



# REQUEST FOR CEO ENDORSEMENT/APPROVAL

PROJECT TYPE: Medium-sized Project

THE GEF TRUST FUND

Submission Date: 31 July 2009

## PART I: PROJECT INFORMATION

GEFSEC PROJECT ID: 3627

GEF AGENCY PROJECT ID:

COUNTRY(IES): Vietnam

PROJECT TITLE: Promotion of Sustainable Forest and Land Management in the Vietnam Uplands

GEF AGENCY: IFAD

OTHER EXECUTING PARTNER(S): Bac Kan Province Provincial People's Committee (Vietnam)

GEF FOCAL AREA(S): Land Degradation, Biodiversity

GEF-4 STRATEGIC PROGRAM(S): LD-SP2; BD-SP4; BD-SP5

NAME OF PARENT PROGRAM/UMBRELLA PROJECT: Vietnam Country Program Framework for Sustainable Forest Land Management (CPFSFLM)

Expected Calendar (mm/dd/yy)	
Milestones	Dates
Work Program (for FSPs only)	n/a
Agency Approval date	Oct. 2009
Implementation Start	July 2010
Mid-term Evaluation (if planned) *	*
Project Closing Date	June 2013

\* In conjunction with the associated 3PAD MTR

## A. PROJECT FRAMEWORK

**Project Objective:** To promote forest and biodiversity conservation and sustainable forest land management practices in selected districts on Bac Kan Province (Vietnam) by enhancing capacity and improving community livelihoods.

Project Components	Investment, TA, or STA <sup>2</sup>	Expected Outcomes	Expected Outputs	GEF Financing <sup>1</sup>		Co-Financing <sup>1</sup>		Total (\$) c=a+ b
				(\$ a)	%	(\$ b)	%	
1. <u>Comp 1.</u> Sustainable and Equitable Forest Land Management	TA	A framework for agro-forestry planning, regulation and equitable allocation in Bac Kan created to promote the utilization of Production and Protection forests, to ensure income and benefits from forestry resources are accrued.	1.1 A Capacity building program implemented for forest land use planning and allocation. 1.2 Forest land management plans prepared through participatory community-based forest and biodiversity planning 1.3 Protection measures for areas important for environmental services, such as biodiversity conservation, watershed protection etc. identified and developed.	114.6	10.0	1,034.2	90.0	1,148.8
2. <u>Comp 2.</u> Generating Income Opportunities for the Poor	TA	Livelihoods of the rural poor improved in sustainable ways through investments in infrastructure, human capacity development, better technology and agro-forestry business management practices and effective service delivery systems.	2.1 Environment-related input to extension services for pilot testing innovative environmental options in the payment for ecosystem services, community-based ecotourism and sustainable forest and land management best practices. 2.2 Investment for pilot testing innovative environmental options mainly through a community development fund.	0.0	0.0	2,402.8	100.0	2,402.8
3. <u>Comp 3.</u> Innovative Environmental Opportunities	TA	Innovative environmental options in sustainable land and forest management, Payment for ecosystem services and eco-tourism tested, piloted and promoted in Bac Kan.	3.1 Options for sustainable land and forest management for sloping land in Bac Kan tested, piloted and promoted to the local community. 3.2 Options for Payment for ecosystem services (PES) tested, piloted and promoted to the local community in Bac Kan. 3.3 Capacity for pro-poor ecotourism strengthened, particularly for the local community living in the vicinity of the Ba Be National Park.	477.7	30.7	1,077.1	69.3	1,554.8
4. Project Management				62.2	23.5	475.4	76.5	537.6
<b>Total GEF-related Costs</b>				<b>654.5</b>	<b>12.2</b>	<b>4,989.5</b>	<b>87.8</b>	<b>5,644.0</b>
Funding for activities not directly related to GEF activities						19,766.3		19,766.3
<b>Total Project Costs</b>				<b>654.5</b>		<b>24,755.8</b>		<b>25,410.3</b>

<sup>1</sup> List the \$ by project components. The percentage is the share of GEF and Co-financing respectively of the total amount for the component, <sup>2</sup> TA = Technical Assistance; STA = Scientific & Technical Analysis.

**B. SOURCES OF CONFIRMED CO-FINANCING FOR THE PROJECT** (expand the table line items as necessary)

<i>Name of Co-financier (source)</i>	<i>Classification</i>	<i>Type</i>	<i>Project</i>	<i>%*</i>
IFAD	Impl. Agency	Soft-loan	4,490,000	90.0
GoVN	Nat'l Gov't	In-kind	399,500	8.0
Beneficiaries	Beneficiaries	In-kind	50,000	1.0
ICRAF	NGO	Grant	50,000	1.0
<b>Total Co-financing</b>			<b>4,989,500</b>	<b>100%</b>

\* Percentage of each co-financier's contribution at CEO endorsement to total co-financing.

**C. FINANCING PLAN SUMMARY FOR THE PROJECT (\$)**

	<i>Project Preparation (a)</i>	<i>Project (b)</i>	<i>Total (c = a + b)</i>	<i>Agency Fee</i>	<i>For comparison: GEF and Co-financing at PIF</i>
GEF financing	100,000	654,545	754,545	75,455	754,545
Co-financing	127,051	4,989,500	5,116,551		9,100,000
<b>Total</b>	<b>227,051</b>	<b>5,644,045</b>	<b>5,871,096</b>	<b>75,455</b>	<b>9,854,545</b>

**D. GEF RESOURCES REQUESTED BY AGENCY(IES), FOCAL AREA(S) AND COUNTRY(IES)<sup>1</sup>**

<i>GEF Agency</i>	<i>Focal Area</i>	<i>Country Name/ Global</i>	<i>(in \$)</i>		
			<i>Project (a)</i>	<i>Agency Fee (b)<sup>2</sup></i>	<i>Total c=a+b</i>
IFAD	Land Degradation	Global	150,909	15,091	166,000
IFAD	Biodiversity	Vietnam (RAF)	603,636	60,364	664,000
<b>Total GEF Resources</b>			<b>754,545</b>	<b>75,455</b>	<b>830,000</b>

<sup>1</sup> No need to provide information for this table if it is a single focal area, single country and single GEF Agency project.

<sup>2</sup> Relates to the project and any previous project preparation funding that have been provided and for which no Agency fee has been requested from Trustee.

**E. CONSULTANTS WORKING FOR TECHNICAL ASSISTANCE COMPONENTS:**

<i>Component</i>	<i>Estimated person weeks</i>	<i>GEF amount (\$)</i>	<i>Co-financing (\$)</i>	<i>Project total (\$)</i>
<b>Local consultants*</b>				
National Forage Systems Specialist	24		9,000	9,000
National Forest Management Planner	20		7,500	7,500
<b>International consultants*</b>				
International Provincial Forest Land Use Planner	12		30,000	30,000
International Extension Services Consultant	32		80,000	80,000
International Forage-based Hillside Conservation Farming Systems /SLM/SFM Specialist	16		40,000	40,000
International Ecotourism Specialist	16	20,000	20,000	40,000
International Forest Management Planner	4		10,000	10,000
<b>Total</b>	<b>124</b>	<b>20,000</b>	<b>196,500</b>	<b>216,500</b>

\* Details to be provided in Annex C

## F. PROJECT MANAGEMENT BUDGET/COST

<i>Cost Items</i>	<i>Total Estimated person WEEKS</i>	<i>GEF amount (\$)</i>	<i>Co-financing (\$)</i>	<i>Project total (\$)</i>
<b>Local consultants*</b>				
PIU, district and commune mgt and administrative staff	350		125,139	<b>125,139</b>
Environment Protection Officer	276		93,200	<b>93,200</b>
M&E Expert(s)	276		74,600	<b>74,600</b>
Office facilities, equipment, vehicles and communications*			144,731	<b>144,731</b>
Travel*			2,700	<b>2,700</b>
Others: Training on environment for PUI staff and provision of support on environmental aspects of the project and environmental monitoring		62,200	35,000	<b>97,200</b>
<b>Total</b>		<b>62,200</b>	<b>475,370</b>	<b>537,570</b>

\* Details to be provided in Annex C. \*\* For others, it has to clearly specify what type of expenses here in a footnote

**G. DOES THE PROJECT INCLUDE A “NON-GRANT” INSTRUMENT?** yes  no

## H. DESCRIBE THE BUDGETED M &E PLAN:

Project monitoring and evaluation will be conducted in accordance with established IFAD and GEF procedures and in accordance with the General Conditions of the Project Loan Agreement. The Logical Framework Matrix in Annex C of project document provides the performance and impact indicators for project implementation along with their corresponding means of verification. These will form the basis on which the project's Monitoring and Evaluation system will be built.

The following sections outline the principle components of the Monitoring and Evaluation Plan and indicative cost estimates related to M&E activities. The project's Monitoring and Evaluation Plan will be presented and finalized at the Project's Inception Report following a collective fine-tuning of indicators, means of verification, and the full definition of project staff M&E responsibilities.

### Monitoring and Reporting

**Monitoring:** The PMU will be established and thereafter maintain an appropriate information management system to enable them to continuously monitor the Project, in accordance with the IFAD's "Guidelines for Project Monitoring and Evaluation," paragraph 4 of Schedule 3 (II Additional Covenants) and Section 8.02 (Monitoring of Project Implementation) of the General Conditions in the Project Loan Agreement.

A detailed schedule of project reviews meetings will be finalised by the project management team, in consultation with project implementation partners and stakeholder representatives and incorporated in the Project Inception Report. Such a schedule will include: (i) tentative time frames for Steering Committee Meetings (or relevant advisory and/or coordination mechanisms) and (ii) project related Monitoring and Evaluation activities.

*Day to day monitoring of implementation progress* will be the responsibility of the Project Director based on the project's Annual Work Plan and Budget and its indicators. The Project Team will inform IFAD of any delays or difficulties faced during implementation so that the appropriate support or corrective measures can be adopted in a timely and remedial fashion.

The Project Director will fine-tune the progress and performance/impact indicators of the project in consultation with the full project team at the Inception Meeting with support from IFAD. Specific targets for the first year implementation progress indicators, together with their means of verification, will be developed at this Inception Meeting. These will be

used to assess whether implementation is proceeding at the intended pace and in the right direction and will form part of the Annual Work Plan and Budget. The local, provincial and district agencies will also take part in the Inception Meeting in which a common vision of overall project goals will be established. Targets and indicators for subsequent years would be defined annually as part of the internal evaluation and planning processes undertaken by the project team.

The project logical framework matrix, presented in Annex C of the project document, provides an objective basis for the monitoring and evaluation of project outputs, outcomes and objectives. Overall progress will be evaluated in relation to these log frames at the Project Steering Committee (PSC) Meetings, and it is expected that the log frame will also form the basis for the external assessment of the project. The PMU will be responsible for monitoring project progress in relation to the log frame.

The PMU will monitor overall progress on a semi-annual basis and will advise on the overall progress and make any necessary adjustments to the overall work plan, schedule and budget that may be necessary as a consequence of unplanned contingencies.

The PMU will also oversee the technical, administrative and financial management of the overall project through its usual operating procedures. The financial control system will track spending down to each item line of each participating partner in the project. This system will permit easy summarization of expenditures for reports, while retaining the degree of detail necessary for control and audit purposes.

A semi-annual administrative review and an annual technical review of the project will be undertaken by the PMU. In addition, staff at the PIU will visit each project district at least twice a year to evaluate progress and review management problems through consultations.

Environmental monitoring will be included in the general monitoring procedures of the project and will also include impact assessment on biodiversity. A full EISA will be prepared and included in the Project Implementation Manual (PIM) prior to project implementation, as part of the PIM preparation. This procedure is considered adequate due to the specific design of the project mainstreaming environmental objectives. However to help the project staff detail procedures for environmental screening, mitigation measures need to be specified in the PIM.

M&E procedures will be detailed in the CDF Operational Manual. To the extent possible monitoring requirements would be harmonised with government procedures and, for impact evaluation, would be carried out through a competent service provider, e.g. universities.

Measurement of impact indicators related to global benefits will occur according to the schedules defined at the Inception Meeting and tentatively outlined in the GEB Table (see Table 6). The measurement, of these will be undertaken through sub-contracts or retainers with relevant institutions or through specific studies that are to form part of the project activities (e.g. measurement carbon benefits from improved efficiency of ovens) or periodic sampling such as with sedimentation – see Section 2.4.1 for more details.

*Periodic monitoring of implementation progress* will be undertaken by the IFAD through semi-annual meetings with the project proponent, or more frequently as deemed necessary. This will allow parties to take stock and to troubleshoot any problems pertaining to the project in a timely fashion to ensure smooth implementation of project activities.

It is envisaged that IFAD Viet Nam will establish a national supervision team comprising various national experts in agriculture, forestry etc who will assist the country office in the supervision of various projects, including the Bac Kan project. In addition, the Forestry Department will, through the National Office of UNCCD, establish its own M&E team through the framework of the CPPSFLM.

**Inception Meeting/Project Start-up:** The Project Inception for the GEF Grant will be held immediately after the GEF Grant effectiveness has been declared.

A Project Inception Meeting will be conducted with the full project team, relevant provincial and district government counterparts, co-financing partners and IFAD. A fundamental objective of the Inception Meeting will be to assist the

project team to understand and take ownership of the project's goals and objectives, as well as finalize preparation of the project's first annual work plan on the basis of the project's logframe matrix. This will include reviewing the logframe (indicators, means of verification, assumptions), imparting additional detail as needed, and on the basis of this exercise finalize the Annual Work Plan and Budget (AWPB) with precise and measurable performance indicators, and in a manner consistent with the expected outcomes for the project.

Additionally, the purpose and objective of the Inception Meeting will be to: (i) introduce project staff and the IFAD country representatives who will all be involved in project implementation; (ii) detail the roles, support services and complementary responsibilities of project staff and relevant government agencies (the project team); (iii) provide a detailed overview of the project's reporting, monitoring and evaluation (M&E) requirements. Equally, the Inception Meeting will provide an opportunity to inform the project team on the IFAD/ GEF project related budgetary planning, budget reviews, and mandatory budget re-phasing (if any).

The Inception Meeting will also provide an opportunity for all parties to understand their roles, functions, and responsibilities within the project's decision-making structures, including reporting and communication lines, and conflict resolution mechanisms. The Terms of Reference for project staff and decision-making structures will be discussed again, as needed, in order to clarify for all each party's responsibilities during the project's implementation phase.

A Project Inception Report (IR) will be prepared immediately following the Inception Meeting. It will include a detailed First Year/Annual Work Plan divided in quarterly time-frames detailing the activities and progress indicators that will guide implementation during the first year of the project. This Work Plan would include the dates of specific field visits, support missions from national agencies and IFAD, as well as time-frames for meetings of the project's decision making structures. The Report will also include the detailed project budget for the first full year of implementation, prepared on the basis of the Annual Work Plan, and include any monitoring and evaluation requirements to effectively measure project performance during the targeted 12 months time-frame.

