files/meetings/cop_13/application/pdf/cp_bali_action.pdf

³ <http://www.iied.org/pubs/pdfs/13554IIED.pdf>

The Viet Nam UN-REDD Programme responds to these recommendations, and will address complexities of developing REDD-readiness in Viet Nam through capacity building at two levels. Firstly (Outcome 1), it will build capacity at the national level to permit the Government of Viet Nam, and especially the REDD focal point, the Department of Forestry (DoF) in the Ministry of Agriculture and Rural Development (MARD), to coordinate and manage the process of establishing tools to implement a REDD programme that provides an effective, transparent and equitable system of demonstrating real and measurable reductions in emissions from deforestation and forest degradation, and transferring international payments for carbon conservation to local stakeholders in relation to performance standards. Secondly (Outcome 2), it will build capacity at the local level through pilots in two districts in Lam Dong province that demonstrate effective approaches to planning and implementing measures to reduce emissions, including participatory monitoring of C-stocks, and ensure fair and equitable distribution of benefits. The third Outcome of the UN-REDD programme will generate information to help identify what role REDD might play in reducing regional leakage of emissions from forests.

The budget allocation for the Viet Nam UN-REDD programme was approved by the UN-REDD Policy Board at its first meeting, March 9, 2009, in Panama, and the Joint Programme Document (JPD) was signed by Minister Cao Duc Phat (check who eventually signs it) on July xx, 2009.

One of the goals of the UN-REDD programme is to generate lessons that can guide the international community in determining how REDD will work in practice. The development of detailed rules and procedures for implementing REDD is expected to begin after CoP15. This means that the presentation of important lessons at CoP15 can be very influential in determining the details of REDD to be negotiated subsequently. Given the rapid progress made so far in Viet Nam, and past work on a variety of benefit distribution systems in the country, it is considered that one of the best opportunities for delivering lessons at CoP15 is on benefit distribution systems (the left-hand side of Figure 1), based on work undertaken in Viet Nam. This corresponds to rapid implementation of Outputs 1.4 and 2.3 of the UN-REDD Programme in Viet Nam.

2. Objective and Outputs

The Objectives of this study are to:

- Review experiences and lessons from various systems of sharing benefits in Viet Nam in the forest and natural resource management sector,
- Identify strengths and weaknesses relevant to the establishment of an efficient, transparent and equitable system for distribution of benefits arising from REDD, and
- Develop a programme of work to implement the necessary legal, policy and institutional changes required to overcome the identified weaknesses.

The Outputs of the study will include (by November 30, 2009):

- A technical report summarizing the results of the study, and including a roadmap of legal, policy and institutional changes (including capacity building) required to implement a REDD-compliant payment distribution system
- A publication for broad distribution in both hard copy (e.g., brochure) and on the internet.
- A presentation (e.g. Powerpoint and poster) for use at CoP15 in Copenhagen.

3. Methodology

A team of experts (see below) will be formed to review experiences in Viet Nam in relation to the following issues.

3.1 Payments from international sources related to REDD performance in Viet Nam

REDD performance payments, whether from a carbon market or international fund, are expected to be made on the basis of national accounting, and therefore payments will be made to an entity representing the Government of Viet Nam. Some of the issues arising from this system, which will need to be considered in developing a REDD-compliant payment distribution system are:

Q1: Which agency or fund should be the recipient of these revenues? One option is the Forest Protection and Development Fund, but there are other options, each of which needs to be analyzed in terms of strengths and weaknesses.

Q2: In this regard, what are the relevant laws for receipt of international revenues, and are they adequate for a REDD-compliant system in terms of transparency and equity?

Q3: What should be the respective roles of different ministries, including MARD, the Ministry of Finance, and the Ministry of Planning and Investment?

Q4: Who owns the carbon?

3.2 Disbursements from central government to sub-national entities

The central government agency or fund which receives REDD performance-related payments will be responsible for appropriate disbursements of the funds to sub-national entities. Important questions related to this process include:

Q5: What percentage of the revenues should be retained by the central government?

Q6: For what activities are the funds being retained? The costs of operation of the agency/fund responsible for administering the revenues is an obvious example, but the actual costs of operation should be reported. Retention for activities not directly related to REDD implies that they are no longer performance-related and will reduce or eliminate future such payments.

