

Carbon Fund Participants' Consolidated Comments on Vietnam's Advanced Draft ER-PD

The FCPF Carbon Fund Participants (CFPs) congratulate Vietnam on the preparation of a detailed ERPD. CFPs appreciated the acknowledgement of remaining challenges to implementing the ERP. Further, CFPs were encouraged by the TAPs assessment that Vietnam has considerable capacity to consider the Carbon Accounting issues raised by the TAP in order to revise the ERPD so that the ERP may become compliant with the Methodological Framework.

CFPs recognise the fundamental nature of some of the issues highlighted below and recommend that Vietnam takes sufficient time to adequately respond to the comments before submitting its final draft.

CFPs found the Carbon Fund TAP Assessment helpful, and we agree with the findings of this review. **We urge Vietnam to address the sections of the ER-PD that have been identified by the TAP as not currently compliant with the Methodological Framework.** CFPs also note the TAP review of Vietnam's R-package, which also highlights several of the issues presented below. Several issues would need significant improvement and clarification before CFPs could consider the ERPD. In particular, we wish to highlight the following areas:

Safeguards issues (including treatment of plantation forest)

As the proposal has a significant carbon enhancement component, **steps should be taken to ensure that natural forests (including degraded natural forest) are not substituted by plantation forests or converted to other uses.** Further information on where plantations have been/will be established and the extent to which natural forest has been/will be replaced is needed in order to be able to do a proper assessment of the environmental integrity of the programme. In addition, assurance that the methodologies described can adequately identify if natural forest was lost and the risk that it could be lost in the future is needed. Please see further comments in the Carbon Accounting section below.

CFPs appreciated the detail provided in Chapter 14 on safeguards. However, more information on how the program will overcome the challenges described to ensure **full and effective participation of stakeholders including ethnic minorities and women** and their legal empowerment and land rights would be appreciated.

Further **explanation of the poverty alleviation impact** of the program (both positive and potential negative impacts), especially among the rural poor and ethnic minorities in the program area, would be appreciated.

Further information on the design and timeline for the final **Feedback and Grievance Redress Mechanism** would be appreciated.

Carbon Accounting

Vietnam is a specific case due to its large plantation base and the heavy reliance on the enhancement component for the ER Program. The **aggregated forest categories carry of high risk of masking conversion of natural forest to plantations** (rubber, acacia, pine, eucalypt etc.), both in the REL and the Program scenario. Understanding of where and when the plantation area was established and to what extent natural forest was substituted is very important for the environmental integrity of the program. Gross deforestation in natural forest should be made very clear, and should be distinguished from plantations being converted to other land uses.

Vietnam does not meet the eligibility requirements to consider an **upward adjustment to the Reference Level** (specifically Indicator 13.2 i ; as Vietnam is not considered to be an HFLD country). The proposal to remove the plantation area associated with the 661 Program is therefore not compliant with the Carbon Fund Methodological Framework.

Methods for setting the Reference Level and future monitoring, measurement, and reporting should be consistent/demonstrably equivalent. CFPs ask Vietnam to present methods that clearly meet this requirement. We would also like to receive further information and an assurance that the ERP will follow the IPCC principle of consistency and the Methodological Framework principle of conservativeness.

Methods should be consistent with IPCC guidance and guidelines; applying removals factors for enhancement activities in the year the activity takes place is not considered consistent with IPCC guidelines. A revised methodology to calculation of removal factors from enhancement activities should be presented.

Further information is required on estimating **uncertainty**, addressing the gaps identified by the TAP.

Is Vietnam considering a **stepwise approach** to carbon accounting e.g. improving data or including additional pools?

The presented data in the ERPD is known to contain limitations and weaknesses. To our understanding, Vietnam has had support from various sources (UNREDD/FAO, Silvacarbon, GIZ, JICA etc.) which all worked on ways to improve the data and the underlying methodologies in Vietnam. In the ERPD, this only seems to be reflected to a limited extent. An explanation of the **choice of data sources and corresponding data quality**, and potential revision to integrate more solid data sources, would therefore be appreciated.

CFPs welcome the acknowledgment that the **Reference Period** should be updated to reflect the June 2016 revision to the Methodological Framework. Indicator 11.1 now reads “The end-date for the Reference Period is the most recent date prior to two years before the TAP starts the independent assessment of the draft ER Program Document and for which forest-cover data is available to enable IPCC Approach 3”. We therefore note that mid-2014 would be the end-date that is most consistent with the Methodological Framework. If an alternative end-date (i.e. 2015) is chosen this should be

accompanied by a convincing justification. The proposed 2005-2015 Reference Period may be acceptable if the link to 5 year national planning cycles can be clearly justified.

