

REDD+ BENEFIT SHARING¹ IN VIETNAM

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1) A brief overview of current REDD+ progress in Vietnam

1.1. Key drivers of deforestation and degradation in Vietnam

The forest sector is recognized as the key player towards sustainable development in Vietnam, because it plays very important roles for socio-economic development and environmental protection in the country. Forestry in Vietnam is the forestry of the poor. It involves a lot of local people living in rural areas, of which large areas are remote and ethnic minority areas. Since 1990, a lot of efforts have been made by the Government and people of Vietnam to increase the total forest cover from 27.2 % in 1992 (equivalent to 9.2 million ha) to 39.7% in 2011 (equivalent to 13.52 million ha) (MARD, 2012). However, local deforestation still happens mainly in Central Highlands, the Central Coastal Region and the Southeast Region, while forest degradation spreads throughout the remaining natural forests all over the country. Over two-thirds of natural forests were considered as poor or regenerating forests, while rich and closed-canopy forest constituted only 4.6% of the total forest area (Forest Inventory and Planning Institute, 2004). During the period 1999-2005, the area of rich natural forests had decreased by 10.2%. The drivers of deforestation and degradation have changed from decade to decade. In the 1943-1993 period, deforestation/degradation were mostly the result of war and agricultural expansion by people migrating into forested areas. The current main direct causes of deforestation/degradation nationally are generally agreed to be a result of: (i) conversion to agriculture (particularly to industrial perennial crops, such as coffee and rubber); (ii) unsustainable logging (notably illegal logging); (iii) infrastructure development; and (iv) forest fires. Besides the key drivers of deforestation/degradation, there are also more indirect causes within the forestry sector and other sectors to be addressed, related to legal framework, regulations and resources availability. There is inconsistency among policies and programs within and among sectors including forestry, agriculture, natural resources and environment, transportation and construction. The current setting of harvesting quotas much less than the allowable cut also contributes to illegal logging. In addition, the resources for ensuring law enforcement are also insufficient.

1.2. REDD+ policies and institutional framework

Recently, in response to the threat of climate change, the forestry sector has become an active sector, among others. Since 2009, in line with international level developments, Vietnam has taken significant steps to align its forestry sector with REDD+ and to develop the national capacity and infrastructure for this global initiative. Given recent international developments, REDD+ is becoming a key factor in supporting the ongoing development in the forestry sector, and in providing the progressive conditions necessary for successful REDD+ implementation in Vietnam.

A number of policies related to REDD+ have been formulated to address both adaptation to and mitigation of climate change, namely *the National Target Program to Respond to Climate Change (NTP-RCC)*, *The National Strategy on Responding to Climate Change (NSRCC)* and *the National Action Programme on REDD+ (NRAP)*. The NTP-RCC defines the roadmap for initial adaptation and mitigation actions, and includes provisions outlining the responsibilities of the main stakeholders. The NSRCC focuses on building the capacity of the country to carry out

¹ The term “Benefit Distribution” has been more commonly used to refer to the same concept in Vietnam. To be more consistent with the terminology used for the initiative, “Benefit Sharing” is used for this paper.

simultaneous measures to adapt to the impacts of climate change, mitigate greenhouse gas emissions, ensure the safety and protect the property of people and contribute to sustainable development. NRAP's general objectives are to contribute to emission reduction, enhance forest carbon stock, conservation, poverty reduction, environmental protection and sustainable development. Their specific objectives for the period of 2012-2015 are to prepare for REDD+ readiness and contribute to emission reduction in pilot provinces, and for the period 2016-2020 to implement REDD+ in wider scales in provinces that have more than 25,000 ha of forest. NRAP is an evolving document which will be improved and further developed in accordance with international negotiations, national circumstances, and availability of international support. Detailed activities, methods, approaches and measures will be developed during the NRAP implementation.