Q7: What accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent to allow those making the payments to satisfy themselves that the payments are related to performance?

Q8: For those revenues transferred to sub-national entities, which entities should be the recipients? Provincial Peoples Committees and Provincial Departments of Agriculture and Rural Development are obvious choices, and the appropriate entity might vary by province, but the decision-making system should be clear.

Q9: Should disbursements to sub-national entities be based on performance?

Q10: If so, how will performance be measured? One option is the use of sub-national (provincial) RELs/RLs, but other options may exist.

Q11: As for management of funds by the central government, what accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent?

3.3 Disbursements from sub-national entities to lower levels and the ultimate beneficiaries

Sub-national recipients of REDD Performance payments will be required to make further disbursements down to the ultimate beneficiaries. This raises other questions, such as:

Q12, 13, and 14: As for the case of the central government, what percentage of the revenues should be retained by the sub-national entity? For what activities are the funds being retained? What accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent?

Q15: Mirroring the question for the central government, which lower level bodies should be recipients?

Q16: How should be the payments to the ultimate beneficiaries be structured? Options include payments to households or to communities, which have different strengths and weaknesses, and it may be the case that payment structure should vary, for example, by ethnic group, reflecting their own cultures.

Q17 and 18: Are payments to lower level bodies still be based on performance? If so, how should performance be measured?

Q19: At how many levels can performance-based payments realistically be made?

Q20: As for higher levels in the system, what accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent?

Q21: How to create safeguards against land-grabbing and corruption?

Q22: What recourse mechanisms should be in place in case of complaints of inequity or malfeasance?

3.4 Study team composition

Given the broad nature of the issues to be addressed, and the short-time frame for the study, a team of experts is required. This should include:

1. Overall team leader. This is proposed to be the Deputy Director General of the DoF, who will provide overall guidance and ensure that the necessary links to higher officials are established and maintained
2. Cross-sectoral policy advisor. This is proposed to be the Director General of the Department of Economic Sectors of the office of the Prime Minister, who will ensure linkages to government policy development on issues related to REDD.
3. Operational team leader. This is proposed to be the REDD Focal Point within DoF, who will ensure that the study addresses the key issues of relevance to Viet Nam and is consistent with national policies and plans such as the National Target Programme on Climate Change, and MARD's Action Plan on Climate Change.
4. Coordinator; International. This is proposed to be the UNDP Regional Coordinator for UN-REDD, who will be responsible that all inputs are coordinated and appropriately focused on the identified issues and questions

The preceding individuals will be involved (not on a full-time basis) for the duration of the study. The remaining specialists, below, will be hired with UN-REDD advance funds for limited time-frames to address specific issues – see appended ToR.

5. Legal experts (2); national consultants, one with specific expertise related to Ministry of Finance laws, policies and procedures, and the other with expertise related to MARD
6. Systems analyst; national consultant
7. Benefits structuring specialist; international consultant
8. Accounting/monitoring specialist; national consultant
9. Governance specialists (2); one international and one national consultant

These six specialists will have the following responsibilities in addressing the questions listed previously:

Specialist	Questions	Amount of time	Nominal Timing
Legal expert (Finance)	1,2, 3, 4	3 weeks	24 Aug – 18 Sept
Legal expert (MARD)	1, 3, 4	3 weeks	24 Aug – 18 Sept
Systems analyst	3, 5, 6, 8, 12, 13, 15	5 weeks	24 Aug – 2 Oct
Benefits structuring specialist	6, 9, 10, 13, 16, 17, 18, 19	3 weeks	7 Sept – 2 Oct
Accounting/monitoring specialist	5, 7, 10, 11, 12, 14, 18, 20	5 weeks	31 Aug – 9 Oct
Governance specialists	7, 14, 21, 22	2 weeks	7 Sept – 2 Oct

With these inputs, the overall timeframe for the study is shown in Figure 2:

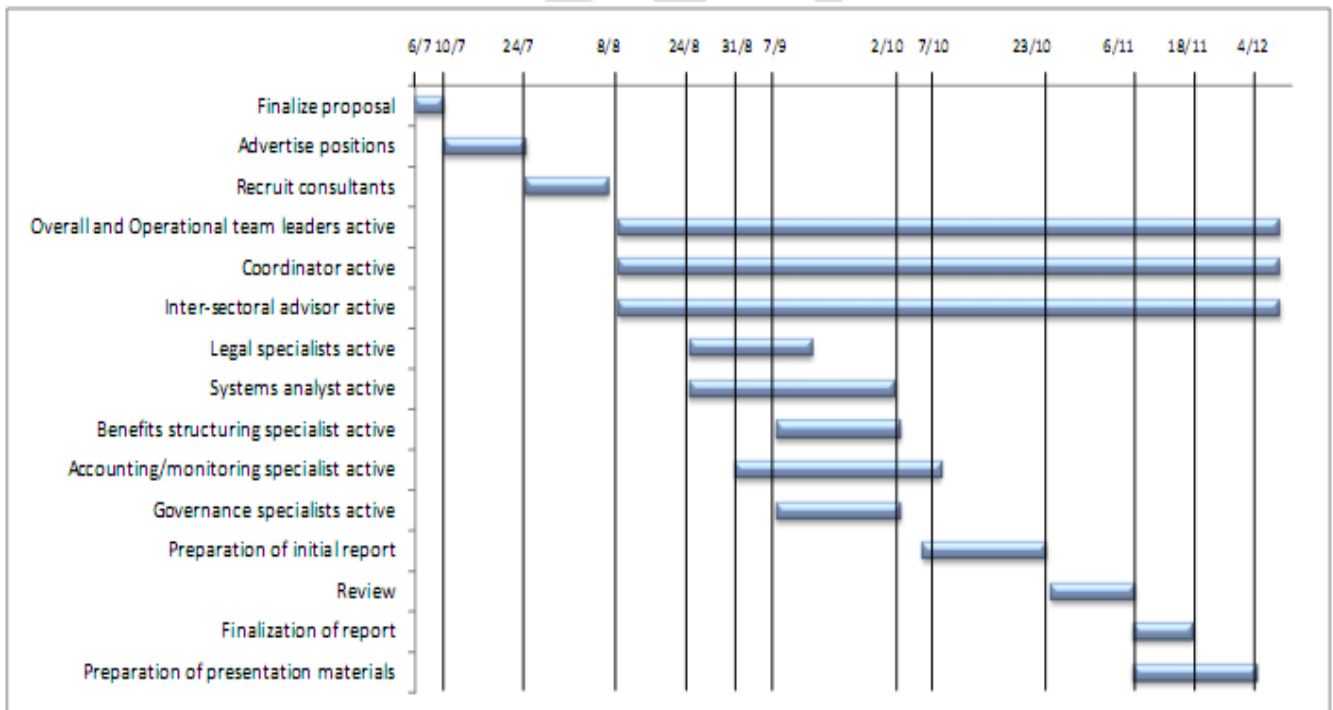


Figure 2: Gantt chart of study activities

4. Terms of Reference

Position: Legal experts (2)

Project title: Benefits Payment Study (Viet Nam UN-REDD Programme)

Duration: 3 weeks: August 2009

Remuneration: To be determined

Objective of assignment:

The objective of the assignment is to contribute to the analysis of REDD-compliant payment distribution systems in Viet Nam by addressing specific questions related to the attribute of such a system.

Outputs:

- A technical report on weaknesses associated with current payment systems, and the required legal, policy and/or institutional changes required to design and implement a REDD-compliant system.
- A report documenting individuals consulted during the course of the consultancy and their observations and views on the requirements for a REDD-compliant system. In the case where individuals' comments were rejected or only partially adopted, a commentary on reasons for rejection or partial adoption should be provided. Individuals consulted during the course of the consultancy are expected to include representatives of ethnic minorities.

Specific responsibilities of the consultants:

The specific issues on which the consultants are expected to report include, but are not necessarily limited to:

- Q1: Which agency or fund should be the recipient of these revenues? One option is the Forest Protection and Development Fund, but there are other options, each of which needs to be analyzed in terms of strengths and weaknesses.
- Q2: In this regard, what are the relevant laws for receipt of international revenues, and are they adequate for a REDD-compliant system in terms of transparency and equity?
- Q3: What should be the respective roles of different ministries, including MARD, the Ministry of Finance, and the Ministry of Planning and Investment?
- Q4: Who owns the carbon?