The Inception Report will include a more detailed narrative on the institutional roles, responsibilities, coordinating actions and feedback mechanisms of project related partners. In addition, a section will be included on progress to date on project establishment and start-up activities and an update of any changed external conditions that may effect project implementation.

When finalized the report will be circulated to project counterparts who will be given a period of one calendar month in which to respond with comments or queries. Prior to this circulation of the IR, the IFAD Country Office and IFAD GEF Project Management Unit will review the document.

**Progress Reports:** The PMU will submit to the PPC and IFAD six-monthly and consolidated annual progress reports on Project implementation, as required by Section 8.03 (Progress Reports) of the General Conditions, no later than two (2) months after the end of each six-monthly period during the Project Implementation Period, as stipulated in the Project Loan Agreement.

The APR is a self -assessment report by project management to the IFAD country office and provides input to the country office reporting process. Progress Reports will be prepared to reflect progress achieved in meeting the project's Annual Work Plan and assess performance of the project in contributing to intended outcomes through outputs and partnership work. The format of the APR is flexible but should include the following:

- An analysis of project performance over the reporting period, including outputs produced and, where possible, information on the status of the outcome
- The constraints experienced in the progress towards results and the reasons for these
- The three (at most) major constraints to achievement of results
- AWPB and other expenditure reports
- Lessons learned
- Clear recommendations for future orientation in addressing key problems in lack of progress

**Environmental Monitoring:** A key part of the project monitoring will be environmental monitoring which will be guided by an independent service provider working in partnership with the staff of the PMU especially the Environment Protection Officer. The monitoring will look at key parameters related to local environment – such as erosion and water quality as well as monitor trends in global environmental benefits (as described in section 2.4).

**Completion Reports:** The PMU will submit to the Fund the completion report required by Section 8.04 (Completion Report) of the General Conditions, no later than six months after the Project Completion Date. In addition to those matters specified in said Section 8.04, the completion report will detail: (i) the concrete steps taken by the Project to assure the sustainability of Project achievements over time; (ii) the extent to which benefits of the Project have reached the Target Group; and (iii) the impact of the Project on the livelihoods of the Target Group.

**Final Evaluation:** IFAD in coordination with the Lead Project Agency will carry out a final review of Project implementation no later than 36 months after the Effective Date (this will be combined with the “Mid-Term Review” of the 3PAD Project), based on terms of reference prepared by the PMU and approved by IFAD. Among other things, this Review will consider the achievement of Project objectives and the constraints thereon and will focus on the effectiveness, efficiency and timeliness of project implementation. It will highlight issues requiring decisions and actions and will present initial lessons learned about project design, implementation and management. This evaluation will also look at early signs of potential impact and sustainability of results, including the contribution to capacity development and the achievement of global environmental goals, and recommend such reorientation as may be required to achieve such objectives and remove such constraints in the final months of the GEF Grant implementation period and the remainder of the 3PAD Project period.

**Table 1. Monitoring and Evaluation Schedule & Budget**

Type of M&E activity	Responsible Parties	GEF Grant (USD)	Co-Funding by 3PAD/ IFAD-VN (USD)	Time frame
Inception Workshop/ Project Start-Up	* Project Lead Agency * IFAD-VN * PMU	0	10 000	Within 3 months of the beginning of project implementation
Inception Report	* PMU * IFAD-VN	From Project running costs	From Project running costs	One month after Inception workshop
Measurement of Means of Verification for Project Purpose Indicators	* Project Director will oversee the hiring of specific studies and institutions, and delegate responsibilities to relevant team members	From Project running costs	From Project running costs	Start, mid and end of project
Measurement of Means of Verification for Project Progress and Performance (measured on an annual basis)	* Oversight by Project Director	From Project running costs	From Project running costs	Annually prior to the definition of annual work plans
Progress Report	* PMU (PD & DPD) * IFAD-VN	From Project running costs	From Project running costs	Semi-annual (6 monthly)
Project Steering Committee Meetings	* Project Lead Agency * PMU (PD & DPD) * IFAD -VN	From project running costs	From project running costs	Annually
Project Management Unit Meetings	* PD * DPD	From Project running costs	From Project running costs	Monthly
Technical reports * PES Design Report * Rapid Assessment on Forest Resource	* PMU	15 200	0	To be determined by Project Team and IFAD
Final Evaluation (mid-term evaluation for 3PAD)	* Project Lead Agency * PMU * IFAD-VN	0	10 000	Three years after project start up
Completion Report	* PMU * IFAD-VN	From Project running costs	From Project running costs	At least one month before the end of the project
Audit	* IFAD * PMU * Project Lead Agency	0	15 000	Annually for 3 years
Environmental Monitoring	* Consultants * IFAD	47 000	167 800	Annually (3 years)
<b>TOTAL COST</b>		<b>62 200</b>	<b>202 800</b>	

## **PART II: PROJECT JUSTIFICATION:**

### **A. STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT, AND THE EXPECTED GLOBAL ENVIRONMENTAL BENEFITS TO BE DELIVERED**

Natural forests and other ecosystems within Bac Kan Province and the Project districts are under significant pressure and have experienced a staggering decrease in area and quality over the past 20 years. Active forest degradation and forest land conversion of the biodiversity-rich forests in the northern Uplands is generating long-term losses to the environment. It is adversely impacting biodiversity within these forests, and reducing the resilience to changing climatic conditions of both the natural resources and those communities whose livelihoods depend on forests. Thousands of rural people, most of them poor and from ethnic minorities, are using forest resources to meet subsistence needs and finance basic purchases. Forest resources provide the rural poor with reliable sources of energy and safety nets when they encounter economic shocks.

Furthermore, the role of natural forests in providing essential ecosystem goods and services has been severely compromised in portions of the targeted districts. Forest degradation and conversion is leading to increases in flash floods and severe soil erosion, in some cases destroying lowland rice fields and leading to loss of life in recent years. High levels of erosion are also leading to significant siltation problems in Ba Be Lake – a key biodiversity hotspot and tourist attraction within Ba Be National Park. Siltation also affects the water storage capacity of downstream hydropower dams and increases associated operation and maintenance costs. Forest degradation is reducing dry season flows in rivers which serve as important water sources for downstream agriculture. The proposed introduction of exotic forest plantation species following deforestation may also have impacts on the water balance in the area and needs to be assessed further. The consequences of forest and waterbody degradation for biodiversity are significant, reducing both the range and threatening the persistence of numerous species, including many designated as rare and/or endangered.. The main factors threatening biodiversity include habitat destruction, over-exploitation, and unsustainable use of biodiversity resources.

The impacts, threats and root causes of deforestation and land degradation in Bac Kan and the project district are complex and manifold. Underlying root causes include lack of fertile land for agriculture, unclear land tenure and responsibilities for land management; population increase; and the lack of capacity and resources of agencies at provincial, district and commune levels to protect and sustainably manage forest resources. Associated threats include over-harvesting of fuelwood and non-timber forest products, the cultivation of crops on steep sloping land, forest clearance for grazing and/or agricultural development. These threats translate directly into negative impact on biodiversity and on the sustained provision of multiple goods and services that these forests provide to the thousands of local rural people and downstream users. (Section 1.3.3 of the Project Document provides a complete analysis of underlying root causes, threats and impacts).

### **Project Goal, Objectives, Outcomes and Outputs**

The GEF project, programmed for a duration of 3 years, will concurrently address the major above-mentioned problems by promoting forest and biodiversity conservation, and sustainable forest land management practices, in selected districts in Bac Kan Province. The project is fully integrated within the framework of the larger IFAD-financed loan project, Pro-Poor Partnerships for Agroforestry Development (3PAD), whose goal is to achieve sustainable and equitable poverty reduction and improve the livelihoods of the rural poor in Bac Kan Province, through the promotion of sustainable forest and land management practises in the Uplands; through the provision of viable livelihood alternatives that enhance forest and soil conservation in a sustainable manner; and through support to implementation of the forest land allocation process, whilst exploring viable livelihood alternatives. The 3PAD project adopts an integrated approach and is organised into four components: (i) Strengthening sustainable and equitable forest land management; (ii) Generating income opportunities for the poor; (iii) Development of innovative environmental opportunities, and (iv) Project management.

The GEF grant links to each of the components of the 3PAD project, but focuses particularly on assessments, capacity-building activities and pilot testing of SLM/SFM and PES options – while the 3PAD project will allocate resources over a longer time period for implementation and upscaling. The GEF project only directly co-funds a limited number of



activities with the 3PAD project. A summary of the GEF activities are found below, with full details provided in Section 2.3 of the Project Document:

**Component 1: Sustainable and Equitable Forest Land Management (funded by GEF and IFAD/GoVN).** Forest land use planning and allocation will be addressed, creating a framework for agro-forestry planning, regulation and equitable allocation in Bac Kan. The project will promote the sustainable utilization of production and protection forest land ensuring that income and benefits from forestry resources are accrued. Component 1 of the Project focuses on building capacity, particularly in land allocation and use and in developing forest management plans. These measures are expected to contribute to effective implementation of the current policy and regulatory framework with regards to the forest land use planning and allocation exercise and forest land management, but will have little impact on developing new policy and regulatory frameworks at the provincial level. Component 1 activities will strengthen capacity and planning frameworks at the Provincial level but will focus on the three targeted districts. There will thus be scope for replication of activities at the pilot sites (13 communes), to the other 33 communes in the targeted districts.. **3PAD** interventions consist of sub-components: (i) *forest land-use planning and allocation*; and (ii) *forest land management*. Activities under these two sub-components will include – (i) agroforestry sector best practise gap analysis, and the development of a participatory forest land use planning process and manual; (ii) capacity building in agroforestry business best practise and forest land use planning for government trainers and communes; (iii) capacity building for participatory forest management planning at the village and commune levels, and (iv) participatory community-based forest and biodiversity planning. Incremental to 3PAD operations, the **GEF** intervention will seek to mainstream biodiversity and other environmental considerations into forest land use planning and management, by supporting a sub-component on *integrating ecosystem conservation into forest and land use planning*, in order to identify important areas for the conservation of biodiversity and watershed protection, and to guide the government authorities in the ongoing forest land allocation process. Specific activities will include: (i) rapid assessment and environmental planning; (ii) assessment and development of innovative community-based forest/ biodiversity management options; and (iii) outreach/awareness raising activities on forest and natural resource management, and community development.

**Component 2: Generating Income Opportunities for the Poor (funded by IFAD/GoVN).** The GEF will not intervene in this component. Two sub-components will be financed under this component: (i) *community-driven technology and service development*, and (ii) *investment for growth*. The expected outcome is that the livelihoods of the rural poor are improved in sustainable ways through investments in infrastructure, human capacity development, improved forest and natural resource management, better technology and agro-forestry business management practices and effective service delivery systems.

*Sub-Component (i) Community-driven technology and service development* will support the strengthening of extension services to provide high quality advice to local communities for forest and natural resource management. This will draw on the best practices identified through component 3. It will be funding environment-related input to extension services in the communes that will be pilot testing innovative environmental options in the areas of payment for ecosystem services, activities related to community-based ecotourism and sustainable forest and land management best practices as well as conservation-based forage management. Support will also be given in the establishment of farmer interest groups in these communes to build the capacity of farmers in the related communes.

Through sub-component (ii) – Investment for g funds will be made available to support village and commune level investments to support sustainable natural resource management through a Community Development Fund , especially for the areas that are pilot testing innovative environmental options and payments for environmental services..

**Component 3: Innovative Environmental Opportunities (funded by GEF and IFAD loan/GoVN).** This component will promote socially, environmentally and economically appropriate and sustainable sloping land conservation and protection systems within local communities in the target districts of Bac Kan Province, through the following sub-components: (i) *forage & sustainable land/forest management*: a flexible approach will be adopted towards forage & sustainable land/forest management options including SLM techniques, bio-energy development, and development of non-timber forest products (NTFPs). Suitable options will be promoted to the community through awareness and outreach programs, and up-scaled through the Community Development Funds available under Component 2; and (ii) *payment for ecosystem services (PES)*: resources under this sub-component will mainly be for specific technical expertise and guidance to develop and guide the PES activities and secure third party financial support and input to,

provide long term benefit and incentives to the local community. PES mechanisms will be designed and tested in a fully participatory manner at pilot sites within Bac Kan and up-scaled within project districts at appropriate sites, including PES systems related to water supply and watershed protection; bioenergy development; REDD and afforestation/reforestation. More information of the PES schemes that are going to be tested, i.e. if this a public or private-led scheme, and what lessons have been learnt so far in Vietnam and in the province are included in Annex I on the Use of Payment for Ecosystem Services, and information on the wider policy and replication effect and sustainability can be found in Paragraph 86 of the Project Document. Further details will be worked out during the assessment of PES options and design of the proposed PES pilot areas (activity 3.2.1).

Sub-component (iii) *Pro-poor Ecotourism Development* will seek to strengthen the involvement of the poor in ecotourism development in the project districts, particularly Ba Be National Park. Technical assistance will be provided for the development and implementation of a pro-poor ecotourism development strategy; and the capacity of local communities on improving the services they provide to tourists will be increased through training activities and the development of promotional material.

**Component 4: Project Management (funded by GEF and IFAD loan/GoVN):** Basic costs of all the project management are covered by IFAD/GoVN additional resources from the GEF project have been included primarily to support regular monitoring of the project in terms of meeting environmental targets and securing global environmental benefits. In addition a small allocation will be made for environmental training to help ensure that environmental safeguards for the project have been put in place, and that the principles of sustainable land and forest management are considered in all aspects of project implementation.

### **Expected Global, National and Local Environmental Benefits**

**Global Benefits:** The project is expected to deliver a range of global environmental benefits (GEBs) (please refer to section 2.4 of the Project Document, and table 2 below). Activities related to sustainable forest management are expected to generate dual GEBs of reduced land degradation and rehabilitation of natural ecosystems, and enhanced conservation of biodiversity of global significance. Furthermore, the project is expected to accrue in-direct global environmental benefits related to climate change. The following global environmental benefits will be accrued:

(i) **Reduced pressure and enhanced conservation of biodiversity:** The project districts in Bac Kan Province have a high level of biological diversity in ecosystems, species and genetic resources. A number of globally threatened species of mammals and birds are found in relatively small remnant pristine forests including the Ba Be National Park and the Kim Hy Nature Reserve. Species of global significance are also found in forests outside of the conservation areas. Project activities promoting sustainable and equitable forest management, and the development of innovative environmental opportunities (such as PES systems), will both reduce pressure and provide incentives for local communities to manage forest & biodiversity resources sustainably. GEF interventions supporting the mainstreaming of biodiversity into forest land allocation, and the development of community-based forest management options will ensure that biodiversity resources are managed in a sustainable way, with due consideration of their values. Furthermore, Payment for Ecosystem Services (PES) pilots will contribute to the protection of key biodiversity hotspots by improving rural livelihoods and providing incentives for the protection of forests and biodiversity.