The Ministry of Natural Resources and the Environment (MONRE) is the focal agency responsible for collaborating with relevant agencies responding to climate change. MONRE has established a National Standing Office to coordinate the NTP-RCC and NSRCC implementation. The Ministry of Agriculture and Rural Development (MARD) is responsible for the forestry, fishery and agriculture sectors. *The Climate Change Support Program* established in October 2011 by the Prime Minister has requested that MONRE, MARD and other relevant ministries to develop detailed legal regulations and technical manuals to assist the mainstreaming of climate change activities into national socio-economic development plans (SEDP) and sectoral/provincial development plans. *The Action Plan to Respond to Climate Change of the Agriculture and Rural Development in the Period 2012-2020* has been approved since January 2013, which also covered the forestry sector. In December 2011, the Minister of Agriculture and Rural Development issued the *Decision 3119/QĐ-BNN-KHCN "On approving programme of GHG emissions reduction in the Agriculture and Rural Development sector up to 2020"*. This Decision was built on the NTP-RCC and MARD Action Plan to Respond to Climate Change with the target of reducing the total GHG emissions by 20% in the agricultural and rural development sector (18.87 million tons CO₂e) by 2020 while ensuring growth in agricultural and rural development, as well as a reduction of poverty. For the forestry sector, the main activities anticipated to help meet this target are:

- ✓ Extend forestry plantations and restore degraded forests with a target of 2.6 million ha for potential net GHG emission reduction of 702 million tons CO₂e.
- ✓ Protect, develop and sustainably manage forests to increase carbon sequestration and reduce GHG emissions over an area of 13.8 million ha, leading to a potential net GHG emission reduction of 669 million tons of CO₂e.

Some of the institutional steps taken towards REDD+ readiness include:

- ✓ The National REDD+ Network was established by MARD Minister in September 2009. The Network holds at least two meetings yearly and is open to all interested individuals and organizations, Vietnamese and international. The Network is supported by a Technical Working Group and six sub-technical working groups respectively on Measuring, Reporting and Verification (MRV), Benefit Distribution System (BDS), Local Implementation, Governance, Safeguards, and Private Sector Engagement;
- ✓ The National REDD Steering Committee (NRSC), chaired by MARD has been set up since January 2011, by the Prime Minister, with the tasks of developing policies, steering and coordinating government agencies, overseeing the formulation and implementation of a Vietnam REDD+ Program, and monitoring;
- ✓ The Vietnam REDD+ Office (VRO) was established by MARD in January 2011, who is

responsible of day to day management of REDD+ issues to support the NRSC in coordination of REDD+ process, including the international technical and financial assistance;

- ✓ The inter-agency REDD+ Task Forces to coordinate REDD+ issues at the provincial level are being established by the Provincial People Committee, under MARD's instruction.

Within this institutional framework, the Vietnam Administration of Forestry (VNFOREST) of MARD is the lead agency on REDD+, which is responsible for developing and implementing policies and programmes relevant to REDD+, in particular through the VRO.

The government is fully committed to the implementation of REDD+ through a participatory approach, which will promote the optimization of the social and environmental outcomes of REDD+. Broad participation will form an integral part of the implementation of the NRAP as the basic legal framework for the REDD+ preparation and implementation.

The government together with its development partners has also launched a number of exercises in order to increase its REDD+ readiness. The most important of these are: *Designing a REDD-compliant Benefit Distribution System for Vietnam* (in 2009-2010); *Applying the Principle of Free, Prior and Informed Consent (FPIC) in the UN-REDD Vietnam Programme Phase I* (in 2010); *Developing training materials on participatory carbon monitoring* (in 2010); the *Measurement, Reporting & Verification Framework Document* (in 2011); and the *Establishing the allometric equations of different types of forests* (in 2012).

Vietnam was one of the first countries to participate in the UN-REDD Programme. It was also one of the first countries that joined the World Bank's Forest Carbon Partnership Facility (FCPF). Vietnam is also being supported by many other development partners and NGOs in preparing for REDD+. Vietnam has been supported by UN-REDD with a total financial budget of more than 4.3 million USD for Phase I and by FCPF with an amount of 3.6 million USD to build capacity. The country is currently preparing to launch Phase II in Vietnam to develop lessons of international importance, including the development of common understanding and strengthening the governance to avoid leakages from demonstration sites in Vietnam (See annex I for details of the UN-REDD key achievements in Vietnam). There are several agencies investing millions of dollars into REDD+ in Vietnam, including JICA, USAID, NORAD, BMZ, and ICRAF mostly focusing on capacity building and piloting REDD+ at the local level.

