DECISION
On approval of the scheme on the establishment of Vietnam REDD+ Fund

MINISTER OF THE MARD

Pursuant to the Government’s Decree no. 199/2013/ND-CP, dated 26 November 2013 on the functions, tasks, powers and organizational structure of Ministry of Agriculture and Rural Development (MARD);

Pursuant to the Government’s Decree no. 05/2008/ND-CP dated 14 January 2008 of Government on the Forest Protection and Development Fund;

Pursuant to the Decision no.799/QD-TTg dated 27 June 2012 of the Prime Minister on approval of the National Action Program on “Reduction of Green-house Gas Emissions through Efforts to Reduce Deforestation and Forest Degradation, Sustainable Management of Forest Resources, and Conservation and Enhancement of Forest Carbon Stocks" 2011 - 2020;

At the proposal of Director General of the Vietnam Administration of Forestry (VNFOREST),

DECIDES:

Article 1. To approve with this Decision the scheme on the establishment of Vietnam REDD+ Fund (VRF).

Article 2. This Decision takes effect on the date of signing.

Article 3. Chief of the MARD Office, Director General of VNFOREST, members of VNFF’s Board of Directors, management unit of Vietnam REDD+ Fund together with heads of relevant agencies, organizations and individuals are responsible for implementing this Decision./.

Cc:
- As Article 3;
- Government Office;
- Ministries: MOJ, MOFA, MPI, MOF, MONRE, MOIT;
- Departments: DOF, DOP, Legislation, Personnel and Organization;
- VNFF;
- Filing: VNFOREST.

MINISTER

(Signed and sealed)

Cao Duc Phat
PROPOSAL
ON ESTABLISHMENT OF VIETNAM REDD+ FUND

(Issued with the decision No 5337/QĐ-BNN-TCLN dated 23rd December 2015 of the Minister of Agriculture and Rural Development).

HA NOI, DECEMBER 2015
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<td>BOD</td>
<td>Board of Directors</td>
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<td>COP</td>
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<td>FCPF</td>
<td>Forest Carbon Partnership Facility</td>
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<td>FPDP</td>
<td>Forest Protection and Development Plan</td>
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<td>FRL</td>
<td>Forest Reference Level</td>
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<td>LULUCF</td>
<td>Land Use Land Use Change and Forestry</td>
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<td>MARD</td>
<td>Ministry of Agriculture and Rural Development</td>
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<td>MRV</td>
<td>Measuring, Reporting and Verification</td>
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<td>NFMS</td>
<td>National Forest Monitoring System</td>
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<td>National REDD+ Action Programme</td>
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<td>VNFF</td>
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<td>VRO</td>
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PART I: BASIS FOR THE ESTABLISHMENT OF THE VIETNAM REDD+ FUND

I. INTERNATIONAL LEGAL BASIS

1. REDD+ is an international climate change mitigation initiative which creates a financial value for the carbon stored in forests, offering incentives for developing countries to reduce emissions from forested lands and invest in low-carbon paths to sustainable development.

2. At the 16th Conference of the Parties (COP) to the UNFCCC in December 2010 held in Cancun, Mexico, Parties agreed on the definition of REDD+ activities: (1) Reducing emissions from deforestation; (2) Reducing emissions from forest degradation; (3) Conservation of forest carbon stocks; (4) Sustainable management of forests; and (5) Enhancement of forest carbon stocks.

3. REDD+ is to be implemented in phases, beginning with the development of national strategies or action plans, policies and measures, and capacity building, followed by the implementation of national policies and measures and national strategies or action plans that could involve further capacity-building, technology development and transfer and results-based demonstration activities, and evolving into results-based actions that should be fully measured, reported and verified.

4. COP 19, held in November 2013 in Warsaw, Poland, adopted the 7 decisions of the Warsaw Framework for REDD-plus as follows:
   a) Decision 9/CP.19: Work programme on results-based finance to progress the full implementation of the activities referred to in decision 1/CP.16, paragraph 70;
   b) Decision 10/CP.19: Coordination of support for the implementation of activities in relation to mitigation actions in the forest sector by developing countries, including institutional arrangements;
   c) Decision 11/CP.19: Modalities for national forest monitoring systems;
   d) Decision 12/CP.19: The timing and the frequency of presentations of the summary of information on how all the safeguards referred to in decision 1/CP.16, appendix I, are being addressed and respected;
   e) Decision 13/CP.19: Guidelines and procedures for the technical assessment of submissions from Parties on proposed forest reference emission levels and/or forest reference levels;
   f) Decision 14/CP.19: Modalities for measuring, reporting and verifying;
   g) Decision 15/CP.19: Addressing the drivers of deforestation and forest degradation.