(ii) **Enhanced sustainable management & biodiversity conservation of production forests** Project activities will enhance the conservation of globally important species and their sustainable use through increasing the area of production forests adopting best practises in sustainable forest management. These practises will also directly reduce problems of land degradation, soil erosion and siltation/flooding of downstream habitats

(iii) *Improvement in ecosystem functions & services in target area:* Project interventions will aim to reduce land degradation processes in the project area, and will preserve and improve ecosystem functions and services, including soil conservation, biodiversity conservation, water and climate and regulation. Incentives will be provided to communities and poor households to rehabilitate degraded land back to forests and to enhance current agriculture and forest management approaches to reduce erosion and improve soil conservation status. Capacity at provincial, district and commune level to promote and support SLM and SFM activities will be enhanced, helping to improve livelihoods and offer more opportunities for income generation in a sustainable way. In selected pilot sites work will be undertaken to maintain carbon stocks and hence reduce emissions from land use and land-use change – especially from forest<sub>10</sub>

clearance and harvesting of fuelwood. This will generate global environmental benefits in relation to climate change and land degradation.

*(iv) Reduction of GHG emissions from land/forest degradation/ land use, land use change and forestry (LULUCF):* Within Vietnam, the LULUCF sector is a significant source of emissions, due to deforestation and land degradation. Enhanced forest and land management in Bac Kan and the targeted districts will reduce the level of emissions both in the project period and the longer term.

Other global environmental benefits to be accrued indirectly include (i) *a reduction in invasive alien species used for plantation forestry* (such as *Acacia mangium* and *Acacia* hybrids): project guidance will minimise the risk of invasive alien tree species in plantation and other forestry development activities; and (ii) *reduction of GHG from energy usage*: The main source of energy for heating and cooking in the project area is fuelwood harvesting from natural forests and protected areas. Introduction of efficient wood stoves as well as encouraging village wood lots will lead to more sustainable use of renewable energy sources as well as a reduction in forest degradation. The project will also pilot biogas production from livestock as an alternative energy source.

**National and local benefits.** The project will deliver national benefits, which include reduced poverty for poor rural households, and improved management with increased sustainability of natural resources and the environment in accordance with national policies and international commitments. Local benefits will include increased income from more diversified and sustainable livelihoods which reduce poverty and enhance community welfare. Project activities are also expected to boost the resilience of communities to natural disasters and increase their ability to adapt to the effects of greater climate variability.

**Table 2: Global Environmental Benefits of the GEF Grant**

<b>Global Environment Benefits (GEB)</b>	<b>Key indicators</b>	<b>Baseline Situation</b>	<b>Expected post project situation</b>	<b>Method of Measurement</b>	<b>Means/ Source of verification</b>
<b>Biodiversity</b>					
Reduced pressure and enhanced conservation of biodiversity	Levels of harvesting of natural resources within Special Use Forests (i.e. protected areas) by adjacent communities	Forests and biodiversity within protected areas in target districts (Ba Be National & Kim Hy Nature Reserve) under continued pressure from harvesting and encroachment by communities in adjacent areas. Level of harvesting to be determined in Yr 1.	Reduction in level of harvesting and encroachment in protected areas by communities in six communes in targeted buffer zones. Targets to be set following assessments in Yr 1.	- Interview surveys with community groups - Patrol monitoring reports - Remote sensing/satellite imagery – tracking encroachment into PAs	(i) PES Pilot Site Design Report (ii) Reports by protected area management boards and commune/district authorities
	- Level of effective conservation of the Protection Forests - Number & extent (ha) of payments for environmental services created	Limited effectiveness of Protection Forest measures. The level of protection will be determined in the planned assessment of forest land use status and management in Yr1. - No workable PES contracts in place	Enhanced management and protection of 8,000ha (29%) of Protection Forest in target districts.  3 pilot PES schemes tested with at least 5 communes	- Interview surveys with community groups - Remote sensing/satellite imagery – tracking encroachment/rehabilitation in protection forests	(i) Assessment in Yr. 1 (part of component 1) and subsequent Project Progress Reports. (ii) Reports by Provincial & District Forest Protection Departments. (i) PES Progress Report
<b>Biodiversity and Land Degradation</b>					
Enhanced sustainable management & biodiversity conservation of production forests	- Coverage (ha) of production forests/forests under commune management that adopt best practises in SFM for biodiversity conservation and sustainable use	- Limited adoption of SFM practises in the management of production forests. Baseline assessed in Yr. 1	40,000ha (20%) of production forests/forest areas under management adopt SFM practises for biodiversity conservation & sustainable use of resources.	- Project M&E system - Statistics on usage and trade collected by DONRE & DARD	(i) Assessment in Yr. 1 (part of component 1) and subsequent Project Progress Reports. (iii) Project environmental monitoring reports

<b>Global Environment Benefits (GEB)</b>	<b>Key indicators</b>	<b>Baseline Situation</b>	<b>Expected post project situation</b>	<b>Method of Measurement</b>	<b>Means/ Source of verification</b>
<b>Land degradation</b>					
Improvement in ecosystem functions & services in target areas	Diversity & abundance of aquatic biodiversity, indicative of watercourse siltation due to soil erosion and land degradation within southern catchment of Ba Be Lake (Leng River Basin)	Low levels of aquatic biodiversity indicative of high siltation environments. Baseline to be assessed in Yr 1.	Increasing area distribution and species number of aquatic biodiversity indicative of lower siltation levels & improved up-stream erosion control.	- Monitoring of presence & abundance of aquatic invertebrates at key sites in the catchment	(i) Aquatic biodiversity monitoring reports by project communities/local agencies
Enhanced land stewardship	Extent of adoption of sustainable land management (SLM) approaches	Few communities adopting SLM techniques (e.g. contour banking; agroforestry). Baselines assessed in Yr 1.	15% households adopting SLM techniques.	- Interview with community groups - Surveys of degraded areas	(i) Community Development Fund (CDF) (ii) Project monitoring report
<b>Land degradation/Climate Change</b>					
Reduction of net GHG emissions from forest degradation	Level of carbon stock in selected PES pilot sites in Pac Nam and Na Ri districts	Continuing degradation due to community forest exploitation. Baselines stock assessed in Yr 1.	Maintenance/reduced loss of carbon stock compared to baseline. Targets set in PES project design.	- Remote sensing/satellite imagery: normalised differential vegetation index (NDVI) - Ground truthing surveys	(i) PES monitoring reports (ii) Project monitoring report

**B. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH NATIONAL AND/OR REGIONAL PRIORITIES/PLANS:**

The GoVN has ratified the three Rio Conventions (UNCBD, UNCCD and UNFCCC). Since then, important efforts were made towards their implementation through the approval of the National Biodiversity Strategy and Action Plan (NBSAP, 1995), the UNCCD National Action Programme (NAP, 2002) and the First Communication to the UNFCCC (2003). The Annual Reports of UNCCD Implementation have identified the need to address the causes of land degradation, to prevent further land degradation, and to rehabilitate and restore the production capacity of degraded areas. The NAP sets out short, medium and long term actions for addressing land degradation through sustainable forest land management and has identified priority areas and programs for implementation.

The proposed project is also consistent with the main national strategies for development, the Socio-economic Development Plan 2006-2010, and the Strategic Orientation for Sustainable Development in Vietnam (Vietnam's Agenda 21). The project will also support the priorities set in the Vietnam Environment Protection Strategy and the Vietnam Forestry Development Strategy 2006-2020 (FDS). SFM is one of the five priority program areas under the FDS. Moreover, the recent reforms of State Forest Enterprises and reclassification of forestland (under the Five Million Hectare Reforestation Programme) has meant that large amounts of forest land are being released for productive or protection purposes.

The FDS also complies with the National Biodiversity Strategy and Action Plan (1995) which includes conservation needs outside protected areas, the National Environmental Action Plan 2001-2010, and the UNCCD National Action Plan 2006-2010 (NAP). The GEF Grant is aligned to Vietnam's "targets up to 2010" in the National Biodiversity Strategy and Action Plan (v.2, 2007) through support to (i) conservation and development of terrestrial biodiversity (mainly through developing a system of special-use forests to reach a higher forest coverage, restoring a larger area of degraded watershed forests and effectively protecting precious, rare and endangered animals and plants); (ii) sustainable use of biological natural resources (through building and developing a model of sustainable use of biological natural resources, monitoring, preventing and eliminating the exploitation, trading and consumption of precious, rare and endangered animals and plants; and monitoring, evaluating and preventing invasive alien species); and (iii) strengthening state management capacity on biodiversity (by improving technical and material bases, attaching importance to training and developing personnel professionally and technically qualified for biodiversity conservation, and raising public awareness about conservation, and the sustainable use of biodiversity). "Major tasks" of the National Biodiversity Strategy and Action Plan supported through the GEF Grant include applying sustainable forest management models; assisting in achieving the targets of the five-million-hectare forestation project; collecting data on and assessing the current status, exploitation and use of timber resources and non-timber forest products; exploring options for the conservation and sustainable development of non-timber forest products; building up, applying, reviewing and popularizing sustainable development models for forest products; developing local knowledge, especially about medicinal plants, and traditional processing of non-timber forest products; proposing and carrying out effective measures to reduce negative impacts of tourism on biodiversity and raising awareness of the importance of biodiversity conservation upon approval of socio-economic development master plans, plans and projects.

The project will also support the objectives of two programs recently approved by the GoVN: "Support to the Local People in Mountainous Areas for Sustainable Agricultural and Forestry Cultivation on Burnt-Over Land" and "Forest Allocation and Forest Rental."

**C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH GEF STRATEGIES AND STRATEGIC PROGRAMS:**

The immediate objective of the IFAD-GEF project addresses the goal of GEF investments in Sustainable Forest Management (SFM), i.e. "to maintain and enhance the economic, social and environmental values of all types of forests". SFM is a broad concept that refers to the conservation and appropriate use of forests and trees to sustain livelihoods, including the conservation of biological diversity; prevention, control and reversal of land degradation; and the sustainable production of wood and non-wood forest products and services.

Within the umbrella of SFM, the IFAD-GEF project will be directly linked to the purposes and priorities of the GEF Biodiversity and Land Degradation Focal Areas. GEF financing will support Strategic Objective 2 of the Land Degradation Focal Area, *To Upscale SLM Investments that Generate Mutual Benefits for the Global Environment and Local Livelihoods*, which prioritizes those areas where investments in SLM will be most cost-effective, in terms of

mutual benefits for the global environment and local livelihoods. Specifically, the project is consistent with LD-SP2, *Supporting Sustainable Forest Management in Production Landscapes*. The most cost-effective investment, which the project employs, comes from replicating proven initiatives (such as PES) that are ready to be taken up widely and where tangible benefits to local livelihoods will ensure that the initiatives are sustainable. Synergies with other focal area objectives have also been encouraged through the project, including adaptation to climate change, biodiversity conservation in production landscapes (specific measures will be put in place to manage forest lands according to their importance for biodiversity in the project districts), and reduction in pollution and sedimentation of water bodies (sedimentation and erosion of the watershed will be reduced through management measures recommended through the project). Other outcomes expected are the dissemination of sustainable, community-based farming and forest management systems; communities benefiting from applying SLM practices and the pilot testing of options for sustainable, community-based agriculture and forestry management systems. The project area falls under the category of high-priority agro-ecological zones identified for GEF investment in the Land Degradation focal area, i.e., *Mountains and upland watersheds*.

The GEF grant will also support Strategic Objective 2 in the Biodiversity Focal Area, *To Mainstream Biodiversity in Production Landscapes/ Seascapes and Sectors*. Over the long term, the viable conservation and sustainable use of biodiversity in Bac Kan will require the sustainable management of forests and forestland in the province, which include the protected areas of Ba Be National Park and Kim Hy Reserve. The project will also help integrate the sustainable use of biodiversity into the agro-forestry sector in Bac Kan, which will have a strong impact on biodiversity conservation outside protected areas. Specifically, the project will support the development of the policy and regulatory frameworks that promote and reward mainstreaming and build necessary institutional capacity, which is in line with BD-SP4, *Strengthening the Policy and Regulatory Framework for Mainstreaming Biodiversity*. The project will address the incorporation of biodiversity conservation and sustainable use into the broader forest land allocation policy and management through capacity building initiatives, better planning and the provision of incentives. Under BD-SP5, *Fostering Markets for Biodiversity Goods and Services*, the IFAD-GEF project will support the pilot-testing for designing and implementing payment for ecosystem services (PES) schemes to compensate forest resource managers and users for off-site ecological benefits.

In keeping with the GEF guidance on the use of traditional knowledge of local communities, the project activities will enhance the protection and preservation of traditional knowledge, systems and practices of the indigenous peoples, particularly in the various reviews to be undertaken by the project on forest management and sustainable land use in the 3PAD project. Project information material will be produced in three local languages in addition to Vietnamese to enhance communication with local ethnic groups.

**D. JUSTIFY THE TYPE OF FINANCING SUPPORT PROVIDED WITH THE GEF RESOURCES.**

Not applicable

**E. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:**

As part of the combined efforts launched by the GoVN to reduce deforestation, the Ministry of Agriculture and Rural Development (MARD) has prepared with the assistance of the World Bank (WB) a Country Partnership Program for Sustainable Forest and Land Management (CPPSFLM). This Country Framework establishes an alliance of national stakeholders and international donors with these common objectives: (i) to halt and reverse the trend of forest and forest land degradation; (ii) to restore and maintain the function of forest ecosystems to realise local and global environmental benefits; (iii) to increase the capacity of institutions to support, and land users to invest in, sustainable forest land management. Key donors have identified a set of investment projects and programs that will address these objectives across the range of forest degradation and forest land conversion situations described above, as well as to promote the sustainable and productive use of formerly forested “bare” land. This project will contribute directly to CPPSFLM objectives, facilitating the achievement of its Intermediate Outcomes (IOs). Components 1 and 2 will work towards IO #1 of the CPPSFLM (“Sustainable forest and forest land management”), whereas Component 3 of the IFAD-GEF operation will help realize IO #2 (“Increased capacity to apply sustainable forest land management methods”) of the CPPSFLM.

Coordination mechanisms with initiatives related to the Project will be developed at the national level through the CPPSFLM. The IFAD-GEF project will work jointly with other agencies under the CPPSFLM, through coordination arrangements to be proposed by the Ministry of Agriculture and Rural Development (MARD)/World Bank. The WB and UNDP have submitted projects for GEF financing under the CPPSFLM. The proposed WB project will focus support the forest land allocation program nationwide through SFM and SLM. The proposed UNDP project will address land degradation in the South Central Coast region.

The CPPSFLM, co-financed by the Trust Fund for Forests, is under the management of the Forest Sector Support Program and Partnership (FSSP). The FSSP supports the implementation of the National Forest Strategy (NFS, 2006-2020), which includes the “National Five Million Hectares Reforestation Program 1998-2010” (5MHRP). The CPPSFLM is also consistent with other national priorities and policies. Sustainable Forest Management, for example, is one of the five priority program areas of the Forest Development Strategy, and this supports the design of this GEF Grant. The program also complies with the National Biodiversity Strategy and Action Plan (1995) which includes conservation needs outside protected areas; the National Environmental Action Plan 2001-2010; and the UNCCD National Action Plan 2006-2010 (NAP) which sets out short, medium and long term actions for addressing land degradation through sustainable forest land management.