1.3. Key beneficiaries and benefits of REDD+

The primary beneficiaries of REDD+ will be households and local communities who manage and utilize the forests. Besides these, the government agencies, relevant organizations, institutions and civil societies will also benefit from the programme by strengthening capacity for REDD+ implementation, among which VNFOREST will be the key. The local government agencies in REDD+ piloting provinces have been consulted in REDD+ project development, involved in REDD+ capacity building and have provided very important institutional support in the facilitation of REDD+ activities in their provinces. The NGOs, both international and local (Women Union, Farmer Association, etc.) play very key roles in providing technical assistance to build awareness and pilot REDD+ at the community level. The communities are the key players at the grassroots level, who take responsibility for identifying the eligible REDD+ activities and relevant measures to meet their local contexts and needs, including designing the benefit distribution scheme linked with a cross-sector approach (e.g. land management, agriculture, food security, livelihood improvement, forestry and marketing). Another important beneficiary will be the private sector, the state-owned member Forest Companies Ltd. (former State Forest Enterprises) and Forest Management

Boards. REDD+ offers a greater incentive) to keep forests intact through cash (e.g to cover the costs of labour and to pay for emission reduction results) and non-cash forms (e.g to speed up the process of securing a land use certificate, to create job opportunities, to invest in community public service infrastructure development such as health care stations, schools, clean water systems, etc.). Through these beneficiaries, REDD+ could lead to the release of pressure on forests and reduce the risk of forestland conversion to other land uses. REDD+ could also have positive impacts by providing incentives for adopting more sustainable management practices and/or promoting enrichment planting of natural forests (such as providing technical training on forest resources management, lessons learned from land use planning and participatory forest monitoring, etc.).

2) Review of existing policy framework and pilot-projects on REDD+ benefit sharing

2.1. Existing national strategies and policies related to REDD+ Benefit Sharing

The current national strategy for the forest sector is the National Forest Development Strategy for the period of 2006-2020 (NFDS). It builds on previous strategies and programs, setting out ambitious targets for policy reform, plantations, financial support for forest protection and plantations and a greater role and responsibility for the local communities, through five programmes, including sustainable management and development of forest resources. It seeks to modernize forestry, so that forestry can play its part in the industrialization and modernization of rural agriculture, hunger eradication, poverty reduction for people in mountainous areas, and environmental protection. The NFDS understands the need for clear ownership conditions for land and forest. It also discusses the enforcement of land laws, providing guidance on related responsibilities.

Since 2000, the National Assembly has passed a number of laws with implications for forest ownership and management. The Land Law 2003 clarified the framework for forestry land tenure and created, for the first time, the opportunity to allocate forestry land to village communities and/or to individual households. The Forest Protection and Development Law 2004 recognized distinct categories of forest ownership with varying responsibilities and rights to forest managers and owners, including the rights and obligations of village communities. However, the Civil Code 2005 still does not recognize village community as a legal entity for land allocation. According to the Constitution, land belongs to the people and the state. Planted production forests can have private ownership of several entities, including households, individuals, and private companies, if they invested in the plantation's development. Directive 38/2005/CT-TTg accelerated the process of Forest Land Reclassification, in order to reduce the area of protected forest requiring government support and so increase the area of production forest available for private sector investment. Part of this Directive aims to encourage forest production in degraded forest areas. Forests in Vietnam are classified according to use including: Production, Protection and Special-use forests. The production forests are mainly for economic use, protection forests are mainly for environmental protection such as for watershed protection, coastal line protection, wind breaking, sand fixation, etc., while special-use forests are for biodiversity conservation, scientific research, etc. The latter two belong to protected areas which are managed by the government. The first category has more diverse owners, including the state and private sector. Up to now, there is no official figure on the area managed by public and private sector, including the local community. But generally, the public sector (forest companies and forest management boards) have managed more than 10 million ha of forests, mostly the natural forests, while about 3 million ha belong to the management of private sector and local communities. The national forestry sector is in charge of institutional and policy development for nation-wide projects and provides technical guidelines and overall monitoring. The sub-national forestry sector is in charge of creating the provincial institutional system based on the national guidelines and implementation of policies. The national

level issues the quota for natural forest harvesting for provinces, while the provinces have to define what, where and how much each area can be harvested based on the overall regulations and quota approved. Vietnam has also issued a number of decrees, circulars and policies on forest law enforcement. It is actively negotiating and finalizing a VPA /FLEGT with EU. Vietnam is also the first country in Southeast Asia to pilot a scheme of payments for forestry ecosystem services (PFES). Based on successful results of the PFES pilot in two provinces (Son La and Hoa Binh), a nation-wide PFES Decree 99/2010/ND-CP has come into force since September 2010. The decree listed 5 types of environmental services, including carbon emission reduction and removal service. It also highlighted the possible use of the Forest Protection and Development Fund for financial management for PFES. However, there are still no clear regulations for REDD+ benefit sharing, which need specific regulations approved by the Prime Minister to meet international requirements. Finally, the government has introduced various directives to meet the need for inter-agency coordination, most notably the Prime Minister's Directive 08/2006/CT-TTg that aims specifically to overcome weaknesses in forest management, ensure law enforcement and improve effectiveness of state management in the forest sector.