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1 (paragraph 70 of decision 1/CP.16)
2 (paragraph 73 of decision 1/CP.16)
3 The three phases described above in the COP decision are also known as: 1) Readiness; 2) Implementation; and 3) results-based action.
5. Decision 14/CP.19 agrees that results of the implementation by Parties of REDD+ the activities measured against the forest reference emission levels and/or forest reference levels should be expressed in tonnes of carbon dioxide equivalent per year.\(^4\)

6. Decision 9/CP.19 reaffirms that results-based finance provided to developing country Parties for the full implementation of REDD+, that is new, additional and predictable may come from a variety of sources, public and private, bilateral and multilateral, including alternative sources, as referred to in decision 2/CP.17, paragraph 65.

7. It also reaffirms that the progression of developing country Parties towards results-based actions occurs in the context of the provision of adequate and predictable support for all phases of the actions and activities referred to in decision 1/CP.16.

8. However, the decision also states that financing for REDD+ does not have to be limited to payments for results in terms of tCO\(_2\)e. It encourages the entities financing REDD+ to continue to provide financial resources to alternative policy such as joint mitigation and adaptation approaches but it does not refer to these payments as results-based finance.

9. Decision 9/CP.19 recalls that for developing country Parties undertaking the results-based actions referred to in decision 1/CP.16, paragraph 73, to obtain and receive results-based finance, those actions should be fully measured, reported and verified:

a) In accordance with decisions 13/CP.19 on guidelines and procedures for the technical assessment of submissions from Parties on proposed forest reference emission levels and/or forest reference levels.

b) Decision 14/CP.19 on measuring, reporting and verifying anthropogenic forest-related emissions by sources and removals by sinks, forest carbon stocks, and forest carbon stock and forest-area changes resulting from the implementation of REDD+ activities.

c) In addition, developing country Parties should have all of the elements referred to in decision 1/CP.16, paragraph 71, in place, in accordance with decisions 12/CP.17 and 11/CP.19:

- A national strategy or action plan;
- A national forest reference emission level and/or forest reference level;
- A national forest monitoring system;
- A system for providing information on how the Cancun safeguards are being addressed and respected throughout the implementation of REDD+ activities.

d) Lastly, developing country Parties should provide the most recent summary of how the Cancun safeguards have been addressed and respected.

10. The UNFCCC does not provide guidance on the management of international REDD+ payments. International practice shows that this can be done through, among

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\(^4\) Restatement of the paragraph 7 of decision 12/CP.17.

\(^5\) The paragraph about the three phases of REDD+ that mentions that results-based actions should be fully measured, reported and verified.
others, fund-based mechanisms and markets. Optimally, the international payments are to complement action funded through domestic resources.

11. Currently, although no formal legal requirements for national REDD+ funds have been established, good practice has emerged in the international REDD+ community for REDD+ finance including: sovereignty; a transparent organizational structure; participation of stakeholders (especially Civil Society Organizations); payments based on results as described above.

12. Generally, countries have established REDD+ funds where the majority is organized independently, the Fund has legal capacity, and major financial resources coming from international donors. Despite differences in internal governance systems and terminology, in many cases there are three basic structures: a Board of Directors, a Fund Management Board and a Fund Technical Advisory Panel.

a) The Board of Directors directs overall operations through fund allocation decisions, policies and funding strategies and monitors Fund activities towards the achievement of emission reductions and removals. In most cases, members of the Board of Directors include representatives of the public sector (Ministries/Agencies), private sector and civil society. This is directly linked to the requirement outlined in the Cancún Agreements stating that full and effective participation of relevant stakeholders, in particular indigenous peoples and local communities, should be promoted and supported.6

b) The Fund Management Board includes specialized staff, headed by a Director, be responsible for financial management, fund operations, preparation of strategies and the submission of plans to the Board of Directors for selection and approval. Government agencies and international organizations provide technical and financial support to the Fund Management Board.

c) The Fund Technical Advisory Panel consists of independent experts available for technical assistance to the fund.

REDD+ funds make payments to support activities to implement the objectives of the fund (e.g., capacity building; institutional arrangements for REDD+; policies for developing a low carbon economy; directly reducing emissions from deforestation, forest degradation). All REDD+ funds have robust systems in place to manage fiduciary risks including internal controls, internal and external audits, reporting and external evaluations.

II. THE RATIONALE FOR THE ESTABLISHMENT OF THE VIETNAM REDD+ FUND

1. Forestry is a special sector that plays a crucial role in environmental protection and the sustainable development. Forests can create renewable natural resources, provide watershed and coastal line protection, climate and water regulation, soil erosion mitigation, land slide protection, disaster and drought control, land degradation and desertification mitigation, biodiversity conservation, and biofuel production to replace fossil fuels. They are thus globally recognized as key to effective climate change mitigation and adaptation, with particular importance in greenhouse gas emission

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6 Paragraph 2.b of the Appendix I of the Decision 1/CP.16 – also known as “Cancún Safeguards”
reduction and removal. Forests play a very important role in the green economy because they can provide a clean and safe living environment for the people, the flora and fauna, products and environmental services to society and people, offer job opportunities, sustain livelihoods and are the basis of the cultural and spiritual life of local communities living in or near the forests.