A forthcoming Law on Biodiversity will also address issues of biodiversity conservation in production forest landscapes which is consistent with project objectives. Recent reforms of State Forest Enterprises and reclassification of forestland has meant that large amounts of forest land is being/ will be released for productive or protection purposes. The Government has also recently enacted new legislation that provides a supporting framework for the proposed project, including the Land Law 2003, Law on Forest Protection and Development 2004, and the Environment Protection Law 2005.

Several other initiatives in the province will collaborate closely with the Bac Kan Project. IFAD and Irish Aid have agreed to collaborate on the implementation of their respective projects including the sharing of project knowledge, lessons learned in implementation; and technical assistance where possible. The GEF Grant will also work closely with ICRAF and the Rewarding Upland Poor for Environmental Services – Phase II (RUPES II) on the development of PES pilot sites. The GEF grant will contribute to, and benefit from, the RUPES program’s pool of regional experience. At the macro level, the project will collaborate with four ministries currently working with policy development for and implementation of PES: (i) within MARD, the Department of Forestry, the Department of Forest Protection and the Legal Department are working on and influencing PES policies; (ii) within the Ministry of Natural Resources and Environment (MONRE), the Department of Environment and the Vietnamese Environment Protection Agency are working on PES dimensions concerning biodiversity conservation; (iii) The Ministry of Planning and Investment (MPI) coordinates and allocates the budget, as well as prepares sectoral plans with regards PES. In particular, the Department of Finance, the Legal Department and the Department of Agriculture Economics are involved in the development of PES policies; and (iv) the Ministry of Finance (MoFI) establishes financial norms related to PES payments.

Appropriate interaction will also be maintained with other IFAD supported activities in Vietnam including with the IFAD funded grant "Enhancing Livelihoods of Poor Livestock Keepers through Increased Use of Fodder" which is presently being implemented by the International Center for Tropical Agriculture (CIAT) in Vietnam, to enhance fodder production and assist in developing commercial marketing of fodder for livestock. The current project will also be coordinated with other GEF-supported initiatives in the country, such as the GEF, WB, UNDP and other donor projects for biodiversity conservation in protected areas

#### **F. DISCUSS THE VALUE-ADDED OF GEF INVOLVEMENT IN THE PROJECT DEMONSTRATED THROUGH INCREMENTAL REASONING :**

There are significant threats and associated root causes which are significant barriers to sustainable land and forest management and affect the generation and maintenance of global environmental benefits (GEBs) in Bac Kan Province.

**Baseline scenario:** Without the project intervention, forests and agriculture lands and associated global environmental benefits will continue to degrade. The following baseline, “business as usual scenario” characterises the situation without GEF intervention:



(i) *Continuing population increase* will reduce the per-capita availability of productive land and will intensify pressure on the remaining forest resources

(ii) *Productivity of agricultural land on steep slopes and fragile soils will continue to decrease*, as a result of erosion of topsoil and low levels of nutrient input. This will be exacerbated by a lack of tenure security for local communities due to slow allocation process under the Forest Land Allocation Programme. Further clearance of intact forest land on increasingly steep slopes is likely to take place.

(iii) *Further degradation of natural forests due to high levels of exploitation*. Current levels of resource exploitation from forests in Bac Kan are unsustainable and increasing, with provincial statistics for 2007 reporting higher levels of fuelwood harvesting than previous years, and a 100% increase in timber harvesting between 2005 and 2007. It is predicted that without project interventions, level of forest harvesting will continue to increase until easily accessible resources are over exploited.

(iv) *Investments in forest plantations are likely to focus on large-scale plantations of exotic species*: the provincial DARD has indicated that current interest from external investors is for large scale plantations of exotic tree species – especially Acacia hybrids – mainly use by the pulp and paper industry. In the absence of any intervention related to the impact of exotic tree species on biodiversity and ecosystem services – it is likely that most future plantations will focus on use of exotic species.

(v) *Aquatic environments will continue to be impacted by land degradation and mining activities*: Land degradation especially soil erosion, is widespread and increasing and is having a negative impact on aquatic environments (lakes, rivers, streams and associated biodiversity and water resources). In addition, gold mining is currently having a negative impact on conservation areas and riverine ecosystems. In the absence of project interventions, the mining and other natural resource exploitation is likely to increase, degrading water resources essential for local communities and downstream water users, and reducing levels of aquatic biodiversity.

(vi) *Development activities* are unlikely to directly benefit the poor communities or provide alternative livelihood options: priorities under the baseline are likely to focus on basic infrastructure, industrial tree plantations, mining and tourism projects, all of which are likely to benefit those in towns, or with good access to roads, rather than the forest-dependent poor communities. External investors will seek to maximize the return on investments rather than ensure the equitable sharing of benefits with marginalized community members.

(vii) *Incentives for forest protection will not be sufficient to protect forest resources*: Enforcement of laws and regulations for forest protection is not effective due to poor capacity and lack of incentive mechanisms. The current financial incentives provided for community forest protection by the government under Programme 661 are extremely low, and are insufficient for communities to protect forests. Financial incentives to protect forest resources vary between 50,000 -100,000 Dong (\$3-6)/ha/annum, compared to the immediate value of forest conversion (one tree can yield timber worth millions of Dong). As a result, in the future there will be insufficient incentive for communities to protect forests.

(vii) *Capacity of government agencies and communities to address biodiversity conservation or climate change issues will continue to be too low*: There is currently little or no capacity at the level of commune, district and provincial governments in the areas of conservation of biodiversity and maintenance of ecosystem services. There is some experience in traditional protected area and species management with periodic (but often ineffective) enforcement activities.

Thus, under the baseline scenario, few global environmental benefits are expected to be accrued. Forest biodiversity, both at the species and ecosystem level, will continue to decline as exploitation and degradation continues. High biodiversity forest will be replaced by low biodiversity agriculture systems, exotic tree plantations, and degraded land.. The unsustainable exploitation of species of commercial significance will continue until they are extirpated or reduced to very low levels. Furthermore, forest and land degradation will continue to expand which will lead to soil erosion and loss of fertility, and a reduction in aquatic biodiversity. Over exploitation of forests for firewood as well as conversion of forests on steep slope to marginal agriculture land will lead to further forest degradation and associated impacts on

biodiversity. Additionally, forest and land degradation will lead to direct Greenhouse Gas (GHG) emissions, as well as loss of carbon stock.

**With the GEF Involvement:** the goal of the GEF project is to promote forest and biodiversity conservation and sustainable forest and land management practices in the selected districts on Bac Kan Province by enhancing capacity and improving community livelihoods. The project is incremental to on-going activities in Bac Kan Province. In particular, the project will alter the baseline scenario in the following ways:

*(i) Land degradation will be reduced in target areas through demonstration of SLM and SFM techniques, as well as contribution of technical and financial support:* Project inputs to the forest land allocation and management process, as well as through assessment of experience and best practice for SLM and SFM, is expected to lead to better application of such techniques and will reduce the current land degradation trends. The project will support introduction and promotion of innovative sustainable land and forest management approaches to enhance the productivity of degraded land through sustainable agriculture, forestry and agro-forestry techniques. Demonstrations will be undertaken in pilot areas with up-scaling supported through capacity building for government, community and extension workers, provision of technical assistance and financing through the community development funds. Enhanced production and introduction of appropriate SLM and SFM techniques will reduce land degradation and minimise the conversion of forest lands.

*(ii) The rate of degradation of forest resources due to resource exploitation will be reduced:* The project will support better stewardship of forests by local communities and commune and district governments through enhancing capacity and strengthening of community tenure over forest lands through forest land allocation processes. Introduction of PES-related incentive schemes will also reduce the level of forest utilization, and introduction of efficient fuelwood stoves as well as community woodlots will reduce the exploitation of firewood from natural forests.

*(iii) Investments in forest plantations will take greater consideration of environment and biodiversity issues:* Guidelines developed by the project for forest land allocation and management, as well as guidelines on environmental impact assessment for private sector investments, will ensure that better consideration of biodiversity and environmental management issues is taken in development planning and implementation.

*(iv) The rate of degradation of aquatic environments will be reduced in pilot areas:* The project will promote SLM and SFM techniques; will promote clearer forest land allocation and better management at the commune level, and will create incentives for forest and land rehabilitation and controls on mining and land clearing. These activities should lead to a reduction in erosion rates and consequently reduce the rate of degradation of aquatic habitats, especially in the project pilot site in the Leng River basin south of the Ba Be National Park.

*(v) Development activities will focus more considerably on enhancing pro-poor livelihoods through the sustainable management and protection of forest resources:* policy support; capacity building; provision of Community Development Funds; and technical guidance will have a focus on a pro-poor sustainable livelihoods approach. Priority will be given to the poorest communities living furthest from the district and commune centres. Innovative income generating opportunities focused on the sustainable use of forest resources by communities will enhance livelihood options for community groups. Pro-poor ecotourism and enhanced processing of non-timber forest products will generate incentives for poor communities to conserve forest and aquatic resources.

*(vi) Incentives for forest protection will be enhanced:* Additional incentives will be provided to local communities through proposed PES and other incentive schemes as well as forest land allocation at household, village and commune level – which are expected to lead to enhanced protection of forest resources.

*(vii) Capacity of government agencies and communities to address biodiversity conservation or climate change issues will be enhanced:* The capacity at commune, district and provincial government levels in the areas of conservation of biodiversity and maintenance of ecosystem services will be enhanced through training and practical demonstration of benefits and alternative approaches to forest and land management, which at the same time can generate biodiversity and climate change benefits.

Project activities are expected to secure a range of Global Environmental Benefits *directly*, related to both biodiversity and land degradation. In particular, it is envisaged that the project will (i) reduce pressure and enhance the conservation

of biodiversity in protected areas and other high-biodiversity forests; which are home to many rare and/or threatened endemic plant and animal species; and (ii) enhance sustainable forest management and biodiversity conservation within production forests, habitats which are important for the conservation of biodiversity of global significance. Moreover, the project will (iii) improve ecosystem functions and services in the target areas, through SLM/SFM approaches that will lead to the restoration and protection of vital ecosystem functions; (iv) reduce GHG emissions from land/forest degradation/ land-use, land-use change, and forestry (LULUCF) through enhanced forest management; and (v) enhance carbon sequestration in forests and agriculture land. Moreover, the project is expected to accrue GEBs in-directly, by (i) reducing the use (& propagation) of alien invasive species in plantation forestry, and (ii) reduce GHG emissions from energy usage.

Although the majority of resources for the project implementation will come from the loan provided to the Government of Vietnam by IFAD, the financing from GEF will be of very strategic value. The GEF allocation will be a grant which will facilitate more flexible and targeted use to help secure global environment benefits. The limited GEF Grant will contribute to generate global environmental benefits, particularly on biodiversity and forest conservation, through the 3PAD Project intervention which otherwise focuses more on livelihood issues. In addition, the GEF Grant will generate significant added value beyond what would have been supported under the initial design of the IFAD project. In particular the GEF resources will be used to pilot test innovative environmental options and develop PES financing mechanisms. Being a grant rather than a loan, GEF financing can be applied more flexibly to explore new approaches to secure global environmental benefits (GEBs). The development of the GEF Project has also enabled new elements to be incorporated into the overall project design. For example, during the GEF project design phase it was agreed with IFAD and the national and local governments that there would be a greater focus on buffer zones and catchment management for the two internationally important protected areas in the Project districts. Through these various measures, the GEF Grant has secured about USD4.9 million from the 3PAD Project (as direct co-financing) which will be directly oriented to generate the GEBs. The GEF funds will also be able to support greater input from international experts and also expert institutions compared to the loan funds whose use may be constrained by national/ local priorities and procedures. The involvement of GEF will also be beneficial in terms of making a direct linkage to national, regional experience under current GEF programmes and facilitating links to national and international processes to address biodiversity and land degradation issues. GEF involvement may also help secure additional co-financing, parallel financing and leveraged financing as well as showcase the results at the international level.

**G. INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS, THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED AND OUTLINE RISK MANAGEMENT MEASURES**

General risks: No major risks were identified during project preparation. However, there are some constraints and limitations related to the forest sector at national level that may be considered:

Risks	Proposed Mitigation Measures
<p><b><i>Institutional capacity and support:</i></b> The lack of coordination between the various agencies of government responsible for the management of land, forests and environment, together with the limited capacity, especially at local level, are potential barriers to the achievement of project objectives.</p>	<p>The project will strengthen local capacities and will reinforce collaboration among relevant institutions at local level</p>
<p><b><i>Legal and regulatory framework:</i></b> The forest policy system is not yet integrated, with many policies still not being implemented, or at a very slow pace.</p>	<p>The management of the project through the provincial people’s Committee will enhance the coordination between implementation of forest policy and other sector policies. The project will particularly support the implementation of policies related to forest allocation process and management by communities and the testing of PES Frameworks.</p>
<p><b><i>External support to the development of the forest sector:</i></b> Forestry development has relied until now on the state budget, without mobilizing resources from non-state actors, especially the private sector. Investment in the forest sector is still very low. Continued support from</p>	<p>Continued support from international agencies and donors is expected and the project will back the efforts being developed by the FSSP as well as encourage private sector investment and community support in forest management.</p>