In order to strengthen the law enforcement on forest protection and development, the Prime Minister has signed a Decision 07/2012/QĐ-TTg dated 08/02/2012 to issue the following policies:

- ✓ Clear mandates and legally binding responsibilities on forests and forestland management of local government authorities at provincial, district and community level (updated Decision 245/1998/QĐ-TTg dated 21/12/1998);
- ✓ Provision of financial support from the State budget for forest protection at the community level According to this Decision, 100,000 Vietnam dong/ha/year (equivalent to 5 USD) will be provided for the Provincial People Committee to organize the forest protection task force, build awareness and sign contracts for forest protection with local communities; another 100,000 Vietnam Dong/person/day will be provided to the people participating in forest fire control and prevention. Beside this, the budget will have the Forest Protection and Development Fund at the community level from PFES revenue where appropriate;
- ✓ Policy on community co-management of forests;
- ✓ Organizational structure, personnel and mandates of forest protection forces at local levels, where there is a target to get an additional 3,000 forest rangers for the period 2011-2015 to get the staff level of 1 ranger for every 1,000 ha of forest; 8,000 people will be trained to build capacity for the period 2011-2015; about 1,000 billion Vietnam Dong will be provided to enhance facility and working conditions for forest rangers to control forest fire and protect forests;
- ✓ Policy on strengthening the capacity of Forest Rangers (Forest Protection Department and its units at local levels).

The National Forest Inventory and Statistics Programme was approved to take place every five years, beginning with the 2011-2015 cycle. The methodology of the programme is currently being designed to improve the reliability and consistency in government published forest inventory data and to provide information on forest demarcation and forest resources by owner.

The National Plan on Forest Protection and Development for period 2011-2020 (as the following of Programme 661) is aimed to protect existing forests and increase forest areas by natural regeneration and new plantings, and to improve the livelihoods of local communities. In 2012, the government invested 1.2 trillion VND (equivalent to USD 60 million) for the programme and

approximately 1.8-2.0 trillion VND is expected for 2013 (VNFOREST, 2012).

2.2. Payment for Forests Ecosystem Services in Vietnam

Vietnam also has 20 years of experience in providing incentives for forest users/managers to improve forest management and increase forest cover (such as providing a state budget to support forest development and protection in term of labor costs for planting, enrichment planting, rehabilitation, tending and protection, seedlings and providing technical assistance; providing technical support for livelihood improvement, rural infrastructure development, etc. based on the overall planning for each province, the scale of the sites and the local socio-economic conditions as well as the social importance of the area). The government programmes, such as Programs 327 (launched in 1992, aimed at re-greening the barren hills); Programme 661 (also called the Five Million Hectares Reforestation Programme (5MHRP), launched in 1997 with ambitious targets to be met by 2010), and Decision 147 of the Prime Minister on "some policies to develop (planted) production forests for the period of 2007-2015," always included incentives for local households for activities to increase forest cover and/or protect forests. The PFES pilots referred to the above collected funds for watershed protection services and distributed these to local forest managers or owners. These systems have demonstrated strengths but also weaknesses. **The most important strength of PFES is to get other beneficiaries from forest environmental services to invest back into forests**, such as the hydroelectricity production enterprises, clean water supplying companies, eco-tourism companies and downstream populations, which enable the socialization of forestry activities and mobilization of funding sources for forest protection and development. However, the key weakness of the PFES scheme in Vietnam is **that there are no clear linkages between payments and results** to ensure equity, nor a system to monitor the impact of the payment schemes.

2.3. UNREDD's work to date on REDD+ Benefit Sharing

In 2009, the UN-REDD Vietnam Programme Phase I and GTZ jointly supported an analysis of policy issues that need to be addressed in developing a REDD+ compliant benefit distribution system (BDS) for Vietnam. The original report, included a comprehensive description of numerous financial, institutional and governance issue, and discussed 16 Policy Recommendations required for an effective REDD+ compliant BDS. In some cases, concrete policy recommendations were made; in other cases further research and analysis was required in order to formulate specific recommendations.