2. In recent years the forest cover has been continuously increased, due to the right policies and strategies of the Party and the Government on forest protection and development, the state investment in forest restoration and development. However, most of the natural forests in Vietnam are in a very poor state, and the risks of localized deforestation and forest degradation at the national level still remain very high. This is due to high pressure of converting forest land into other land uses, unsustainable forest management, poverty and the inadequate understanding of the role of forest in environmental security, climate mitigation and adaptation by different levels and sectors of the Government.

3. According to Viet Nam’s Second National Communication to the UNFCCC, total GHG emissions from LULUCF sector in 2000 were 15,104.7 thousand tons of CO2e representing 10% of total emissions. Local deforestation and the poor quality of forests negatively affect the capacity of forests to act as tanks and thus reduce net emissions from other sectors. This leads to negative climate impacts in all regions of the country, increase the frequency of disasters, create extreme cold spells, cause heavy rains, increase the temperature, raise the sea level, cause tidal surge, salinification, acidification in large areas speeding up land degradation and increase both the frequency and intensity of drought. Therefore, sustainable management of forests is not only important for the socio-economic development of each country and the global community but can also actively contribute to disaster control and climate change response, and thus to the green economy and sustainable development.

4. Therefore, in addition to the Government’s efforts to invest in forest protection and development, the establishment and operation of NRF will provide an opportunity to mobilize further international and domestic resources to enhance forest protection and development to achieve the targets set by the Government.

5. REDD+ will require a special funding arrangement i.e. a national fund because it has specific requirements under the UNFCCC and it is also a relatively new mechanism unfamiliar to both donor and REDD+ countries. Such specific requirements include:

a) **Results based**: payments for REDD+ are to be made for results. These are expressed in tCO2e per year. This means that payments will be made to countries based on the amount of emissions reduced or removals achieved expressed in tCO2e. These results should be measured, reported and verified independently to meet the international standards and requirements. Results of REDD+ activities will be measured against the forest reference emission levels (FREL) and/or forest reference levels (FRL).

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7 Refer to I. INTERNATIONAL LEGAL BASIS for Phases of REDD+ before results-based payments can be made and the encouragement by the COP to make payments beyond tCO2e as well.

8 Restatement of the paragraph 7 of the decision 12/CP17.
b) When undertaking REDD+ activities and operating the NRF a certain number of **safeguards** should be promoted and supported, such as: Respect for the knowledge and rights of indigenous peoples and members of local communities, by taking into account relevant international obligations, national circumstances and laws, and noting that the United Nations General Assembly has adopted the United Nations Declaration on the Rights of Indigenous Peoples; The full and effective participation of relevant stakeholders, in particular indigenous peoples and local communities.

c) For Vietnam, the main funding sources for REDD+ come from international community. Therefore, the management of these funding sources must follow the international regulations as well as the requirements and conditions of the potential contributors to ensure its independence, transparency, effectiveness, efficiency and equity.

d) The Governments of Norway and Viet Nam signed a letter of intent on November 5, 2012 in which the government of Norway commits to making contributions during the period 2012-15 to support the implementation of REDD+ and payments for verified emission reductions (results-based payments) beyond 2015.

6. The National REDD+ Fund is an important part of the National REDD+ Action Program, that has been approved by the Prime Minister on 27 June 2012. It states that a REDD+ Fund will be established and receive financial contributions and grants from partners and international donors for the emission reductions achieved in Viet Nam.

7. In Viet Nam Phase 1 of REDD+ has been largely completed and Phase 2 is being implemented. After 2015, Viet Nam, one of the first countries in the world, aims to be eligible to receive results based payments and set up a lead organization to receive this funding. The potential for REDD+ revenues in Viet Nam can be high.

8. In phase 1, Viet Nam has actively prepared for REDD+ readiness through the adoption of several high-level decisions including:

   a) The Prime Minister issued Decision No. 1775/QD-TTg dated on November 21, 2012 on greenhouse gas emissions management; management of carbon credit trading on international markets in which the target for reducing emission was set at 20% from the baseline of 2005;

   b) Decision 799/QD-TTg 27/06/2012 of the Prime Minister approved the National REDD+ Action Program for 2011-2020;

   c) The Prime Minister issued Decision No. 1214/QD-TTg dated on July 23, 2013 for the approval of the UN-REDD Phase II;

   d) Currently, VNFOREST is coordinating with relevant agencies to negotiate financial support from partners and international organizations for REDD+ in pilot provinces. This support also may help finance the Viet Nam REDD+ Fund.

9. Viet Nam has successfully implemented a pilot policy for payment for forest environmental services (PFES), and currently the policy is implemented at the national scale. Some experiences from PFES can be applied to REDD+. However, in addition to the regulations related to PFES, the management and operation of the financial

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9 Paragraph 9 of the previous section also describes the conditions of receiving results based payments according to UNFCCC.
resources for REDD+ must comply with a set of internationally agreed rules as presented in Section I Part I International legal basis.

10. Likewise, the Vietnam Trust Fund for Forests (TFF, funded by the Governments of Sweden, Switzerland, Finland and Netherlands) has operated effectively for many years and its experiences may be replicable to the Viet Nam REDD+ Fund.