In order to address some of these questions, the consultants are expected to work closely with the systems analyst.

Supervision, Teamwork And Administrative Support:

The consultant will be supervised by the Overall Team Leader and will be guided in his/her activities by the Operational Team Leader. The consultant will also work closely with the Coordinator to ensure that his/her outputs are harmonized with the work of other consultants.

Qualifications, Experience And Competencies:

- Post graduate degree in Law, Environmental Law, or similar.

- At least 10 years of working experience on legal aspects of conservation and resource management in Vietnam.
- Previous engagement in the design of payment distribution systems, or similar instruments in Viet Nam
- Strong inter-personal skills, especially oral and written communication skills.
- Proficiency in both spoken and written English.
- Good computer literacy, and hands-on experience with data management and data analysis desired.

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<u>Position:</u>	Systems analyst
<u>Project title:</u>	Benefits Payment Study (Viet Nam UN-REDD Programme)
<u>Duration:</u>	3 weeks: August 2009
<u>Remuneration:</u>	To be determined

Objective of assignment:

The objective of the assignment is to contribute to the analysis of REDD-compliant payment distribution systems in Viet Nam by addressing specific questions related to the attribute of such a system.

Outputs:

- A technical report on weaknesses associated with current payment systems, and the required legal, policy and/or institutional changes required to design and implement a REDD-compliant system.
- A report documenting individuals consulted during the course of the consultancy and their observations and views on the requirements for a REDD-compliant system. In the case where individuals' comments were rejected or only partially adopted, a commentary on reasons for rejection or partial adoption should be provided. Individuals consulted during the course of the consultancy are expected to include representatives of ethnic minorities.

Specific responsibilities of the consultants:

The specific issues on which the consultant is expected to report include, but are not necessarily limited to:

- Q3: What should be the respective roles of different ministries, including MARD, the Ministry of Finance, and the Ministry of Planning and Investment?
- Q5: What percentage of the revenues should be retained by the central government?
- Q6: For what activities are the funds being retained? The costs of operation of the agency/fund responsible for administering the revenues is an obvious example, but the actual costs of operation should be reported. Retention for activities not directly related to REDD implies that they are no longer performance-related and will reduce or eliminate future such payments.
- Q8: For those revenues transferred to sub-national entities, which entities should be the recipients? Provincial Peoples Committees and Provincial Departments of Agriculture and Rural Development are obvious choices, and the appropriate entity might vary by province, but the decision-making system should be clear.
- Q12, 13, and 14: As for the case of the central government, what percentage of the revenues should be retained by the sub-national entity? For what activities are the funds being retained?
- Q15: Mirroring the question for the central government, which lower level bodies should be recipients?

In order to address some of these questions, the consultant is expected to work closely with the legal specialist, the benefits structuring specialist, and the accounting/monitoring specialist.

Supervision, Teamwork And Administrative Support:

The consultant will be supervised by the Overall Team Leader and will be guided in his/her activities by the Operational Team Leader. The consultant will also work closely with the Coordinator to ensure that his/her outputs are harmonized with the work of other consultants.

Qualifications, Experience And Competencies:

- Post graduate degree in Systems Design, or similar.
- At least 10 years of working experience on natural resource management in Vietnam.
- Strong inter-personal skills, especially oral and written communication skills.
- Proficiency in both spoken and written English.
- Good computer literacy, and hands-on experience with data management and data analysis desired.

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- Position:** Benefits structuring specialist
- Project title:** Benefits Payment Study (Viet Nam UN-REDD Programme)
- Duration:** 3 weeks: August 2009
- Remuneration:** To be determined

Objective of assignment:

The objective of the assignment is to contribute to the analysis of REDD-compliant payment distribution systems in Viet Nam by addressing specific questions related to the attribute of such a system.

Outputs:

- A technical report on weaknesses associated with current payment systems, and the required legal, policy and/or institutional changes required to design and implement a REDD-compliant system.
- A report documenting individuals consulted during the course of the consultancy and their observations and views on the requirements for a REDD-compliant system. In the case where individuals' comments were rejected or only partially adopted, a commentary on reasons for rejection or partial adoption should be provided. Individuals consulted during the course of the consultancy are expected to include representatives of ethnic minorities.