The UN-REDD Programme has supported some follow-up analyses. Various related activities undertaken since the original study have identified additional Policy Recommendations, not included in the original study. A total of 17 Policy Recommendations are now identified on: Organization of REDD+ benefit sharing in Vietnam; Legal Framework for REDD+ in Vietnam; Classification of REDD+ Revenues and Creation of a REDD+ Fund; Sub-National Levels at which REDD+ Revenues should be Managed; Institutions to be involved in Monitoring REDD+ Interventions and Actions; Revenue Retention by government and Admissible Costs; Local Benefit Levels and Benefit Structuring; Types of Forest Owners Eligible to Receive REDD+ Benefits; Strengthened Law Enforcement for Performance-Based Distribution; Participatory Monitoring; Design of a Socially Acceptable Recourse Mechanism; Timing of fund disbursement; Institutional structure for a performance-based sub-national distribution of REDD+ benefits; Auditing of financial transactions; Non-discrimination against women; and Freedom of information; Engagement with anti-corruption agencies. All actions required to operationalize all Policy Recommendations are summarized in Table 1 below.

Table 1: Actions Required for Implementation of Proposed Policies Recommendations

Action Required	Policy Statement	Decree	Piloting	Training awareness	Regulations	Institutional responsibilities
A comprehensive awareness raising and training programme needs to be undertaken to ensure that all officials potentially involved in disbursement of REDD+ revenues are aware of the policies and procedures for disbursement and the intent to apply international standards of auditing to financial management.						
A formal policy statement on the organization of REDD+ benefit distribution in Vietnam needs to be made.						
As a part of the UN-REDD Programme Phase II, social and gender impact assessments will be undertaken on national, as well as provincial levels. Similar assessments should be conducted at household and commune level that includes the beneficiaries of the performance benefits.						
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.						
Monitoring will be centrally organized but pervasive down to the lowest level, which requires the involvement of established institutions such as the mass organizations. Monitoring of financial transactions, in particular, needs to be completely independent from the implementing organizations, and is likely to be subject to detailed government regulations on financial transactions and auditing.						
More efforts are required to develop policies that involve local communities in the management of forests.						
Operation of the National REDD+ Fund should include benefit sharing through the BSP, using the conditional savings book approach, so as to even out performance payments over time.						
Performance payments due to participants in a certain province will be transferred to a Provincial REDD+ Fund. The UN-REDD Programme will investigate options for fund management as well as piloting in some provinces.						
Piloting of participatory monitoring of forest condition by communities, funded by the UN-REDD Programme, is about to commence. An action plan for participatory monitoring by different stakeholder groups should be developed, supported by a capacity building programme..						
Procedures need to be developed to ensure participation of women or women’s organisations in key decision making bodies or in advisory bodies.						
R-coefficients are to be developed. Their use and impacts are to be analyzed in the pilot districts for further refinement. Capacity building of local stakeholders needs to go hand in hand with the testing.						
Recent experiences with community-based law enforcement require assessment and translation into national regulations.						
Since village communities have not been recognized as legal organizations, communities should rather look to registering as cooperatives (Decree 151 defines cooperatives as legal entities). MARD should thus work with the Ministry of Justice to simplify the existing procedures for the registration of village forest cooperatives under the Law on Cooperatives.						
The decision on the form of benefits to local stakeholders lies with the participants, but guidance is required on how REDD+ benefits may be designed and used.						
The decision/decreed establishing the National REDD+ Program needs to incorporate measures to ensure an effective recourse mechanism, including the participation of an international NGO at national level, while Vietnamese civil society organizations are empowered to participate from provincial level to national level; At grassroots level, the decision/decreed should authorize the involvement of indigenous individual people, and participation of mass organizations such as women union and farmer association and veteran association, youth association.						