11. In addition, REDD+ in Viet Nam is aligned with a number of initiatives and government programs aimed to reduce CO2 emissions such as:

- The Viet Nam Green Growth Strategy (2012) and its Action Plan (2014) which define Green Growth as a means to achieve a low carbon economy and to enrich natural capital, which will become the principal direction in sustainable economic development; reduction of greenhouse gas emissions and increased capability to absorb greenhouse gas are gradually becoming essential indicators in social-economic development;

- Viet Nam - Japan bilateral agreement on Carbon credit exchange;

- The on-going preparation of the carbon market through the global mechanism of Partnership for Market Readiness.

III. LEGAL BASIS FOR THE VIETNAM REDD+ FUND

1. The Viet Nam Forestry Development Strategy 2006-2020 was approved in Decision No. 18/2007/QĐ-TTg 2007 dated on February 5, 2007 by the Prime Minister, and emphasized the reduction of CO2 emissions and diversification of resources for forestry development, including revenues from forest carbon services.

2. The Government issued Decree No. 05/2008/ND-CP dated 14 Jan. 2008 on the Forest Protection and Development Fund establishing the funds at national and provincial levels.


4. Decision No. 2139/QD-TTg dated 5 December 2011 by the Prime Minister established a National Action Program on Climate Change. Decision No. 1775/QD-TTg dated 21 November 2012 approved a proposal for GHG emissions management. They stated the roles of forests and presented emissions reductions targets.

5. Decision No. 799/QD-TTg dated 27 June 2012 of the Prime Minister approved the National REDD+ Action Program (NRAP) for 2011-2020, and specifies the establishment of the National REDD+ Fund as a trust fund under the Forest Protection and Development Fund at the central and provincial levels established under the Decree No. 05/2008/ND-CP dated 14 Jan,2008 of the Government to receive and manage grants and trusted funds provided by foreign countries, organizations or individuals for REDD+ and manage REDD+ payments in compliance with the provisions of Vietnamese laws and international rules.

Decision No. 799/QD-TTg of the Prime Minister, Section V, Article 2, item a assigned the Ministry of Agriculture and Rural Development in coordination with the
Ministry of Finance and other relevant ministries and agencies to develop and issue regulations on the organization and operation of the National REDD+ Fund in accordance with Vietnamese law and international rules. The Ministry of Finance shall be responsible for coordinating with the Ministry of Agriculture and Rural Development and other relevant ministries and agencies to develop and promulgate the financial management mechanism for the National REDD+ Fund in accordance with the laws of Viet Nam and international standards.

The Decision also states that funds for the implementation of NRAP will be mobilized from many sources, of which international sources will play a key role.

6. Office of the Ministry of Agriculture and Rural Development issued Notification No. 1682/TB-BNN-VP dated 03 April 2013 informing the conclusion of the task of establishing a Viet Nam REDD+ Fund by the Minister. Accordingly, the Viet Nam Administration of Forestry directed the related agencies to develop a proposal for the Viet Nam REDD+ Fund.
PART II: OPERATION AND MANAGEMENT OF THE VIETNAM REDD+ FUND

I. GENERAL REGULATIONS

1. Objective of the National REDD+ Fund (NRF)

The main objectives of the NRF are to:

a) Support the implementation of REDD+ activities in compliance with the specific guidance on results-based action and results-based finance from UNFCCC as described above;

b) Support the implementation of the NRAP and the Provincial REDD+ Action Plans (PRAPs); and thus

c) Contribute to the achievement of the MARD GHG emission reduction target by 20% by 2020 and to the implementation of the National Forest Protection and Development Plan in line with the National Forest Development Strategy and of the National Climate Change Strategy and National Green Growth Strategy.

2. The scope of support from the National REDD+ Fund

The Fund will achieve its mission through following activities eligible for support from the NRF:

a) Operate and manage the NRAP, including MRV, NFMS, SIS, and the institutional arrangements for REDD+.

b) Support the development, revision and implementation of policies and programs at the national level to create an enabling environment for REDD+ activities; to contribute to the emission reduction and removal, including capacity building for FLEGT, operate and manage the protection and special use forests system; fiscal reform; and development of positive incentives etc.

c) Support training, education and research organizations and institutes to conduct research to facilitate REDD+ implementation.

d) Support the development and implementation of PRAPs.

e) Implement the benefit sharing plan of emission reduction programmes that will have been approved by third parties recognized by the Government of Viet Nam (such as the Carbon Fund of the FCPF).