international agencies and donors will be required.	
<p><b>Climate change risks:</b> According to the IPCC Fourth Assessment Report, over the last decades Vietnam has experienced climatic anomalies such as an increased occurrence of extreme rains triggering flash floods, but also severe droughts, causing damage to life and properties, massive crop failures, water shortages and forest fires. The government also recognizes that institutional reform and subsequent forest land use planning and allocation will be a costly process and substantial investments will be required if forestland management practices are to become sustainable in the longer term. The Annual Reports of UNCCD Implementation have identified the need to address the causes of land degradation and to rehabilitate and restore the production capacity of degraded areas. The Initial National Communication to the UNFCCC from Vietnam stated that climate change would affect forest coverage and forest ecology in various aspects.</p>	<p>The potential dangers of climate change render even more necessary and relevant the actions proposed in this project, such as good practices for land cultivation, appropriate management of forest resources, and reduction of GHG emissions. The project design has incorporated appropriate measures to minimise the risks from climate change including review of climate change scenarios for the project regions, inclusion of climate change adaptation into project interventions and careful selection of sites for project intervention in relation to risks from extreme events. Furthermore, the adaptation measures recommended are enhancing reforestation, firstly in watershed, re-greening bare lands and hills, protecting natural forest by limiting its exploitation and selecting and developing plant varieties suitable to natural conditions taking into account climate change.</p>
<p><b>Government administrations reluctant to relinquish their forest planning and use control mandate:</b> The relevant government departments have engaged in participatory forest land use planning and allocation in the past, but have been unable to expand the program due to lack of funding.</p>	<p>The project would provide training in participatory land use planning and allocation supported by national and international expertise and will employ an institution experienced in this area to implement the field program. Experience in other projects indicates that trained staff quickly adapt to participatory process, trading power for respect. The project through the community development fund as well as funding for participatory forest management training will support the more effective implementation of the programme.</p>
<p><i>Resistance to the establishment of service provider associations, inability to network associations within and between communes and districts and poor recognition of non-government service providers by DARD and farmer interest groups.</i></p>	<p>DARD would take responsibility for building capacity amongst service provider groups, building institutional relations in the process. All service provider contracts would be milestone-based, with service providers not achieving milestones suffering severe financial consequences. Farmer CIGs will contract service provision leaving them a choice in service provider selection and the option to terminate contracts of unsatisfactory providers. The penalties for non-performance and the empowerment of farmers to choose appropriate service providers should minimize this risk.</p>
<p><b>Lack of absorptive capacity or willingness of poor households to understand and adopt technologies and farm management practices, especially complex technology:</b> A significant group of resource poor farmers are unlikely to be early adopters under the livelihoods program.</p>	<p>The project will reduce this problem by providing training in farming systems and farm financial management, the latter particularly for women and by supporting grass roots level extension, including farmer -to-farmer extension, which is expected to lead to improved communication of technologies and raise poor farmer confidence in technical recommendations.</p>
<p><i>Passive resistance to market oriented governance in line departments and district and commune administrations in the provinces.</i></p>	<p>This risk will be reduced by the close involvement of government staff in the reform process, capacity building for staff based on identified knowledge gaps, strengthened private sector linkages through study tours and private sector participation in policy/legislative reform processes and the periodic assessment of the governance culture to identify areas</p>

	of change resistance.
<i>Private sector might not have the incentive to enter into PPPs or might misappropriate funds</i>	This risk is to be managed by maintaining flexibility in the nature of PPP support within the framework of the selection criteria specified in an operational manual with a view to finding opportunities that are mutually beneficial. Only projects that are commercially viable will be funded and in all cases the supporting investments will be financed on a reimbursable basis.
<i>Legal constraints to the development of payments for ecological services.</i>	ICFAF has reviewed the regulations concerning PES in Vietnam, which are currently under review and revision. There is sufficient flexibility within existing laws to achieve PES in most situations, while the weight of projects now seeking PES through government managed systems is likely to force the early resolution of legal issues.
<i>Forage production technologies are unprofitable or unsustainable in the project area.</i>	Smallholder forage production in similar environments in Nepal and Ethiopia has been very successful, particularly when forage seed buy-back programs were financed. Vietnam has tested and continues to screen a broad range of fodder species through its science programs, but most are not integrated into farming systems. The project develop forage production programs suited to private farmers low input, low risk farming systems, while the seed buy-back program will create profit incentives for early adopters.
<b><i>Rules and regulations for international carbon sequestration payment systems limit opportunities to secure carbon payments:</i></b> The 13th Conference of Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) has broadened the conditions for carbon sequestration payments through the establishment of Reductions Emission from Deforestation in Developing Countries(REDD).	By the time the Project is seeking PES, the implementation details of such schemes are likely to be clarified, providing greater access for developing countries. Vietnam has been selected as a pilot Country for a REDDiness programme under the World Bank-supported Forest Carbon Partnership, which will enhance the capacity to access REDD resources.
<i>Forest rights might be allocated to “able households”, leading to further encroachment by poor households on existing forests or the exploitation of forest resources newly allocated to households due to immediate income needs.</i>	Support will be provided to ensure that a significant allocation of forest land is to poor families who will also be eligible for grant/food support to support establishment of tree crops of reforestation activities.

The main risk of negative project impact is that allocation of forest rights might be perceived in some localities as a risk of reallocation of land and forests to “able households”, leading to encroachment on existing forests or the exploitation of forest resources newly allocated to households due to immediate income needs.

#### **H. EXPLAIN HOW COST-EFFECTIVENESS IS REFLECTED IN THE PROJECT DESIGN**

The allocation of GEF resources in this project is very cost effective, as evidenced by the high level of direct co-financing of about \$5,000,000 or a ration of 1: 7.5. An additional parallel financing of \$19 million provides a supporting role. Also, the design of the GEF project has been fully integrated with the 3PAD project, thus the costs for the Project Implementation Unit will be fully met by co-financing. GEF resources assigned to Project Management have been allocated to strategic guidance and monitoring activities rather than management and administration. Rather than utilizing a high number of individual consultants, the project has focused on building partnerships with expert organizations such as ICRAF who will not only provide services to support the project in a cost effective manner, but will also deliver co-financing resources.

The whole approach to sustainable forest and land management will be low cost, replicable by poor communities without recourse to expensive technological or mechanical means. The engagement of the local community as partners and the provision of alternative livelihood options (such as PES and other land use options) to the local community to reduce the encroachment and over dependence on forest resources and which aims to mainstream biodiversity conservation within the forest land use and allocation process, is seen as another cost effective measure. Previous GEF investments in the area focussed on strengthening the protected area management and protection (eg PARC project which focussed in Bak Kan on management of Ba Be National Park), but with limited resources for community livelihood. The earlier projects made some progress but problems related to conflict with local communities remain and biodiversity in the park continues to degrade. It is believed that this current much smaller investment from GEF, which is linked to significant co-financing for community development, will be a more cost effective way to ensure community engagement and reduce pressure on biodiversity.

The PES scheme has the potential to be the most cost-effective option compared with other land use options, as it should be financially sustainable if successfully tested. The Project will provide initial funds for the assessment, design and initial implementation, but the schemes would be market based with clearly defined buyers and sellers and therefore able to continue beyond the period of the Project.

Another cost effective measure is that the 3PAD Project and the GEF Grant have been fully integrated during the design and preparation phase and the implementation structure for both components are the same. While the GEF Grant will focus on strategic analysis and assessments, demonstration activities, training and capacity building in the first 3 years of the Project (Phase I), the 3PAD Project will concentrate on upscaling the practices and lessons learnt through the activities supported by the GEF Grant in the following three years (Phase II). Ongoing environmental monitoring measures will also be supported by the 3PAD Project in the second phase.

### **PART III: INSTITUTIONAL COORDINATION AND SUPPORT**

#### **A. INSTITUTIONAL ARRANGEMENTS:**

At the **National** level, the Ministry of Planning and Investment is mandated to coordinate Overseas Development Assistance (ODA) resources in socio-economic development planning and is the principal counterpart for allocating and planning IFAD resources. The Ministry of Finance is the representative of Vietnam in loan agreements and serves as a focal point for coordinating disbursement processes and building financial management capacities at the provincial level. Since the GEF component was designed based on the overall Project, the MPI and MoF were involved in the design of the GEF component, but would play a less significant role in its implementation.

The Ministry of Agriculture and Rural Development (MARD) provides policy guidance on agriculture and rural development issues and is the focal point for scaling up project implementation experience. MARD, through the Forestry Department and Forest Protection Department, is also responsible for forest sector administration, including special-use and protection forest management. The Agro-forest Product Processing and Trading Department is in charge of the forest product processing sector. Additional public sector agencies in the forest sector are the Forest Inventory and Planning Institute (FIPI) and the Forest Science Institute of Vietnam (FSIV) and the Forestry Universities. The Forestry Extension Division is attached to the Agriculture, Forestry and Fishery Extension Center.

The Ministry of Natural Resources and Environment (MONRE) is responsible for the management of natural resources and environment, and the management of lands. MONRE is comprised of 16 departments and organizations, and six information resource organizations. Three agencies (the Land Department, the Department of Land Registration and Statistics, and the Bureau of Measuring and Mapping) directly relate to land management in general and forestland management in particular. Four agencies (the Department of Environment, Department of Environment Impact Assessment and Appraisal, Bureau of Water Resource Management, and the Vietnam Environment Protection Agency) are directly involved in the management of natural resources and the environment.

There are various other programme partners within the national context, e.g. the Vietnam Bank for Agriculture and Rural Development, the Vietnam Bank for Social Policy, mass organizations (farmers' associations, the Women's Union, the Youth Union) and the Committee for Ethnic Minorities.

At the **provincial** level, the Provincial People's Committee (PPCs) is the key development planning and overall management authority. Forest administration is under the control of the Department of Agriculture and Rural Development (DARD) which reports to the PPC. DARD includes two agencies: Forestry Sub-department responsible for forest management (especially of plantation forests and harvested forests) and Forest Protection Sub-department (FPsD) responsible for forest protection. The Department of Natural Resources and Environment (DONRE) assists the PPC to implement State management functions relating to land, water, minerals, environment, hydrometeorology, geodesy and mapping.

At the **district** level, the Economics Division or Agriculture and Rural Development Division is under the control of the District People's Committee (DPC) and employs one or two forestry staff responsible for monitoring forestry activities. A Forestry Protection Unit (attached to FPsD) operates in certain districts. The Section of Natural Resources and Environment (SONRE) at district level assists the DPC implement the district management functions on land, water, minerals, environment, hydrometeorology, geodesy and mapping.

At the **commune** level, as regulated by the Forest Protection and Development Law, communes with forest cover are obliged to recruit forest employees. However, because of budget constraints many communes have so far failed to employ any commune forest staff. There are also public servants at the commune called "cadastral cadres" to help the CPC to manage activities related to natural resources.

Several international non-governmental organizations work in Bac Kan province, especially in the area of biodiversity conservation and forest and land management. **Fauna and Flora International** (FFI) has been involved in the implementation of various projects on integrated conservation and development, and is involved in a primate conservation project in Bac Kan. **People, Resource and Conservation Foundation** (PRCF) is a newly established foundation in America and has recently started small initiatives in Vietnam. PRCF works closely with FFI and has been involved with pilot testing of community forest patrol groups, fodder development, efficient cooking stove and awareness and education programs. **Birdlife International** started working in the Bac Kan area in 2000 when they conducted rapid biodiversity surveys in five sites in Cao Bang including Ba Be National Park. Staff of the **World Agroforestry Centre (ICRAF)** Vietnam and the IFAD-funded second phase of *Rewarding the Upland Poor for Environmental Services* (RUPES II) participated in the formulation mission of the 3PAD Project in Bac Kan in May 2008, which resulted in a brief report with recommendations on how to link RUPES II activities with the 3PAD project under design. They have subsequently carried out a scoping study under the project preparation for the GEF Grant and helped in the design of PES for the GEF Grant. **CARE** has set up Livelihood and Rights clubs in Cho Moi district in Bac Kan Province that combine microfinance with rights and technical training; this model has been particularly successful amongst Tay, Nung and Kinh women and would be a useful reference for the project. The initiatives by these NGOs working in Vietnam will complement and not overlap with the efforts of the GEF Grant in the areas mentioned, as these were considered at the time of the project formulation of the GEF Grant. FFI works in the specific area of species conservation in Bac Kan; PRCF has allocated two small grants to two communes in Ba Be to pilot test community organisation for ecotourism (the GEF Grant will work with the local organisation of boatmen the PRCF project helped form for community involvement in ecotourism); Birdlife International focuses on biodiversity surveys in Bac Kan and CARE has focused on technical training in development in districts other than that the project districts. ICRAF received the approval for RUPES II at the time of the GEF Grant formulation, and were interested to explore options for PES at Bac Kan, which led to the opportunity of the GEF Formulation Team to work with ICRAF on the formulation of the PES component of the GEF Grant.

In the area of forest management, a CARE Community Empowerment for Forest Management Project in Cho Don District in Bac Kan supports community-based forest governance strengthening systems including sustainable household forest management, forest protection and forest use rights allocation to groups of households and communities. CARE's experience will again contribute to the implementation of the 3PAD Project and the GEF Grant. CASRAD has developed a Persimmon Growers Association and a Veterinary Service Providers Association in Cho Don District. Their experience in Common Interest Group (CIG) development, association registration and management and private service delivery will be a useful reference for the 3PAD Project. The AusAID-financed Cooperation for Agriculture and Rural Development (CARD) project is financing an applied research program in community forest ownership and management in two communities in Na Ri district. CARD will provide the project with an early assessment of approaches to community forest management and on-going technical support in this field.

## **B. PROJECT IMPLEMENTATION ARRANGEMENTS:**

The Project will employ the institutional arrangements established by the 3PAD Project for the management and implementation of the GEF Grant. The project will be managed and implemented using the existing national arrangements as well as national institutional mechanisms to minimize project management and overhead costs. More importantly, this will ensure sustainability of the project after its completion as the activities are mainstreamed into national policy and institutional frameworks. Project management and implementation will be decentralized to the Province and lower administrative entities.

**Organization and Management of the Project:** The Provincial People's Committee (PPC) of Bac Kan Province is the Lead Project Agency responsible for the management and implementation of the Project. Its task includes (a) recruiting/appointing Project staff; (b) ensuring timely provision of counterpart funds; and (c) issuing guidelines and decisions for effective implementation of the Project. The Lead Project Agency will be assisted in its tasks by the Project Steering Committee (PSC) and the Project Management Unit (PMU).

**Project Steering Committee:** The PSC will be composed of the provincial departments engaged in Project implementation, the provincial Women's Union and Farmer's Association chairpersons and the Chairpersons of the Project Districts, or their deputies, who are District Project Directors. The PSC will be chaired by the Vice Chairperson of the Lead Project Agency. The PSC will meet at least semi-annually to approve and review progress of the Project. The PSC will act as an advisory body to the Lead Project Agency in policy formulation, planning, coordination, supervision and monitoring of the activities, and will be responsible for the conduct and activities of the PMU. Among other things, the PSC will establish a council to conduct the recruitment, through a competitive and open process, of the following key staff: financial administrator, procurement administrator, monitoring and evaluation coordinator, agro-forestry livelihoods technical specialist, and environment services technical specialist.

In addition, the PSC will be responsible for:

- (a) ensuring coordination between the Project and other externally/internally financed projects/ programs and efficient use of Project financial and human resources;
- (b) providing supporting policy framework and guidelines to the PMU for efficient Project implementation;
- (c) soliciting/ proposing Project supportive policy mechanisms to the Lead Project Agency for simplification of regulations;
- (d) reviewing and approving the AWPBs for the Project;
- (e) interfacing between PMU and the Lead Project Agency on matters of policy formulation, revision and implementation with a view to ensuring effective implementation of the Project;
- (f) ensuring effective cooperation and coordination between the implementing agencies of the Project in the Project Province and instilling a system of accountability for performance and proper use of resources at all levels;
- (g) reviewing Project progress reports and ensuring timely corrective action on management and implementation issues; and,
- (h) ensuring the development and submission of annual reports to MARD/DOF to enhance the coordination role of MARD/DOF for all initiatives within CPPSFLM.

**Project Management Unit:** The PMU will report to the PSC but will enjoy administrative autonomy in day-to-day operations. The PMU staff will include a Project Director, financial and procurement officers, each with a monitoring and evaluation coordinator, an agro-forestry livelihoods technical specialist, an environment services technical specialist, an office administrator, secretary, clerk and drivers, and any other additional staff as required. The PMU will fill required positions following an open and competitive recruitment process open to candidates from both the public and private sectors.