Specific responsibilities of the consultants:

The specific issues on which the consultant is expected to report include, but are not necessarily limited to:

- Q6: For what activities are the funds being retained? The costs of operation of the agency/fund responsible for administering the revenues is an obvious example, but the actual costs of operation should be reported. Retention for activities not directly related to REDD implies that they are no longer performance-related and will reduce or eliminate future such payments.
- Q9: Should disbursements to sub-national entities be based on performance?
- Q10: If so, how will performance be measured? One option is the use of sub-national (provincial) RELs/RLs, but other options may exist.
- Q13: As for the case of the central government, for what activities are the funds being retained?
- Q16: How should be the payments to the ultimate beneficiaries be structured? Options include payments to households or to communities, which have different strengths and weaknesses, and it may be the case that payment structure should vary, for example, by ethnic group, reflecting their own cultures.
- Q17 and 18: Are payments to lower level bodies still be based on performance? If so, how should performance be measured?
- Q19: At how many levels can performance-based payments realistically be made?

In order to address some of these questions, the consultant is expected to work closely with the systems analyst, and the accounting/monitoring specialist.

Supervision, Teamwork And Administrative Support:

The consultant will be supervised by the Overall Team Leader and will be guided in his/her activities by the Operational Team Leader. The consultant will also work closely with the Coordinator to ensure that his/her outputs are harmonized with the work of other consultants.

Qualifications, Experience And Competencies:

- Post graduate degree in Natural Resource Management, or similar.
- At least 10 years of working experience on conservation and resource management, preferably with some experience from Vietnam.
- Previous engagement with payment systems structuring for natural resource management systems
- Strong inter-personal skills, especially oral and written communication skills.
- Proficiency in both spoken and written English.
- Good computer literacy, and hands-on experience with data management and data analysis desired.

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Position: Accounting/monitoring specialist

Project title: Benefits Payment Study (Viet Nam UN-REDD Programme)

Duration: 3 weeks: August 2009

Remuneration: To be determined

Objective of assignment:

The objective of the assignment is to contribute to the analysis of REDD-compliant payment distribution systems in Viet Nam by addressing specific questions related to the attribute of such a system.

Outputs:

- A technical report on weaknesses associated with current payment systems, and the required legal, policy and/or institutional changes required to design and implement a REDD-compliant system.
- A report documenting individuals consulted during the course of the consultancy and their observations and views on the requirements for a REDD-compliant system. In the case where individuals' comments were rejected or only partially adopted, a commentary on reasons for rejection or partial adoption should be provided. Individuals consulted during the course of the consultancy are expected to include representatives of ethnic minorities.

Specific responsibilities of the consultants:

The specific issues on which the consultant is expected to report include, but are not necessarily limited to:

- Q5: What percentage of the revenues should be retained by the central government?
- Q7: What accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent to allow those making the payments to satisfy themselves that the payments are related to performance?
- Q10: If so, how will performance be measured? One option is the use of sub-national (provincial) RELs/RLs, but other options may exist.
- Q11: As for management of funds by the central government, what accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent?
- Q12 and 14: As for the case of the central government, what percentage of the revenues should be retained by the sub-national entity? What accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent?
- Q18: If payments to lower level bodies are still be based on performance, how should performance be measured?
- Q20: As for higher levels in the system, what accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent?

In order to address some of these questions, the consultant is expected to work closely with the systems analyst, the benefits structuring specialist, and the governance specialist.

Supervision, Teamwork And Administrative Support:

The consultant will be supervised by the Overall Team Leader and will be guided in his/her activities by the Operational Team Leader. The consultant will also work closely with the Coordinator to ensure that his/her outputs are harmonized with the work of other consultants.

Qualifications, Experience And Competencies:

- Post graduate degree in Natural Resource Management, or similar.
- At least 5 years of working experience on natural resource management in Vietnam.
- Previous engagement in analysis of payment distribution systems or similar issues in Viet Nam.
- Strong inter-personal skills, especially oral and written communication skills.
- Proficiency in both spoken and written English.
- Good computer literacy, and hands-on experience with data management and data analysis desired.