Action Required	Policy Statement	Decree	Piloting	Training awareness	Regulations	Institutional responsibilities
The government should assess the institutional structures used for the implementation of the 661 Programme and PFES schemes in Son La and Lam Dong. The assessment should inform the institutional design of the sub-national component of Vietnam's future National REDD+ Program.						
The government should develop guidelines to be used to ensure the application of relevant international standards, norms and procedures for auditing of REDD+ financial flows.						
The magnitude of transaction implementation and opportunity costs need to be determined by a detailed, publically available study. It is likely piloting will be required in several provinces. Therefore the government should indicate that retention will be limited to 10% of revenues initially (for each hierarchical layer of the system), and will subsequently be adjusted to reflect actual expenditures based on experiences generated during piloting.						
The National REDD+ decision/decree needs to include the commitment that the REDD+ benefit distribution system will conform to the "National anti-corruption strategy until 2020", and publicize the information which will be accessible, and the procedures by which such information can be simply and effectively accessed. The UN-REDD Phase II Programme can pilot such procedures.						
The National REDD+ Strategy needs to be finalized and used to draft a Decree on the establishment of the National REDD+ Program, providing the legal context for REDD+ and defining the roles and responsibilities of state and non-state actors in the implementation of REDD+ in Vietnam. This will include responsibility for management of the revenues (likely the Ministry of Finance).						
The new Vietnam Administration of Forestry and forest protection units at the district and provincial levels will need technical assistance to improve their law enforcement capacities.						
The UN-REDD Programme will investigate the option of establishing the National REDD+ Fund as a sub-fund under the FPDF.						
To mitigate elite capture, the government should develop general guidelines agreed upon by different stakeholders on the way benefits should be used by communities.						
Training of officials in anti-corruption measures needs to be incorporated into the design and implementation of the National REDD+ Program.						

Source: To Xuan Phuc et al, 2011.

2.4. Other existing work on REDD+ Benefit Sharing in Vietnam

There are some REDD+ pilot projects conducted in several provinces by several NGOs such as SNV, Winrock Int., Climate Focus, CIFOR, ICRAF, CERDA, etc., funded by JICA, USAID, NORAD, BMZ, etc. Some of them have also designed and implemented some benefit sharing pilots. The design is based on the principles of equity, transparency, accountability and participation in the local context and linked with poverty reduction. There is a review on the advantages/disadvantages or lessons learned from these piloting exercises in CIFOR report available at http://www.cifor.org/publications/pdf_files/WPapers/WP108Pham.pdf.

3) Analysis of the key challenges for implementing REDD+ benefit sharing in Vietnam

3.1. Key issues for REDD+ Benefit Sharing

There is still no official design on REDD+ benefit sharing approved by the Government. However, there are several ideas and studies on the topic. According to the study on the benefit distribution system (BDS) in Lam Dong province (Pham Minh Thoa, 2012), BDS should have three independent but closely interacting pillars: a) Technical advisory (including the technical advisory board, the record resolution board, the monitoring board, the participants representing board at different levels); b) Fund management, in charge of evaluation of results and issuing the benefit

level certificate; c) Disbursement, in charge of benefit delivering through the bank system to the beneficiaries with the independent auditing system. Beside ensuring REDD+ revenue needs to be separate from the state budget line and follows the international requirement, the BDS needs to address the following key issues: Beneficiaries; Benefit sharing forms; Benefit sharing modalities; Level of benefit sharing; Monitoring mechanism; Record mechanism, and Risk control mechanism.

There are two types of beneficiaries: Direct, that includes the stakeholders directly involved in REDD+ implementation (forest owners, managers); and Indirect, that consists of stakeholders who do not own forests but without their commitment not to destroy forests, the forests cannot be well protected (local people who do not own forests and stakeholders supporting monitoring, evaluation and administration.)

Regarding the benefit distribution forms, there are two forms proposed: Direct (the dominant one) in the form of cash for labor costs and for results; and Indirect in the form of investing in the rural public service infrastructure development projects (e.g to develop health care stations, schools, rural roads, clean water supply systems, etc.) or in development of livelihoods for rural forest-dependent people, identified by and based on the need of the local communities.

Regarding benefit distribution modalities, there are also two forms: Result-based, which operates based on the actual results of emission reduction and carbon enhancement; and Participation, which has been designed based on the local context that almost every person or community working in forestry are the poor, who have very limited financial capacity to invest in forestry activities, that need some advance to conduct REDD+ activities and get the final payment when the results are finally achieved. This kind of advance will be deducted from the final payment amount. Therefore, this participation payment does not badly affect the principle of a result-based approach. However, in order to avoid any risks of the financial management failure, there is a proposal to create for each beneficiary a conditional savings accounting a bank, from which the disbursement will only occur after the completion of certified actions.

Several formulas for the calculation of the benefit sharing level have been proposed, where beside the emission reduction or removal level (ΔC) and the price of tons of CO₂e, a factor (R factor) has been designed to take into account several important economic, social, environmental and difficulty aspects. The R factor will ensure, as much as possible, equity. This is key because in order to achieve the same results (ΔC), some people in some areas have to invest more effort and contribute more to the common benefits than others in other areas. The benefit can be shared in the form of cash directly to the beneficiaries or indirectly in the non-cash form of community development projects as mentioned above.