The PMU will be responsible for the following:

- (a) proposing Project supportive policy mechanisms to the PSC;
- (b) preparing the consolidated AWPBs described in Section 3.02;



- (c) ensuring effective coordination of Project activities at all levels;
- (d) ensuring effective coordination and information sharing with other donor-funded projects/ programs;
- (e) carrying out procurement in accordance with the Agreement;
- (f) preparing terms of reference for, advertising and recruitment of staff;
- (g) preparing financial statements and ensuring sound financial management;
- (h) selecting and appointing auditors;
- (i) preparing terms of reference for technical assistance and recruitment and supervision of technical assistance by both firms and individuals;
- (j) preparing and submitting withdrawal applications from the project account, and ensuring adequacy and timely release of funds under the Project;
- (k) compliance with reporting, monitoring and administration requirements set forth in this Agreement;
- (l) maintaining the relevant project account;
- (m) preparing and submitting the relevant Project's progress reports in accordance with this Agreement;
- (n) establishing and implementing a monitoring and evaluation system at Project Commune, Project District and Project Province level and providing the results to the PSC; and
- (o) establishing and implementing a proper participatory evaluation and impact assessment regime.

Also, at the provincial level, the Project Management Unit will organise meetings to coordinate all initiatives related to Project as required. Various partners who have on-going initiatives have been highlighted in the organogram (Project Document, Fig. 2), including NGOs, with whom the Project will develop linkages to share experience and draw concrete lessons from. In particular, the Project will draw concrete lessons on implementation of the PES scheme from ICRAF; on biodiversity conservation from FFI and BI, on community development issues from CARE and on pro-poor ecotourism from PRCF.

**Project Director (PD):** The Lead Project Agency will appoint a Project Director who will serve throughout the entire Project Implementation Period on a full-time basis. The Project Director will be the head of the PMU and will generally be responsible for directing and supervising the work of the implementing agencies, at district and commune level in line with the Project's approach, operating schedule and procedures. The Lead Project Agency will issue a decision giving the Project Director the necessary and adequate executive authority to ensure the smooth functioning of the PMU and of the Project Parties. The Project Director will be the secretary of the PSC, and will be responsible for interaction between the PSC, PMU, district and commune levels.

**District Project Director (DPD):** The Lead Project Agency will appoint a District Project Director and District Project Facilitator for each Project District who will serve throughout the entire Project Implementation Period on a fulltime basis.

**Commune Management Board (CMB):** At the Project Commune level, Commune Management Boards (CMBs) will be established. In those communes where P135-II is being implemented, the Project will be managed by the Commune P135-II Management Boards. Community Development Boards (CDBs) will make proposals for the CDF to the CMBs, which will provide a no-objection to the inclusion of CDB proposed investments in the Project Commune AWPB, and advise the CDB in cases where village choices conflict with planned P135-II or government investment plans.

**Community Development Fund (CDF):** Project Communes will be allocated on average approximately USD 63 000 per annum based on a weighted formula including population size, poverty index and distance from the district centre. Whilst the Commune will be the owner thereof, the CDF will be managed through the Commune P135-II Management Board; and CDBs at the village level will be implementation managers. The identification and approval of CDF investment projects will include the following steps: (i) CDB consultations with women's LARC groups and poor households on the identification of investment requirements specific to their needs (ii) Public meetings where communities discuss their specific needs and a public process of investment prioritization and selection (iii) the preparation of a concise investment proposal describing the relationship of the problem to income generation and how the proposed project will assist poor households; (iv) the submission of the investment proposal to the Commune P135 II Management Board for their no-objection, and (v) the financing/contracting of the investment proposal by the Commune P135 II Management Board. It is envisioned that the CDF will support development of some basic infrastructure and services which would enhance SFM and SLM – such as processing facilities for Non-timber forest

products, water supply for villages and agriculture as well as provision of funds for community livelihood and land rehabilitation activities. The CDF resources will support implementation of community development activities in the PES Pilot areas with the intention that Funds generated through PES mechanisms can be channeled back to the community through the CDF. Eligibility to access the CDF and the types of investments that will be eligible, together with criteria for evaluation of service and infrastructure proposals will be clearly defined in a CDF Operations Manual, which will detail all management guidelines, and simple, practical formats and procedures for applications, submissions, approvals, implementations and flow of funds. The CDF Operational Manual will outline all aspects of contract development and management, guidelines on pricing services, the contribution from beneficiaries. The GEF Grant will provide input within the first six months of the project to help channel CDF resources to activities which will promote SLM and SFM, as well as helping to secure Global Environment Benefits.

**Community Development Boards (CDB):** CDBs will be established at the village level, chaired by the Village head and include village representatives nominated by the village community through a community meeting and public vote. At least 40% of the CDB members will be from DOLISA registered poor households. The mandate, role, function, responsibilities and accountabilities of the CDBs will be defined in an Operational Charter. Villages will be assisted in establishing community development boards (CDBs), legislated by a provincial directive, to develop village-identified and implemented, but commune owned, investment programs.

**Formation of Common Interest Groups (CIGs):** The formation of farmer CIGs, including both men and women, will be encouraged, as a forerunner to the development of producer associations for specific products. A legal framework for the formation of CIGs will be developed for Provincial People's Committee (PPC) approval. Women's CIGs, formed out of Livelihood and Rights Clubs (LARCs), will have opportunities to access labor-saving technologies through CDF investment and technology development programs. Priority will be placed on CIGs that will directly support Sustainable forest and land management practices.

#### **PART IV: EXPLAIN THE ALIGNMENT OF PROJECT DESIGN WITH THE ORIGINAL PIF**

##### **(i) Project area**

In the original PIF, two project areas in the Uplands were provisionally identified. The potential pilot areas were proposed in two provinces, namely Bac Kan in the northern uplands near the border with China and Dak Nong a province in the central highlands, near the border with Cambodia. The two provinces were both important for biodiversity and forest conservation and were under severe pressure from forest clearing and degradation. However during detailed assessments in the project development phase and in the final selection of pilot sites, the Government of Viet Nam decided it would be more strategic for all the resources to be focused in one area, and several pilot sites selected in the one targeted province.

In the final design of the GEF Grant, a total of three pilot areas were selected to test and showcase different approaches to sustainable forest and land management. These are in the three separate project districts (i.e. Ba Be, Pac Nam and Na Ri districts) identified in the 3PAD Project. By having pilot sites relatively close together, it is easier to exchange learning and build capacity of the local personnel and community involved in the project implementation.

##### **(ii) Co-financing**

In the original PIF, the total project costs stood at USD 9.65 million with the indicative GEF financing at USD 654,545 and co-financing (IFAD and GoVN) at USD 9 million. This was on the assumption that the IFAD associated operation (3PAD) as a whole would be considered as co-funding of the GEF grant.

During project preparation, the loan extended by IFAD to the Government of Viet Nam increased and thus the financing amount from IFAD and GoVN contribution to the project also increased. The total project cost of the combined 3PAD Project (i.e. the loan and the GEF Grant) is now **US\$ 25.410** million, co-financed by IFAD (US\$ 21 million, through loan on ordinary terms, representing 82.9% of total), government of Vietnam (US\$ 2.415 million), beneficiaries (US\$ 1.265 million) and GEF.

The requested GEF grant contribution has not changed and stands at **US\$ 654,500** (11.6 % of total 3PAD project), which will be funded from GEF global resources for the Land Degradation Focal Area (US\$131,000, 20% of total GEF grant) and Vietnam's RAF allocation for Biodiversity (US\$523,500, 80% of total grant). The total **direct** co-financing for the GEF grant amounts to **US\$ 4,989,500** which includes co-funding from 3PAD (IFAD, Government of Vietnam and beneficiaries) and ICRAF. This includes project activities that relate to and contribute directly to project activities that will fulfil the GEF objectives, outcomes and outputs and those undertaken using the GEF Grant.

The overall 3PAD project is a rural development project focusing on agro-forestry development; a large part of the project places its resources on infra-structure and organisational development to encourage the development of agro-forestry related businesses by the local community. These activities, while complementing the income generation aspects of the GEF Grant, do not contribute directly to achieving the objectives of the GEF Grant as they have now been formulated and cannot be considered as direct co-funding the GEF Grant. In addition a significant portion of the activities will be implemented after the period of operation of the GEF grant. In order to avoid any complications with assessing the level of financing in the final project evaluation – it was felt appropriate to exclude activities that would be funded after the completion of the expenditure of GEF resources – even though within the framework of the overall 3PAD project. The financing of the 3PAD project which will be spent after the completion of the GEF project or on activities not fitting directly in the focus of the GEF grant have therefore been referred to as additional, parallel financing. There is a parallel funding of **US\$ 19,766,300**. This would include among others selected activities under Component 2, that focus on promoting improved services and technologies that aim to help create new high-value market chains, and training for farmers to have a more commercial approach to their farming operation, to enable them to engage in a business-like way. The parallel funding will also involve public-private partnerships and community managed investment funds would enhance pro poor agro-forestry investment.

### **(iii) Project duration**

The originally stated timeframe for the combined GEF project and IFAD project (3PAD) was five years (2010-2015). During the PPG period, the 3PAD preparation and implementation start was expedited, and is already operational, for a total of 6 years (2009-2015). Following guidance from the Government of Vietnam, it was agreed that the GEF resources will be allocated for a **period of three years**, during the first half of 3PAD project life (2010-2012). The 3PAD Project and the GEF Grant have been fully integrated during the design and preparation phase and the implementation structure for both components are the same. While the GEF Grant will focus on strategic analysis and assessments, demonstration activities, training and capacity building in the first 3 years of the Project (Phase I), the 3PAD Project will concentrate on upscaling the practices and lessons learnt through the activities supported by the GEF Grant in the following three years (Phase II). Ongoing environmental monitoring measures will also be supported by the 3PAD Project in the second phase. Therefore, from 2012 onwards, there will be actions to directly implement the recommendations of the GEF Project, funded from IFAD and GoVN resources. The follow-on activities will be managed and documented through the 3PAD project reporting mechanisms, thereby ensuring efficiency and demonstrating effective integration between the GEF project and the 3PAD project.

### **(iv) Global Environment Benefits**

The FPD was prepared with no major changes to the global environmental benefits as specified in the PIF. The benefits stated in the PIF were only further clarified and elaborated upon in the FPD. The Project has been confirmed to be implemented under the CPPSFLM and thus will help deliver national benefits that include reduced poverty for poor rural households, and improved management with increased sustainability of natural resources and the environment in accordance with international commitments. Local benefits will include increased income from more diversified livelihoods which boost the resilience of communities to natural disasters and increase their ability to adapt to the effects of greater climate variability. These benefits have not changed during project design and remain the main benefits of the project.

More specifically, the IFAD-GEF operation will contribute in the deliverance of global environmental benefits under two GEF Focal Areas, Land Degradation and Biodiversity, with in-direct benefits in terms of Climate Change.


Regarding Land Degradation, the project interventions will reduce land degradation processes in the project area, and will preserve and improve the ecosystem functions and services, including climate and water regulation, and soil conservation. This GEB has not changed in the FPD but the key indicators have been clarified in the FPD, by specifying that the level of watercourse siltation due to soil erosion and land degradation within a catchment will be measured by the diversity and abundance of aquatic biodiversity, which will be assessed for the baseline in Yr 1. Land and forest use will be enhanced sustainably through the use of combined SLM and SFM techniques, helping to improve livelihoods and offer more opportunities as long-lasting means for income generation.

In relation to Biodiversity, the FPD has specified that the project will play an important role in reducing the pressure on natural forests and associated biodiversity by reducing the level of harvesting and encroachment in the protected areas (Ba Be National Park and Kim Hy Nature Reserve) in six communes in the targeted buffer zones. The project area was defined during project design and was not stated in the PIF.

The PIF stated that better land management will also reduce the degradation of aquatic biodiversity in river and wetland ecosystems in the project areas and that the proposed pilot areas will contribute to the protection of key biodiversity hotspots by improving rural livelihoods and providing incentives for protection of forests and biodiversity. During project design, it was specified that the level of effective conservation of protection forests would be improved and that the target was to include 8,000ha (29%) of protection forests in the project area for enhanced management and protection.

**PART V: AGENCY(IES) CERTIFICATION**

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for CEO Endorsement.

Agency Coordinator, Agency name	Signature	Date	Project Contact Person	Telephone	Email Address
<b>Kevin Cleaver</b> Assistant President Programme Management Department		30 July 2009	<b>Rodney Cooke</b> Director, Technical Advisory Division and Acting GECC Coordinator Programme Management Department	+39.06.5459.2450	r.cooke@ifad.org
			<b>Jesús Quintana</b> Programme Officer, Global Environment and Climate Change Programme Management Department	+39.06.5459.2210	j.quintana@ifad.org
<i>Please do not forget to copy the IFAD Registry, <a href="mailto:GECCregistry@ifad.org">GECCregistry@ifad.org</a>, on all official communications.</i>					

## ANNEX A: PROJECT RESULTS FRAMEWORK

Summary			
<p><b>Overall 3PAD Project Goal:</b> To achieve sustainable and equitable poverty reduction and improved livelihoods for the rural poor through the establishment of a framework for sustainable and equitable agro-forestry development in Bac Kan province by targeting rural poor households.</p>			
<p><b>Immediate 3PAD Project Objective:</b> To promote sustainable forest management and sustainable land management practices in the Uplands, to provide viable livelihood alternatives that enhance forest and soil conservation in a sustainable manner, and to support the implementation of the forest land allocation process, while exploring viable livelihood alternatives.</p>			
<p><b>Objective of the GEF Grant:</b> To promote forest and biodiversity conservation and sustainable forest land management practices in selected districts on Bac Kan Province by enhancing capacity and improving community livelihoods.</p>			
Impacts	Objectively Verifiable Indicators		Means of Verification
	Indicators	Target	
Reduced pressure and enhanced conservation of biodiversity	Levels of harvesting of natural resources within Special Use Forests (i.e. protected areas) by adjacent communities	Reduction in level of harvesting and encroachment in protected areas by communities in six communes in targeted buffer zones. Targets to be set following assessments in Yr 1.	(i) PES Pilot Site Design Report (ii) Reports by protected area management boards and commune/district authorities
	Level of effective conservation of the Protection Forests	Enhanced management and protection of 8,000ha (29%) of Protection Forest in target districts.	(i) Assessment in Yr. 1 (part of component 1) and subsequent Project Progress Reports. (ii) Reports by Provincial & District Forest Protection Departments
Enhanced sustainable management & biodiversity conservation of production forests	Coverage (ha) of production forests/forests under commune management that adopt best practices in SFM for biodiversity conservation and sustainable use	40,000ha (20%) of production forests/forest areas under commune management adopt SFM practices for biodiversity conservation & sustainable use of resources.	(i) Assessment in Yr. 1 (part of component 1) and subsequent Project Progress Reports. (ii) Reports by Provincial & District Forest Protection Departments
Improvement in ecosystem functions & services in target areas	Diversity & abundance of aquatic biodiversity, indicative of watercourse siltation due to soil erosion and land degradation within southern catchment of Ba Be Lake (Leng River Basin)	Increasing area distribution and species number of aquatic biodiversity indicative of lower siltation levels & improved up-stream erosion control.	(i) Aquatic biodiversity monitoring reports by project communities/local agencies