CFPs note that changes to the RL/REs can significantly impact the overall ERP and may impact the decision on whether or not to approve the final ERP.

Vietnam has used the Carbon Fund **Buffer** Guidelines to determine an indicative reversal buffer percentage (13%). Vietnam are encouraged to consider the TAP's comment on the risk assessment presented in Annex 1 (page 30) which would result in a higher buffer percentage.

Sustainable Program Design (including interventions and financial planning)

Further interventions to address the drivers beyond the forest sector needs to be considered. As the TAP notes, this may require cross-sector mechanisms and policy level interventions. The distinction between enabling environment, agriculture, forestry, and energy strategies that have an impact on the ERP, and can be targeted to address the drivers and barriers as presented in the ERPIN (section 5.3) may be one way to this.

Vietnam has had some strong drivers of degradation and deforestation leading to the conversion of natural forests to commercial plantation (e.g. Acacia, Pine and rubber), CFPs would like to request further clarification on the proposed **alternative economic development pathway**, and proposed measures to address **leakage** (displacement to other provinces and neighbouring countries) which may be significant. The tie between the Provincial REDD+ Action Plans and the broader national REDD+ strategy needs to be made clearer. In its current form, the PRAPs stand the risk to become isolated without an overarching strategy that integrates the more detailed Provincial plans.

Further **clarifying the rationale for the proposed interventions based on the drivers analysis** would be beneficial. Further information on the areas where different drivers and barriers are in effect and how the different ERP interventions will be targeted would be helpful. As the TAP Assessments of both the ERP and Vietnam's Readiness Package noted, further analysis which links the direct drivers with the barriers could inform decisions on programme design and intervention areas and activities would be beneficial. Further consideration of the barriers to the success of the proposed interventions should also be considered e.g. what are the barriers to Sustainable Forest Management and how will these be overcome? How will the shift to longer rotations be achieved? In addition CFPs agree with the TAP that it would be helpful to include more information about the historical perspective of forest/land use changes in Vietnam to better understand the current land use dynamics and barriers.

CFPs also wish to emphasise the TAP's observation of the need for **clearer lines of action for reduction of deforestation and degradation**, i.e. to develop more specific interventions to reduce deforestation and degradation.

Further information on how the ERP contributes to **broader ambitions** such as the National REDD+ Action Plan would be helpful to ensure the program moves beyond small scale, project-type interventions to incentive broader and **transformational change**.

Further information on the design and timeline for the **Benefit Sharing Mechanism** would be appreciated.

More detailed information on the financial viability of the program would be welcome. It would be helpful to explain the synergies with various funding streams e.g. own budget support, private sector investment, donor support via e.g. UNREDD, JICA, KFW, a potential request for an Advanced Payment from the Carbon Fund and the recently approved GCF programme (which is not mentioned – but has interventions planned in 3 of the 6 ERP provinces).

ER Program Transactions (ER title, land tenure and registry)

Further information on the timeframe for establishing a **registry** is needed. An explanation of *how* the ERP will be ‘nested’ into the national REDD+ implementation would be beneficial and should clarify how double counting or conflicting claims to ERs would be avoided.

The ERPD should further **clarify the legal arrangements for transfer of titles of ERs and associated issues of land tenure and carbon rights**. This should be clear by the time of the final draft ERPD; the timeframe for on-going work/assessment would be helpful. On-going risk of potential conflicts should be explicit and mitigated by the program.

Vietnam may consider the implications of the revised Land Law in relation to a land tenure assessment (as per the Methodological Framework).

Additional Selection Criteria to consider

In addition to Consistency with the Methodological Framework which is the focus of the TAP Review and the above comments, there are **six additional selection criteria that should also be considered and evidenced in the ERPD:**

- Progress towards Readiness
- Political Commitment
- Scale
- Technical Soundness
- Non-Carbon Benefits
- Diversity and Learning Value

Of these, CFPs would appreciate further information on **political commitment** to the programme. Clearer demonstration of high-level political commitment to the ER Program would be beneficial. Evidence of **cross-sectoral coordination and implementation** will be required if the key drivers which are beyond the forest sector (e.g. energy/infrastructure/agriculture) are to be effectively addressed. The TAP questioned the level of government ownership of the program and its fit in the Vietnamese Institutional set up (including effective coordination between central and local governments, different ministries and their internal departments); this should be clarified and evidenced in the final ERPD.