3. Beneficiaries of the National REDD+ Fund

a) The direct beneficiaries of the NRF are the households, village communities who directly participate in REDD+ activities in Vietnam. Priorities will be given to forest owners and forest users at the grass root level who directly undertake REDD+ activities on the ground and whose activities will have the biggest impact on emission reductions and removals.

b) The indirect beneficiaries are the organizations/entities that sign agreements with the NRF and consequently have financial and programmatic responsibilities for the implementation of the funds received. These are international and national organizations and bodies that are legally registered in Viet Nam. Different procedures can be developed in the operational manual of the fund for the various categories listed above. For any proposal by an entity/organization, the implementation mechanisms
and supervision including distribution of economic incentives (if any) must be agreed in advance by the direct beneficiaries and proof thereof submitted to the NRF.

c) The beneficiaries will be defined at the site level and in the local REDD+ plans. The set of criteria for identifying the beneficiaries will be developed in linkage with BDS design and endorsed by the BOD.

4. Legal Position of the National REDD+ fund

a) The REDD+ Fund is a public not-for-profit trust fund under the Forest Protection and Development Fund (VNFF), which has an organizational structure and regulations in line with Vietnamese laws and international regulations and set up by a decision of the MARD’s Minister.

b) The REDD+ Fund has legal capacity, can use its own seal, and can open an account at the State Treasury and Banks in accordance with Vietnamese law.

c) The official name of the REDD+ Fund for national communication: Quỹ REDD+ Việt Nam.

d) The official name for international communication: Vietnam REDD+ Fund.

e) The office location: Hanoi.

f) As a legal body, the REDD+ Fund, has an independent decision-making structure and can make fund allocation decisions without the approval of the Board of Directors of the Forest Protection and Development Fund as indicated in the aforementioned decision of the MARD’s Minister.

g) Relationship with VNFF:

- NRF uses VNFF’s administrative procedures for regular or ad hoc reporting to the Minister of MARD and other entities as needed and required by Vietnamese government procedures. The Board of Directors should report on and propose solutions to the Minister of MARD using VNFF channels regarding issues arising from the operation of the NRF that are beyond the mandate or capacity of the Board of Directors;

- NRF uses VNFF’s information sharing channel with stakeholders (national and provincial). NRF may communicate directly with stakeholders while informing VNFF on specific NRF operational issues and guidelines. The NRF Board of Directors will determine these specific issues and guidelines in accordance with Vietnamese laws and international rules;

- VNFF may provide staff support for the Fund Management Board as described below in Section II the Fund Management Board.

5. Operating principles and financial management of the National REDD+ Fund

a) The management and use of the financial resources of the NRF must comply with agreements with partners, international donors, settlors and other parties that supply financial resources in accordance with Vietnamese and international law.

b) The stakeholders, especially civil society, will participate in the governance process of REDD+; all activities of the REDD+ Fund must ensure openness, transparency and efficiency;

c) High fiduciary standards must be applied in the field of internal control, budget planning and execution, treasury and cash management, accounting, internal and
external auditing and reporting in accordance with international standards and any
guidelines provided under the UNFCCC and Vietnamese laws.
d) Conflicts of interest resulting from the involvement of institutions in different
phases of development, appraisals, implementation and monitoring and evaluation will
be identified, avoided or mitigated in the operational procedures of the Fund.

II. FUNCTIONS, TASKS, RIGHTS AND RESPONSIBILITIES OF THE
VIETNAM REDD+ FUND

1. Functions of the Vietnam REDD+ Fund
a) To effectively mobilize and receive financial contribution and grants from multiple
sources dedicated to REDD+ goals in Viet Nam;
b) To effectively manage and use REDD+ financing, in accordance with international
best practices and fiduciary standards, trust agreements with international and other
donors;
c) To be accountable for the management and use of financial resources for REDD+ as
guided by the UNFCCC and other relevant international rules and standards (including
MRV, and social and environmental safeguards) and Vietnamese law.

2. Tasks of the Vietnam REDD+ Fund
a) Mobilize and receive financial contribution and grants provided by foreign
countries, organizations and individuals for REDD+;
b) Effectively manage and disburse REDD+ payment to the following eligible
activities:
   + Operation of NRAP in Vietnam, including MRV, NFMS, SIS etc.);
   + National policies and measures in line with the NRAP;
   + Support to REDD+ related research;
   + Development of new PRAPs;
   + Implementation of existing PRAPs;
   + ER program benefit sharing plan implementation.
c) Appraise, select, approve and disburse to programmes/projects, activities eligible
for NRF funding;
d) Provide guidance, monitor and evaluate activities, enforce reporting and
information sharing procedures contained in the agreement with different partners in
compliance with Vietnamese laws and international regulations.