Reduction of net GHG emissions from forest degradation	Level of carbon stock in selected PES pilot sites in Pac Nam and Na Ri districts	Maintenance/reduced loss of carbon stock compared to baseline. Targets set in PES project design.	(i) PES monitoring reports (ii) Project monitoring report
<b>Outcome 1: Sustainable and Equitable Forest Land Management Strengthened in three districts</b>			
<u>Component 1: Sustainable and Equitable Forest Land Management</u> Forest land resources equitably allocated and sustainable management procedures defined and operational.	Status of promotion of SFM and forest protection in project districts  Biodiversity and watershed management consideration in forest management plans	Strategies for protection forest management developed in 5 communes and SFM approaches promoted in 10 communes by Yr 3  Biodiversity and watershed management issues incorporated in forest management plans in two districts and 10 communes	(i) Project Progress Report (ii) DARD and DONRE Reports
<b>Outputs</b>	<b>Indicators</b>	<b>Target</b>	<b>Means of Verification</b>
<u>Sub-Component 1.1: Forest Land Use Planning and Allocation</u> Framework for agro-forestry planning, regulation and equitable allocation in Bac Kan efficiently implemented.	Gap analysis of provincial agro-forestry best practices	Gap analysis Completed by Yr 1 including identification of training needs	(i) Report on the gap analysis (ii) Progress Report
	Capacity in forest land use allocation	Capacity for land use allocation strengthened in 25 communes by Yr 3 through TOT sessions and commune-level training programs	(i) Project Progress Report (ii) Report on Training Sessions (ii) Training modules
	Forest land use planning process is participatory	Forest land use planning is discussed at Commune and Village Forest Management Board Meetings and involves 25 communes by Yr 3	(i) Project Progress Report (ii) Minutes of the CFMB&VFMB
<u>Sub-Component 1.2. Forest Land Management</u> Production and protection forest land in Bac Kan efficiently utilized and effectively monitored.	FM Planning strengthened by technical support by Provincial FM planner and nursery advisor, and District FM advisor	FM Planning strengthened in 25 communes by Yr 3 through technical guidance by Int'l specialist in Yr 1, Nat'l specialist in Yrs 1,2&3 and District Advisors throughout project	(i) Project Progress Report (ii) Technical Reports by Specialists (iii) Commune Forest Management Plans

	Capacity in forest management and livelihoods	Capacity in forest management and livelihoods increased in 25 communes by Yr 3 through two TOT and commune level training programs	(i) Project Progress Report (ii) Report on Training Sessions (iii) Training Modules
	Forest land management plans to involve contributions from community and biodiversity aspects	FLM plans discussed at Commune & Village FM Board mtgs in 25 communes and involves traditional knowledge on biodiversity issues	(i) Project Progress Report (ii) Minutes of the CFMB&VFMB (iii) Documentation on traditional knowledge of indigenous groups
<u>Sub-Component 1.3: Integrating Ecosystems into Landuse and Forest Planning</u> Biodiversity and watershed management considered when planning for landuse and forest management	Level of knowledge on importance of forests for biodiversity and watershed management	Increased awareness and capacity on importance of forests for biodiversity, biodiversity hotspots and watershed management in 25 communes by Yr 3	(i) Technical Report on Results of Rapid Assessment (ii) Training reports and modules (iii) Awareness and educational materials
	Options for community forest management in Bac Kan	Forest management options assessed and promoted in at least 325 communes in three districts by Yr 3	(i) Project progress reports (ii) Training reports and modules (iii) Recommendations/ Guidelines for community forest management options
<b>Outcome 2: Generating Income Opportunities for the Poor</b>			
<u>Component 2: Generating Income Opportunities for the Poor</u> Livelihood of the rural poor sustainably improved through investments in infrastructure, human capacity development, better technology and agro-forestry business management practices and effective service delivery systems.	Knowledge and services for generating income from sustainable environmental activities  Livelihood options available for the rural poor in Bac Kan  Opportunities for community to be engaged in public-private partnership investment	Capacity of local community members to generate income enhanced through improved extension services in 25 communes by Yr 3  Understanding enhanced of communities in 15 communes of improved and sustainable livelihood options Yr 3  Seed funds available through CDF increase farmers opportunities for sustainable livelihood options in 10 communes by Yr 3	(i) Project Progress Report



Outputs	Indicators	Target	Means of Verification
<u>Sub-Component 2.1. Community Driven Technology and Service Development</u> Improved services and technologies developed and provided through pluralistic, pro-poor demand driven transfer mechanisms.	Technical support for environment-related extension service	Technical support through extension service to 15 communes to include issues related to innovative environmental options, payment for ecosystem services, community-based ecotourism and sustainable forest and land management best practices by Yr 3	(i) Surveys on quality of extension service provided in Yr 3 (ii) Project Progress Reports
	Capacity of community to use the services of extension officers	Community working through common interest groups in 15 communes to seek guidance from extension officers to choose livelihood options by Yr3	(i) Survey on quality of extension services in Yr 3 (ii) Project Progress Reports (iii) Recommendations for Livelihood Options
<u>Sub-Component 2.2. Investment for Growth</u> Pro poor agro-forestry investment enhanced through public-private partnership and community driven and managed investment funds.	Use of community development fund to support opportunities and upscaling of livelihood options	CDF made available to 10 communes develop partnerships and investments to test innovative environmental options by Yr 3	(i) Project Progress Report
<b>Outcome 3: Innovative Environmental Opportunities</b>			
<u>Component 3: Innovative Environmental Opportunities</u> Socially, environmentally and economically sustainable sloping land conservation and protection systems developed.	<p>Capacity building for sustainable sloping land conservation and protection systems in project districts</p> <p>Capacity for community involvement in PES mechanisms</p> <p>Capacity building for local community involvement in ecotourism at Ba Be NP</p>	<p>Capacity for sustainable sloping land conservation and protection systems in 10 communes by Yr 3 improved</p> <p>Capacity for community involvement in PES mechanisms at 10 communes improved through technical support for design and testing by Yr 3</p> <p>Capacity for local community involvement in ecotourism at 3 communes in Ba Be strengthened through training and investment opportunities</p>	(i) Project Progress Report (ii) Training reports and modules (iii) Awareness materials (iv) Minutes of CIG meetings

Outputs	Indicators	Target	Means of Verification
<p><u>Sub-Component 3.1. Forage/SFM/ SLM Options</u>  <u>Introduced</u> Options for socially, environmentally and economically sustainable sloping land conservation and protection systems in project districts reviewed or developed.</p>	Capacity building on SLM/SFM practices	Capacity for SLM/ SFM practices improved through community-based and school capacity building programs in 15 communes by Yr 3	(i) Project Progress Report (ii) Training reports and modules (iii) Awareness materials
	SLM/ SFM Options	SFM/ SLM options tested at 10 communes and promoted through CIG Gp meetings, training programs and promotional materials	(i) Minutes of CIG Mtgs (ii) Project Progress Report (iii) Report on Findings from the Testing of Conservation-Based Forage Production in Bac Kan
	Other innovative SLM/SFM activities	Other innovative SLM/ SFM approaches identified under the assessment tested and promoted at 5 communes by Yr 3	(i) Minutes of CIG Mtgs (ii) Project Progress Report (iii) Report on Findings from the Assessment of SFM/ SLM activities in Bac Kan
<p><u>Sub-Component 3.2. Payment for Ecosystem services</u> PES mechanisms designed and tested at pilot sites in Bac Kan and upscaled in project districts at selected appropriate sites.</p>	Assessment of PES Options and design of PES pilot areas	PES options designed and assessed for 10 communes in three districts by Yr 2	(i) Project Progress Report (ii) Minutes of CIG/ VFMB &CFMB
	Capacity for community involvement in PES	Capacity for community involvement in PES strengthened in 10 communes by Yr 3 through PES policy guidelines and training materials on PES	(i) Project Progress Report (ii) Project Training Reports (iii) Minutes of CIG/ VFMB &CFMB
	Testing of PES at pilot sites	PES tested at 3 pilot sites in three districts and recommendations made for upscaling by Yr 3	(i) Project Progress Report (ii) Project Training Report
<p><u>Sub-Component 3.3. Pro-Poor Ecotourism Promotion</u> The involvement of the local community in ecotourism at villages around Ba Be and other appropriate sites enhanced.</p>	Pro-Poor involvement in ecotourism development	Strategy on pro-poor involvement for Ba Be NP included in Ba Be Ecotourism Development Plan by Yr 2 CDF Funds being used in 3 communes in Ba Be by Yr 2 for community investment in ecotourism	(i) Minutes of CIG (ii) Project Progress Report (iii) Report CDF

	Capacity building program for pro-poor involvement in ecotourism	Capacity at 3 communes in Ba Be improved through and training programs for pro-poor involvement in ecotourism by Yr 3	(i) Minutes of CIG (ii) Project Progress Report (iii) Training Reports
<b>Outcome 4</b>			
<b>Component 4: Project Management</b> Project effectively managed and technically guided.	Environmental monitoring and protection measures during project implementation	Environmental monitoring and protection measures implemented at the 10 communes by Yr 3	(i) Project Progress Report (ii) Monitoring reports
-	Capacity for environmental management for project staff	Capacity for environmental management for project staff improved through training carried out in Yr 1	(i) Project Progress Report (ii) Training report and modules (iii) Staff evaluation reports

### Outputs Summary

#### **Sub-Component 1.1: Forest Land Use Planning and Allocation**

##### Activities

- 1.1.1 Provincial government agro-forestry sector best practice gap analysis
- 1.1.2 Training in agro-forestry business best practice
- 1.1.3 Forest land use planning capacity building for government trainers
- 1.1.4 Participatory forest land allocation and use (PFLUP/LA) manual
- 1.1.5 Training at commune level
- 1.1.6 Participatory forest land use planning process – commune and village forest management board meetings

#### **Sub-Component 1.2: Forest Land Management**

##### Activities

- 1.2.1 Review of Forest management planning
- 1.2.2 Strengthened FM Planning – P
- 1.2.3 Forest management and livelihoods training – TOT, commune and village level training
- 1.2.4 Participatory FM Planning Process – commune and village FM Board meetings
- 1.2.5 Forest land management plans – participatory community based forest and biodiversity planning

**Sub-Component 1.3: Integrating Ecosystems into Land Use and Forest Planning**

Activities

- 1.3.1 Rapid assessment of forest resources in project districts to identify forest areas of importance for biodiversity conservation, watershed protection or provision of other ecosystem services
- 1.3.2 Review forest land allocation practices in Bac Kan and identify options for enhancing consideration of environmental concerns and contribute to efforts in province for special mechanisms for forest protection and management (such as community forest stewardship)
- 1.3.3 Development of appropriate training and awareness materials to be used in capacity building programs

**Sub-Component 2.1. Community Driven Technology and Service**

Activities

- 2.1.1 Community driven advisory service
- 2.1.2 Facilitation of interest group establishment

**Sub-Component 2.2. Investment for Growth**

Activities

- 2.2.1 Community investment program

**Sub-Component 3.1. Forage/ SFM/ SLM Options Introduced**

Activities

- 3.1.1 Assessment of SLM/SFM options
- 3.1.2 Schools environmental protection program
- 3.1.3 Forage-based conservation farming/ SLM/ SFM promotional materials
- 3.1.4 Testing and promotion of other innovative SLM/SFM activities
- 3.1.5 Bio-energy Development Program (pilot testing of jatropha, fuel-efficient stoves, biogas, woodlots etc)

**Sub-Component 3.2. Payment for Ecosystem services**

Activities

- 3.2.1 Technical Assistance - Assessment of PES Options and design of PES pilot areas
- 3.2.2 Capacity building – policy guidelines/ awareness promotional materials/ training
- 3.2.3 Testing of PES at pilot sites

**Sub-Component 3.3. Pro-Poor Ecotourism Promotion**

Activities

- 3.3.1 Technical Assistance – International ecotourism specialist
- 3.3.2 Ba Be Lake Ecotourism Devt Plan – development strategy
- 3.3.3 Capacity building
- 3.3.4 Ecotourism expansion program -assessment of Ba Be Lake ecotourism program

**Component 4: Project Management**

- 4.1 Environmental training for project staff
- 4.2 Project Environmental guidance and monitoring

## ANNEX B: GEF SECRETARIAT REVIEW FOR FULL/ MEDIUM SIZED PROJECTS

### Responses to Comments on Review Date 6 July 2009

#### Comment # 7. Is the global environmental benefits measurable?

*GEFSEC comment: The project is expected to secure range of GEB including: 1) reduce pressure and enhance the conservation of biodiversity in protected areas and other high biodiversity forests; 2) enhance SFM and biodiversity conservation within production forests habitats which are important for conservation of globally significant biodiversity; 3) improve ecosystem functions and services in the target areas; 4) reduce GHG emissions from LULUCF; and 5) enhance carbon sequestration in forests and agriculture lands. Measurable coverage indicators are provided under the Project Results Framework, however, further indicators and targets would be required for management effectiveness of forest protected areas and management. GEF tracking tools as well as other monitoring tools could be utilized for this purpose. Please further strengthen the indicators and targets under the RFM.*

*Measurable coverage indicators are provided under the Project Results Framework, however, further indicators and targets would be required for management effectiveness of forest protected areas and management. GEF tracking tools as well as other monitoring tools could be utilized for this purpose. Please further strengthen the indicators and targets under the RFM.*

*The Tracking Tools for GEF BD SO1 (protected areas) and SO2 (mainstreaming) are not attached. Please access the tracking tool on the GEF website and complete it as necessary.*

**IFAD response:** The Project does not involve measures to effectively manage forest protected areas such as the Ba Be National Park and the Kim Hy Nature Reserve in Bac Kan Province, which are classified as Special Use Forests in Viet Nam. The Project would facilitate interaction between the park management and the communities living in the adjacent villages to reduce the levels of harvesting and encroachment in the protected areas, but no direct measures have been incorporated in the Project to build the capacity in order to achieve better management of the protected areas.

There are, however, measures to improve the effectiveness management of an estimated 8000ha of Protection Forests (i.e. watershed forests) and 40,000 ha of production forests through capacity building and the introduction of participatory planning methods. The level of protection for these forests will be determined in the planned assessment of forest land use status and management in Yr1. Following this assessment more specific indicators and targets will be developed for inclusion in subsequent monitoring reports and annual workplans. It is envisaged that these indicators would include reduction in level of encroachment of the forests and improved levels of community patrolling. Baselines will be determined in the first year.