In addition, in order to ensure the efficiency, effectiveness, transparency and accountability, there are several institutional measures proposed: Using a bank system, developing monitoring mechanism, setting record mechanisms, and establishing risk control mechanisms to facilitate REDD+ BDS.

3.2. Key Challenges

REDD+ implementation will bring substantial benefits for environmental protection and socio-economic development, particularly for the rural and mountainous areas of Vietnam, but it will also bring some challenges:

- REDD+ is new and complex for Vietnam; many technical issues are still under discussion. There is a lack of knowledge and of technical capacity for REDD+ implementation,

particularly in measuring, reporting and verification (MRV) of forest carbon stock. Results of other REDD+ activities are also unknown.

- REDD+ requires a new level of governance. Some existing policies and regulations need to be strengthened and/or be newly formulated to meet international requirements; particularly those policies on organizational structure, forest and land management and rights, that need strong political support and time to develop an adequate, operational REDD+ management system.
- The opportunity cost of protecting remaining forests and increasing forest areas is very high in many regions. The monetary benefits from REDD+ may not compete with income generated from alternative land-uses.
- There are many stakeholders involved in forest protection and development. As a result, there is a lack of clear ownership on forests, including forest carbon, which will lead to difficulty in designing a suitable benefit sharing policy.
- In order to implement benefit distribution for REDD+, there are some challenges outside and inside Vietnam. From the outside, the key challenges are: An incomplete negotiation process on REDD+ lead to the official agreement, and the lack of technical and financial guidelines from UNFCCC for REDD+. From the inside, the key challenges are: unclear carbon rights definitions in the legal framework, particularly in Environmental Protection Law 2005; lack of a national legal basis for REDD+ benefit distribution; unsecured land use rights; inadequate village community rights to forests and forest land; and limited technical and institutional capacity, especially at the local level. In addition, there are also risks mentioned in the Table 2.

4) The following actions should be taken to address the challenges at national and sub-national levels.

Improve the legal framework to meet REDD+ requirements:

- ✓ Define clearly the carbon right in the Environmental Protection Law 2005.
- ✓ Clarify the legality of village communities as stakeholders in forestry activities, including REDD+ in the Civil Code 2005.
- ✓ Add more rights to village communities in Land Law 2003 and Forest Protection and Development Law 2004.
- ✓ Develop government regulations on carbon emission reduction and removal in Decree 99/2010/NĐ-CP of the Government dated 24 September, 2010.
- ✓ Enhance negotiation capacity on REDD+ for relevant stakeholders, particularly government staff.
- ✓ Actively participate in REDD+ negotiations and sign international agreements on REDD+
- ✓ Actively pilot REDD+ and draw lessons learned to support UNFCCC in developing technical and financial guidelines at national and global level.

Ensure long-term land use rights:

- ✓ Complete forestland allocation in the documentation and in the field
- ✓ Resign contract of forest protection in order to increase the timeframe to 15 years with

clear obligations, rights and benefits.

- ✓ Develop monitoring systems for forest and forestland resource use to lower the risks of forestland use change, deforestation and forest degradation.

Improve technical and operational capacity:

- ✓ Establish MRV on emission reduction results at national and sub-national levels.
- ✓ Develop REL/RL for continuous monitoring.
- ✓ Set up safeguard guidelines for REDD+.
- ✓ Reorganize the forest rangers system and forest extension service system to support forest owners and managers in REDD+ implementation.
- ✓ Develop institutions for financial management to meet the international requirements.
- ✓ Set up monitoring mechanism for benefit distribution to ensure the principles are followed.

Furthermore, several measures proposed to avoid several risks are addressed in Table 2.

Table 2: Some risks and proposed measures to ensure the implementation of REDD+ benefit distribution