3. Rights and responsibilities of the Vietnam REDD+ Fund
a) Allocate funding to programmes/projects according to the approved annual plan
without the need of approval from VNFF;
b) Manage and use the financial resources of NRF based on the agreement between
Vietnam Government and partners and international donors,
c) Sign contracts with the entities with access to NRF;
d) Monitor, evaluate and endorse the results of programmes, projects, activities funded by NRF;

e) Suspend or recover the financial support in case of violating the agreement, Viet Nam laws or international agreements on REDD+;

f) Collaborate with VNFOREST to submit proposals to MARD to issue new decisions or circulars amending or revising the existing decisions, circulars or other regulations related to NRF;

g) Collaborate with VNFOREST to submit proposals to MARD for further submission to the Prime Minister to request for approval of special procedures to allow the management of ODA funding for REDD+ sources by NRF, which is similar to the case of TFF as per the Official Letter of the Government Office number 850/CP-NN on 23 June 2004 on TFF establishment. This is justified by the special requirements on governance, operation, monitoring and evaluation and MRV of the REDD+ results as mentioned in Item II Part 1 on the need of NRF establishment. Some key reasons for the need of special mechanism on ODA management for REDD+ are as follows:

- REDD+ has specific requirements on financial management, disbursement, result-based payments;

- Several mid-term results leading to the final results of emission reduction or removal are achieved by ODA projects. According to the result-based payment requirements, the mid-term results may also need to be monitored and evaluated to assist the MRV of the final results;

- The implementation of REDD+ requires the management and coordination among different financial resources (including ODA) should be consistent with action plans at national and provincial level (NRAP, PRAP) and ensure proper cash flow to support activities that require ex ante investments and that may be compensated by ex post payments. This is not a typical ODA funding flow. If investments are not made, emission reductions will not generated and the NRF will be deprived of revenues;

- Therefore, a special mechanism to ensure the proactiveness of the REDD+ focal agency (MARD) in mobilizing, receiving, managing and using the REDD+ funding resources, including ODA, is crucial to the success of REDD+ in Viet Nam.

III. OPERATION AND MANAGEMENT OF THE VIETNAM REDD+ FUND

1. Organization structure

Upon agreements signed between MARD and related partners, an interim period might be established. In the interim period, the participation of international agencies and Multilateral Development Banks may be necessary to build national capacity and mitigate unexpected risks. This interim arrangements are further detailed in Annex 4. The main features are summarized below:

a) Board of Directors: donors (Co-chair), UN and World Bank. In case donors choose to not join the BoD as an official member, a separate mechanism (including option of

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10 An interim period is optional upon the request of donors
annual review meetings) could be arranged, in accordance with related agreements, for donors to take part in strategic and critical decisions of the Fund.

Donor may also entrust other international agencies or banks to join the BoD on their behalf.

b) The Fund Management Board – Step 1: The Fund management function will be assumed by a separate Financial Management Unit. The latter will work closely with the FMU whose role at this stage will focus more on secretariat to the BOD to continuously increase capacities. Step 2, the FMU will assume fully fund management functions described below under Article 3. hereafter.

c) Technical Advisory Panel – international consultants recruited by financial management unit (Step 1) and quality assurance by UN-REDD, FCPF etc (Phases 2 and 3).

d) Trustee/Bank– interim trustee arrangements with international trustee (Step 1) until national trustee is identified (Step 2).

In the interim period, when the interim structure has been established, BOD will consult with partners to develop the capacity building plan in the interim period and transition plan to transfer the roles. This transfer will happen continuously upon the completion of separate milestones regarding the recruitment of staff, procurement, grant management, reporting, audits etc. agreed by the Government and the donors. The BOD will report to the MARD’s Minister on the following issues:

- The objectives, tasks and results achieved in the interim period;
- The content of capacity building activities to strengthen the ownership and active role of Viet Nam in the management and operation of the NRF during the interim period;
- The timeframe of activities of interim period (the plan to end the interim period and transition to national ownership);
- The clear milestones and result indicators for capacity building activities and transition to strengthen and actual ownership and active roles of Vietnam;
- The funding source for recruiting experts and use for capacity building and transition.
- The responsibilities in implementing the capacity building and transition plans;
- Necessary inputs for capacity building and transition;
- Risks and risk management actions related to capacity building and transition.

The interim period will ends as soon as the capacity of NRF has been evaluated as satisfactory by related donors or financial contributors. The detailed information for the interim period can be found in Annex 4.

2. Board of Directors

a) BOD works on a part-time basis. The working modality, tasks and responsibilities of BOD members are subject to the approval of the Chairperson of BOD according to the Vietnam REDD+ Fund Operational Manual.

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11 See notes above
b) The Board of Directors will be composed of a Chairperson, a co-chair and members. The composition of the Board of Director is presented in Annex 1. Donors/financial contributors may choose to take part in as members to jointly make decisions.

c) Functions of the Board of Directors is to provide general guidance, make funding allocation decisions, issue strategies and policies to achieve emission reductions and removals and monitor the activities of the Fund.

d) Rights and obligations of the Board of Directors:

- Be accountable to MARD for the proper use of the funds;
- Enter into agreement with the Trustee;
- Instruct the Trustee (in the interim period) and the bank (after the transition) to receive and disburse payments;
- Adopt guidelines, policies, risk management, multi-year strategy, annual work plans and financial plans of the Fund;
- Coordinate with relevant initiatives and institutions;
- Approve the annual work plan of the The Fund Management Board;
- Approve the Experts roster for as the expert resource for the establishment of Technical Advisory Panel based on the endorsement of The Fund Management Board;
- Approve all funding proposals by taking into account the assessment and recommendation of the The Fund Management Board and the Fund Technical Advisory Panel;
- Adopt the annual financial statements of the Fund;
- Adopt consolidated reports of Fund level activities;
- Approve sanctions and corrective action as determined in the Monitoring and Evaluation Plan to entities with access to the Fund;
- Submit proposals to the Ministry of Agriculture and Rural Development on the adoption or amendment of decisions, circulars or other legal instruments concerning the REDD+ Fund;
- Inspect and supervise the activities of the The Fund Management Board in managing the Fund;
- Approve the terms of reference (TOR) for independent evaluations and external audits of the Fund;

e) The quorum for the meetings shall be 50% of its voting members including the Chairperson and the Co-Chair. Decision-making will be done by consensus.

f) Members who directly or indirectly, personally or through the institutions they represent or they are connected to in any way, benefit from the funding will not participate (neither as voting member nor as observer) in the respective funding allocation decision.
g) Organizational structure should be designed in the way that ensures the participation of stakeholders including local communities, ethnic minorities and women in decision making process.

h) Further operational details will be provided in the operational manual of the Fund.

3. The Fund Management Board

a) The Director of The Vietnam REDD+ Fund Management Unit works on full-time or part-time basis, nominated by the MARD Minister based on the recommendation of the BOD.

The promotion, dismissal of Deputy Director, Chief Accountant and the establishment, dissolving of the assistance units to BOD will follow the Vietnam REDD+ Fund Operational Manual.

b) The functions of the The Fund Management Board are to provide secretariat services to the Board of Directors and implement its decisions.

c) Duties and rights of the The Fund Management Board:

- Implement relevant regulations, circulars or other decisions of the Board of Directors, including detecting problems and making recommendations to the Board of Directors on measures to address such problems;
- Sign grant agreements with the entities with access; Manage grant;
- Implement the accounting, financial management, internal audit of the NRF (for full national ownership);
- Prepare consolidated reports on progress made and irregularities of fund management to the Board of Directors, the Ministry of Agriculture and Rural Development, or reports as needed in response to the donor requests;
- Direct the accounting, financial management, internal audit of Windows 2 and 3 of the NRF (mentioned below in Section IV); Conduct fund- level monitoring and evaluation exercise;
- Provide data to VRO on results, including GHG emission data, as available through the NFMS and SIS and the monitoring and evaluation framework of the Fund;
- Recruit staff and procure advisory services (including the Technical Advisory Panel members and other independent consultants to evaluate the program, project or non-project activities of the Fund) under the annual work plan and TOR;
- Support the Board of Directors in the development of guidelines, policies, multi-year strategies, annual work-plans of the Fund;
- Assess the financial and technical capacities of the entities with access to the NRF; Shortlist proposals to sort out the relevant proposals appropriate for the support from the Vietnam REDD+ Fund or request for the revision of the proposals if needed;
- Make recommendations to the Board of Directors and submit proposals together with the technical and financial assessment of the proposals conducted by the Technical Advisory Panel to the Board of Directors;
- Risk management including the risk analysis process, risk management and application of risk mitigation actions, their review and constant feedback into the risk analysis process as defined in the risk management strategy;
- Provide comments, answers or consult with relevant stakeholders on the Vietnam REDD+ Fund issues; Share information and respond to stakeholders on issues of REDD+ Fund.

d) The composition of the The Fund Management Board includes the following:
- Director;
- Deputy director;
- Chief accountant and finance staff;
- Program officer, Technical officer;
- Administrative staff, and
- Interpreter.

e) The Fund Management Board may use the expertise of VNFF staff to discharge the functions/positions described above under Point c. The exact functions that the VNFF staff can be used will be identified in the Terms of Reference of The Fund Management Board.

4. The Technical Advisory Panel

a) The function of the Technical Advisory Panel is to provide independent advice to the Board of Directors during the appraisal of proposals, annual work plans and the monitoring and evaluation reports.

b) The Fund Management Board with technical input from the Viet Nam REDD+ Office will:
- Identify and create the database of potential independent experts (roster) to be approved by the Board of Directors;
- Develop the selection criteria for the technical advisory panel members;
- Develop the evaluation criteria for the technical and financial assessments of the proposals to be submitted by FMB for BoD’s approval.

c) The Technical Advisory Panel will be established as needed and consists of two or more independent evaluators and be automatically dissolved after completion of the assessment work with results satisfactorily accepted by the BOD;

d) Any person who directly or indirectly, personally or through the institutions they represent or are connected to in any way, benefit from the funding will be excluded from the list before selection for the independent technical assessment;

e) The Technical Advisory Panel members will be randomly selected from the roster of experts approved by BOD, excluding the persons with conflict of interest as defined in Point 4 above, and will be dissolved upon completion of their tasks with the satisfactory level of evaluation endorsed by BOD.

f) The members of the Technical Advisory Panel are responsible to follow the requirements and provide the quality of work as stipulated in the signed contract. If a
panel member violate the contract terms, it may be terminated by the Fund Management Board.