The Tracking Tools for SO2 (mainstreaming) has been completed and is attached as an Annex to the Project Document (PD).

#### Comment # 8. Is the project design sound, its framework consistent & sufficiently clear (in particular for the outputs)?

*The three components that are identified under the project: Development of forest management framework; livelihood improvement; innovative environmental options, including PES, are relevant.*

*- On component 1, it is rather unclear, though noted in the project document, whether there is development of policy and regulatory frameworks at the provincial level, beyond the targeted demonstration site. It would be important to have wider replication effect through the project and relevant activities are expected.*

Component 1 of the Project is focused on building capacity, particularly in land allocation and use and in developing forest management plans. These measures are expected to contribute to effective implementation of the current policy and regulatory frameworks, but limited achievements are expected in the development of new policy and regulatory framework relevant to these measures, particularly at the provincial level. Component 1 activities will strengthen capacity and planning frameworks at the Provincial level but will focus on the three targeted districts. There will thus be scope for replication of activities at the pilot sites (13 communes), to the other 33 communes in the targeted districts. This clarification has been made in Para 84 of PD.

*- On component 3, further information are expected on the PES schemes that are going to be tested, i.e. is this a public or private led scheme, what is the lessons learned so far in Vietnam and in the province, what are the wider policy and replication effect beyond the specific sites, how would the sustainability of the scheme would be maintained, etc.*

Please refer to Annex I on the Use of Payment for Ecosystem Services; some information has been added to this annex to answer some of the questions raised here, *i.e. is this a public or private led scheme, what is the lessons learned so far in Vietnam and in the province.* Reference to Annex I has been made in Para 86 (Sub-Component 3.2: Payment for Ecosystem Services) of Project Document. The paragraphs below have also been added to Para 86 to clarify the wider policy and replication effect beyond the specific sites and the sustainability of PES schemes.

The pilot testing of PES in the Project will be carried out in collaboration with Regional Project RUPES-II, and this will ensure a wider policy and replication effect beyond the specific sites. At the national policy level, cooperation between the project and the Forest Department in MARD will ensure that lessons learnt from the experience with REDD will feed into the development of the national REDD policy. Similarly, the experience with CDM (Energy) and CDM (A/R) will also feed into the national CDM policy development and implementation under MONRE. The Project will also look to create an enabling environment for PES by engaging with the buyers (water users, eco-label owners, carbon funds, bio-diversity funds), the suppliers of ES and intermediaries who link ES sellers to buyers, and share this experience with the development of the national policy on PES.

Measures to ensure the sustainability of the PES scheme will be incorporated during the detailed design of the schemes during the initial period of the Project. The Project will pilot test several PES schemes and the most successful will be promoted and scaled up. Thus the success of the pilot testing will in itself contribute to the sustainability of the scheme. In addition, working within the framework of the national policy on PES will ensure that successfully tested schemes could be replicated throughout the country.

*- Vietnam is currently working on a nation-wide PES policy and the linkage of this project initiative and the policy needs to be further clarified. Moreover, the UNDP/GEF supported Sustainable Financing of PA system project will be working on PES scheme under the project (the project is at the CEO endorsement stage). Necessary coordination between the projects needs to be made.*

The Project is aware of the current initiatives to develop a nation-wide PES policy and, through ICRAF, has linked with the Ministry of Natural Resource and Environment (MONRE), who are coordinating the development of the national policy on PES. Lessons learnt from the development of PES schemes in the Project will be shared with MONRE during the implementation of the project and beyond, and with other relevant Projects including the UNDP/ GEF Project mentioned above. Clarification has been added to Para 86 of PD.

*- It is understood that the GEF project is planned for the first 3 years of the total 6 years of IFAD financed project. It maybe useful to have clear phases in the project (two phases) and clarify how the first three years of GEF investment would be continued, replicated, and strengthened in the second three years under the IFAD investment.*

The two projects (i.e. the GEF Project and the IFAD Investment Project) have been fully integrated during the design and preparation phase and the implementation structure for both projects are the same. While the GEF Project will focus on the strategic analysis and assessments, demonstration activities, training and capacity building (Phase I), the IFAD investment will concentrate on upscaling the practices and lessons learnt through the GEF Project activities (Phase II). Ongoing environmental monitoring measures will also be supported by the IFAD investment beyond the GEF Project, in Phase II. This information has been added to Para 157 of PD.

#### **Comment # 9. Is the project consistent with the recipient country's national priorities and policies?**

*Yes as noted at the PIF approval, the project is consistent with key national plans and strategies. Please further clarify the reason of selecting Bac Kan Province as the project site and its linkage with national priorities and strategies, related to biodiversity significance in particular.*

The key factors influencing the selection of Bac Kan Province as the project site was the priority at the national level to address the combined issues of forest/ biodiversity protection and poverty in the province, particularly involving the minority ethnic groups who are dependent on the exploitation of forest resources for their survival. Bac Kan supports a high level of botanical diversity and globally threatened fauna. Ba Be National Park in the Ba Be District in Bac Kan has been recognized as a Natural Preserve Zone since 1977 by the Government of Vietnam

(CRES 1998) and is listed as one of the twelve priority sites for biodiversity conservation in the Vietnam Biodiversity Action Plan in 1995 (PARC 2001). Another area of importance for biodiversity is the Kim Hy Nature Reserve in Na Ri district in Bac Kan, which also supports high biodiversity and unique ecosystems. There are significant forests in Bac Kan Province outside of the protected areas (Special Use forests) and an important focus of the project will be to develop and promote options for the protection and sustainable use of these forest areas in partnership with local communities. This information has been added to new Para 52 of PD.

**Comment # 10. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?**

*Information on other related ongoing initiatives are noted under section E and under the institutional arrangement section. Although many initiatives are listed, it is important to have concrete coordination mechanisms developed with some of the key ongoing initiatives. Moreover, it would be important to draw concrete lessons from relevant NGOs and government led programs, particularly on PES and Ecotourism, livelihood development initiatives. Please provide further information.*

Coordination mechanisms with initiatives related to the Project will be coordinated at the national level through the Country Program Partnership for Sustainable Forest and Land Management. Please see revisions in Para 98 of PD to clarify this point.

At the provincial level, the Project Management Unit (which will operate out of the People's Provincial Committee at Bac Kan town) will organize meetings with initiatives related to the Project as required. Please see revisions in Para 140 to clarify this point.

The organogram in Figure 2 of PD provides linkage to several partners (including NGOs) with whom the project will share experience and draw concrete lessons from. See clarification provided in Para 140 of PD.

**Comment # 12. Has the cost-effectiveness sufficiently been demonstrated in project design?**

*The cost-effectiveness of the project could be further strengthened by comparing different conservation approach (protected area versus mainstreaming, PES versus other approaches, etc). Please further elaborate and strengthen the argument.*

Revisions have been made to Para 154 of PD to illustrate the cost-effectiveness of the mainstreaming and PES approaches that have been employed in the Project. Comparisons are also made with earlier larger investment of GEF in the protected area management in the project area.

**Comment # 13. Is the project structure sufficiently close to what was presented at PIF?**

*1) The project demonstration site has been reduced to one from two; 2) co-financing has been decreased (shifted to parallel finance); and 3) project duration has been decreased. Though there are no major changes in the GEB that are to be achieved. The changes seem relevant; however please refer to the comment made above on the phased approach for the project duration. In addition, review the activities under the parallel finance and other sources and see whether there the project could mobilize similar co-financing level to the PIF.*

The existing co-financing ratio (1:7) exceeds normal GEF requirements. The overall financing framework including the co-funding and parallel funding is a ratio of 1:37. If the PES and the other work supported by the GEF funding to demonstrate innovative approaches to addressing both environmental and livelihood issues are successful – it is likely that a greater portion of the parallel funding will be allocated to promote and scale up the work during the first phase of the project. However the co-financing and parallel financing amounts cannot be changed at this stage of the Project preparation.

Please refer to Part IV of the Request for CEO Endorsement on explanation for statements 1), 2) and 3) above as these have been addressed in this section.

**Comment # 14. Does the project take into account potential major risks, including the consequences of climate change and includes sufficient risk mitigation measures?**

*Adequate risks are addressed. Please also explain mitigation measure to the identified "main risk."*

Please see Table 8 of PD that has been included which clarifies the proposed mitigation measures.

**Comment # 15. Is the value-added of GEF involvement in the project clearly demonstrated through incremental reasoning?**

*It would be useful what value-added would the GEF investment generate, in addition to the IFAD investment on SFM and SLM to the project. The current description is still rather unclear what the limited GEF investment would bring additional value and leverage in addition to the large IFAD investment. Please clarify.*

This point has been clarified in Para 71 of PD, see comment 16 below. In addition, the GEF Grant will generate significant added value beyond what would have been supported under the initial design of the IFAD project. In particular the GEF resources will be used to pilot test innovative environmental options and develop PES financing mechanisms. Being a grant rather than a loan, GEF financing can be applied more flexibly to explore new approaches to secure global environmental benefits (GEBs). The development of the GEF Project has also enabled new elements to be incorporated into the overall project design. For example during the GEF project design phase it was agreed with IFAD and the national and local governments that there would be a greater focus on buffer zones and catchment management for the two internationally important protected areas in the Project districts.. Through these various measures, the GEF Grant has secured about USD 5 million from the 3PAD Project (as direct co-financing) which will be directly oriented to generate the GEBs.

**Comment # 16. How would the proposed project outcomes and global environmental benefits be affected if GEF does not invest?**

*The limited GEF investment will contribute to generate global environment benefits, particularly on biodiversity and forest conservation, through the IFAD supported project intervention which otherwise focused more on livelihood issues.*

Agreed. This has been added to Para 71 of PD.

**20. Are the confirmed co-financing amounts adequate for each project component?**

*The cofinancing ratio is about 1:7 and considered adequate, however, cofinance has been decreased to \$5.116million from \$9.1 million, almost half of what has been envisioned at the time of PIF approval. Adequate information is provided as most of the fund has been identified as parallel finance. However, the decrease is quite significant and as noted above, please explore further possibility to reach the level similar to the PIF and provide further justification for the decrease and impact to the overall project design.*

The existing co-financing ratio (1:7) exceeds normal GEF requirements, and the co-financing and parallel financing amounts cannot be changed at this stage of the project preparation. See also explanation in comment # 13, above.

*Cofinancing letters are provided from IFAD and ICRAF, however, letters from the government and beneficiaries are missing. Please provide all letters as they are requirements.*

The associated IFAD project (3PAD) is already operational, and as such, a Financing Agreement between IFAD and the Government of Vietnam was signed, which constitute proof of commitment. The agreement is a private document that is not included as an annex, but a copy of the agreement can be provided to GEFSEC upon request.

**Comment # 21. Does the proposal include a budgeted M&E Plan that monitors and measures results with indicators and targets?**

*Adequate M&E plan is attached, with budget from GEF and co-financing. As noted above, the completed BD tracking tool is missing. Please provide the duly completed tracking tool as this is a requirement at the time of MSP approval.*

The Tracking Tools for SO2 (mainstreaming) have been completed as required, and incorporated as an annex to the Project Document.



**ANNEX C: CONSULTANTS TO BE HIRED FOR THE PROJECT USING GEF RESOURCES**

<i>Position Titles</i>	<i>\$/ person week*</i>	<i>Estimated person weeks**</i>	<i>Tasks to be performed</i>
<b>For Project Management</b>			
Local			
International			
Justification for Travel, if any:			
<b>For Technical Assistance</b>			
Local			
International			
International Ecotourism Specialist ***	1,250	16	<ul style="list-style-type: none"> <li>a) Conduct a rapid assessment of existing community-based ecotourism activities and opportunities at Ba Be NP and options for development;</li> <li>b) Prepare recommendations for the incorporation of pro-poor ecotourism into the development of a strategy for ecotourism at Ba Be NP;</li> <li>c) Assist in the preparation of training materials for pro-poor ecotourism and sessions (where necessary) for the local community in close collaboration with Park Management, DPC, farmer interest groups/ association, and other service providers;</li> <li>d) Train staff of Park Management, DPC and community leaders in the area of pro-poor ecotourism planning and development;</li> <li>e) Carry out an assessment of the ecotourism program at Ba Be NP in Yr 3 and make recommendations for improvement and for upscaling the initial ideas tested to other provinces;</li> <li>f) Identify opportunities that exist for pro-poor ecotourism development in the other project districts (Pac Nam and Na Ri) which can be pilot tested during the project implementation.</li> </ul>
Justification for Travel, if any: Travel costs to/from Vietnam, and per diem/accommodation will be required			

\* Provide dollar rate per person week; \*\* Total person weeks needed to carry out the tasks

\*\*\* Position cofunded by IFAD (total cost/person week: US\$ 2,500). This table only shows the GEF contribution

## ANNEX D: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS

### A. EXPLAIN IF THE PPG OBJECTIVE HAS BEEN ACHIEVED THROUGH THE PPG ACTIVITIES UNDERTAKEN.

The PPG Objective has been achieved through the activities undertaken, with the necessary information gathered through reviews, site assessments and consultations. Moreover, the project has been designed in a participatory manner with key stakeholders.

### B. DESCRIBE FINDINGS THAT MIGHT AFFECT THE PROJECT DESIGN OR ANY CONCERNS ON PROJECT IMPLEMENTATION, IF ANY:

There were no specific findings that affected the project design or that may have an impact on project implementation.

### C. PROVIDE DETAILED FUNDING AMOUNT OF THE PPG ACTIVITIES AND THEIR IMPLEMENTATION STATUS IN THE TABLE BELOW:

<i>Project Preparation Activities Approved</i>	<i>Implementation Status</i>	<i>GEF Amount (\$)</i>				<i>Co-financing (\$)</i>
		<i>Amount Approved</i>	<i>Amount Spent To date</i>	<i>Amount Committed</i>	<i>Uncommitted Amount*</i>	
1. Assessment and scoping, data collection, revision of relevant studies, institutional analysis	Completed	30,065	30,000	65	0	<b>29,000</b>
2. Identification of project sites and interventions, preparation of project strategy and evaluation of alternatives, including consultations and validation with national stakeholders and other actors	Yet to complete	34,940	30,000	4,940	0	<b>32,000</b>
3. Project development	Yet to complete	31,695	5,000	26,695	0	<b>42,500</b>
4. Project formulation management	Yet to complete	0	0	0	0	<b>23,551</b>
Contingencies	Yet to complete	3,300	0	3,300	0	
<b>Total</b>		<b>100,000</b>	<b>65,000</b>	<b>35,000</b>	<b>0</b>	<b>127,051</b>

\* Any uncommitted amounts should be returned to the GEF Trust Fund. This is not a physical transfer of money, but achieved through reporting and netting out from disbursement request to Trustee. Please indicate expected date of refund transaction to Trustee.

## ANNEX E: CALENDAR OF EXPECTED REFLAWS

Provide a calendar of expected reflaws to the GEF Trust Fund or to your Agency (and/or revolving fund that will be set up)

n/a