No	Description	Risk type	Proposed measures	Agency in charge
1	Weak or insufficient political commitment to REDD+ at different levels	Political	Continue raising awareness on the importance, benefits and opportunities for resource mobilization to implement REDD+.	MARD
2	Inefficient collaboration and coordination between government agencies	Organizational	Develop coordination mechanisms and enhance the capacity of REDD+ National Steering Committee as well as of VRO.	MARD
3	Inadequate cooperation among donors/contributors	Organizational	Closely link the national support strategy to priorities of the REDD+ donor community in Vietnam; Regularly update and share information.	MARD
4	Limited capacity at local level	Operational	Allocate adequate funds for raising awareness, toward technical and financial management capacity building for relevant stakeholders.	MARD
5	Inadequate timing of inputs mobilization (financial, human, etc.) for REDD+	Operational	Improve planning and programming that has the official commitment of relevant stakeholders (donors, contributors, authorities at national and local level).	MARD, MPI, MoF
6	Conflicts of interest between REDD+ and other activities	Political	Develop policies for REDD+ stakeholders to gain additional and appropriate benefits outside of REDD+ that can reduce the risk of forestland use change to other land uses.	Government, MARD, Provincial People Committee of REDD+ provinces
7	Slow UNFCCC negotiation leads to late agreements and guidelines for REDD+	Strategic	Update negotiation process and progress of UNFCCC on REDD+ and develop appropriate guidelines, roadmaps to have a certain level of flexibility to meet the new progress.	MARD
8	Activities do not lead to emissions reductions	Strategic	Conduct pilots and develop a framework to monitor the process on the ground will show gaps and help propose timely recommendations	Department of Agriculture and Rural Development

Source: MARD and UNDP Hanoi, Detailed Programme Outline of UN-REDD Vietnam Programme Phase II

LITERATURE

A. National literatures

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ANNEX I: Brief information on UN-REDD and FCPF initiative in Vietnam

The UN-REDD Vietnam Programme Phase I was launched in September 2009 and achieved during the three year-time period important results that provide a strong basis for operationalizing REDD+ in Vietnam. These include:

- ✓ Supporting the establishment and subsequent operations of the National REDD Network, its Technical Working Group and the six sub-technical working groups;
- ✓ Supporting the process of establishing the cross-ministerial NRSC, with participation from key ministries and government agencies, and to the establishment of the VRO;
- ✓ Supporting the development of the NRAP;
- ✓ Supporting the preparation of technical guidance and guidelines and provision of training, e.g. forest ecological stratification, establishing Reference Emission Level/Forest Reference Levels (REL/FRL) and developing allometric equations;
- ✓ Supporting the study of BDS, and preparation of a design document;
- ✓ Supporting developing a framework for MRV in Vietnam;
- ✓ Supporting the engagement of provincial authorities in Lam Dong;
- ✓ Developing the methodology for FPIC and piloting this in 85 villages; and
- ✓ Learning and sharing lessons, especially on FPIC, participatory carbon monitoring (PCM), BDS and the NRAP (materials are accessible at <http://vietnam-redd.org/Web/Default.aspx?tab=programme&zoneid=110&itemid=60&lang=en-US>).

However, not all the ambitious targets of the UN-REDD Vietnam Programme Phase I were fully achieved, because of the following key reasons:

- ✓ The global UNFCCC agreements are not in place as expected. This caused the delay for some activities;
- ✓ There was still limited coordination among government ministries and agencies, and with other stakeholders;
- ✓ The participation in REDD+ awareness raising of government staff of different ministries/departments was still limited;
- ✓ The differentiation of procurement procedures and communication/reporting

scheme in the programme management of the three Participating UN Organizations sometimes limited the smooth coordination and information sharing among relevant stakeholders.

The Readiness Preparation Proposal (R-PP) under the FCPF has been approved for Vietnam. The readiness preparation grant has been restructured to focus more on the policy aspects of the state-owned forest companies and their REDD+ service provision. Working closely with the World Bank, the VRO is responsible for designing the Work-packages through which the R-PP is to be implemented. VRO is ideally placed and able to ensure coordination and complementarity between all nationally associated REDD+ interventions. The preparation of the UN-REDD Vietnam Phase II Programme and the R-PP was collaborative and inter-linked, that led to comprehensive sharing diverse inputs and activities. Under the guidance of the government, and in line with strengths of the respective international partners, UN-REDD and FCPF have designed complementary and collaborative activities and implementation frameworks.

UN-REDD Vietnam Programme Phase II supported activities are defined based on the results of UN-REDD Vietnam Programme Phase I and other related programmes, the gaps in the support, government need and fit with support strategy and expertise of the UN organizations in Vietnam. UN-REDD Vietnam Programme Phase II includes several innovative aspects, including the “participatory monitoring”. The participatory approach will also involve the forest products processing sub-sector and other primary industries that cause deforestation/degradation. Vietnam has one of the most advanced forest product processing in the region. The second phase of REDD+ will take into account of the role of this fact, both nationally and regionally. This is expected to develop lessons of international importance, including the development of common understanding and strengthening the governance to avoid leakages from demonstrations sites.