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<u>Position:</u>	Governance specialist (International)
<u>Project title:</u>	Benefits Payment Study (Viet Nam UN-REDD Programme)
<u>Duration:</u>	3 weeks: August 2009
<u>Remuneration:</u>	To be determined

Objective of assignment:

The objective of the assignment is to contribute to the analysis of REDD-compliant payment distribution systems in Viet Nam by addressing specific questions related to the attribute of such a system.

Outputs:

- A technical report on weaknesses associated with current payment systems, and the required legal, policy and/or institutional changes required to design and implement a REDD-compliant system.
- A report documenting individuals consulted during the course of the consultancy and their observations and views on the requirements for a REDD-compliant system. In the case where individuals' comments were rejected or only partially adopted, a commentary on reasons for rejection or partial adoption should be provided. Individuals consulted during the course of the consultancy are expected to include representatives of ethnic minorities.

Specific responsibilities of the consultant:

The specific issues on which the consultant is expected to report include, but are not necessarily limited to:

- Q7: What accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent to allow those making the payments to satisfy themselves that the payments are related to performance?
- Q 14: As for the case of the central government, what accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent?
- Q21: How to create safeguards against land-grabbing and corruption?
- Q22: What recourse mechanisms should be in place in case of complaints of inequity or malfeasance?

In order to address some of these questions, the consultant is expected to work closely with the national governance consultant, as well as the accounting/monitoring specialist.

Supervision, Teamwork And Administrative Support:

The consultant will be supervised by the Overall Team Leader and will be guided in his/her activities by the Operational Team Leader. The consultant will also work closely with the Coordinator to ensure that his/her outputs are harmonized with the work of other consultants.

Qualifications, Experience And Competencies:

- Post graduate degree in Development Studies, Environmental Studies, or similar.
- At least 10 years of working experience on environmental governance, preferably with some experience in Vietnam.
- Experience with the design of safeguards to ensure transparency in financial or resource transfer systems
- Strong inter-personal skills, especially oral and written communication skills.

- Proficiency in both spoken and written English.
Good computer literacy, and hands-on experience with data management and data analysis desired.

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<u>Position:</u>	Governance specialist (National)
<u>Project title:</u>	Benefits Payment Study (Viet Nam UN-REDD Programme)
<u>Duration:</u>	3 weeks: August 2009
<u>Remuneration:</u>	To be determined

Objective of assignment:

The objective of the assignment is to contribute to the analysis of REDD-compliant payment distribution systems in Viet Nam by addressing specific questions related to the attribute of such a system.

Outputs:

- A technical report on weaknesses associated with current payment systems, and the required legal, policy and/or institutional changes required to design and implement a REDD-compliant system.
- A report documenting individuals consulted during the course of the consultancy and their observations and views on the requirements for a REDD-compliant system. In the case where individuals' comments were rejected or only partially adopted, a commentary on reasons for rejection or partial adoption should be provided. Individuals consulted during the course of the consultancy are expected to include representatives of ethnic minorities.

Specific responsibilities of the consultants:

The specific issues on which the consultant is expected to report include, but are not necessarily limited to:

- Q7: What accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent to allow those making the payments to satisfy themselves that the payments are related to performance?
- Q 14: As for the case of the central government, what accounting and reporting standards need to be applied to ensure that the system is sufficiently transparent?
- Q21: How to create safeguards against land-grabbing and corruption?
- Q22: What recourse mechanisms should be in place in case of complaints of inequity or malfeasance?

In order to address some of these questions, the consultant is expected to work closely with the international governance specialist, as well as the accounting/monitoring specialist.

Supervision, Teamwork And Administrative Support:

The consultant will be supervised by the Overall Team Leader and will be guided in his/her activities by the Operational Team Leader. The consultant will also work closely with the Coordinator to ensure that his/her outputs are harmonized with the work of other consultants.

Qualifications, Experience And Competencies:

- Post graduate degree in Development Studies, Environmental Studies, or similar.
- At least 10 years of working experience on environmental governance issues in Vietnam.
- Experience with the design of safeguards to ensure transparency in financial or resource transfer systems
- Strong inter-personal skills, especially oral and written communication skills.
- Proficiency in both spoken and written English.

- Good computer literacy, and hands-on experience with data management and data analysis desired.

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