5. Trustee (international trustee for the interim period\textsuperscript{12}) and bank (after the transition)

a) The function of the Trustee is to provide an agreed upon set of financial and administrative services based on the Trust agreement signed with Board of Directors.

b) The basic rights of the Trustee are:
   - The Trustee will hold no decision-making power for program/project approvals and is not responsible for guaranteeing financial accountability to donors and other funding sources;
   - The Trustee will enter into agreement with the Board of Directors and will be responsible to the Board of Directors in performing its duties.

c) The duties of Trustee are:
   - General fund management (receive, hold and transfer funds) on behalf of the Fund;
   - Custodial services (hold contributions on a custodial account, record contributions, transfers, receipts in the financial accounting system);
   - Investment (invest funds pending transfer in accordance with overall investment objectives defined by the Board of Directors);
   - Disbursement (record funding commitments of the Board of Directors and make transfers) – upon transfer of funds, the Trustee will cease to have any accountability over the funds transferred according to the rules and instructions of the Board of Directors;
   - Providing reports on the balance of funds.

(See Annex 5 for more information: Figure 1 and Figure 2)

IV. REDD+ FINANCIAL MANAGEMENT

1. Sources of funding

The Viet Nam REDD+ Fund may mobilize a variety of resources including:

a) International contributions, including payments for emission reduction resulted from REDD+ activities;

b) International grants (ODA) for REDD+ and funds from NGOs;

c) Trusted funds, grants from domestic and international entities/individuals for REDD+ projects and programmes

d) State budget in the form of government counterpart contribution to programmes/projects under the agreement signed with partners.

It is expected that results based funding will regularly replenish the NRF following the submission of the Biennial Update Reports and after verification of the emission reductions achieved. Non-results based contribution will be mobilized on an \textit{ad hoc} basis.

\textsuperscript{12} If an interim period is required by donor
2. Channeling funds to sub-national level

a) NRF will not establish its provincial branches: The national Fund will channel funding directly to the entities with access to the Fund as described under Point 3 Item I Part 2 above.

b) Provincial agencies will not have a fund allocation role at the provincial level but will receive funding to directly implement specific activities identified in the PRAPs (or equivalent plans). This funding will not be co-mingled with regular budgetary resources. To ensure this, the mandate of the provincial VNFF will be expanded to receive funding for PRAP implementation in accordance with NRF regulations and operational manual. Contributions to specific provinces can be accommodated by earmarking in the sub-accounts of NRF (see point 3 below).

c) When a fund/grant is transferred to NRF but earmarked for particular localities or projects, NRF works to ensure that an equivalent allocation will be made to concerned localities/projects (see point 3 below)

3. Sub-accounts

Separate sub-accounts can be created for:

a) The different sources of funding (as mentioned in Section 1, Part IV);

b) Contributions earmarked for specific provinces (or programs/projects/activities).

4. Risk management provisions

a) Risk management and framework

Managing risks is critical for a sustainable management and operations of NRF. Risk management approach and coping strategies will be clarified in parallel with NRF’s performance framework and investment plan. In addition, to ensure a consistent approach in risks management from national to project levels, a template for risk analysis for projects will be integrated into NRF operation manual to guide project development at later stage.

b) Risk reserves

The National REDD+ Fund will deduct a percentage of total funding sources to establish risk reserves. The percentage will be based on further analysis conducted to assess risks of reversals and other risks directly or indirectly impacting the achievement of the Fund’s objectives. The risk analysis and the reserves will be part of the NRF’s risk management strategy and further detailed in the NRF operation manual.

5. REDD+ payments and disbursements

The disbursement from NRF to beneficiaries will be made basing on performance of the NRAP which is under revision and updating process to meet requirements of UNFCCC and new ambitions set by the Intended Nationally Determined Contribution of Vietnam – INDC, and related REDD+ Action Plans at provincial and site levels. This will be reflected throughout the process of planning and implementation of REDD+ at all levels; although each level will have its own methods, performance framework, M&E framework with different indicators, they are consistent and complementary.
When an agreement between Viet Nam and donor(s) is signed, the provisions of results based payment will be specified as an annex to the agreement. All of agreed provisions including safeguards (as per Cancun agreements and related UNFCCC’s decisions) then will be translated into related parts of NRF operation manual and BDS regulations.

5.1. Payments

- The payments at the national level may be made *ex ante* and *ex post* based on the approved budget and financial plans of the proposals. Release of subsequent funding tranches for activities spanning more than one year will depend on proven record of performance as per the M&E plan of project/program. Sources of verification will be the NFMS for carbon results, the SIS and other sources of verification in case of additional non-carbon benefits or proxies.

- The disbursement of ex-post payments at the national level will be based on: Results in reducing emission, removals and carbon stock enhancement (i.e. tCO$_2$e per year); Other outcomes and outputs leading directly or indirectly to emission reductions and removals (proxies) and defined in the M&E framework.

5.2. Disbursement windows

The NRF has three disbursement windows and corresponding appraisal, monitoring and evaluation cycles: (i) government implementation upon their respective mandates; (ii) competitive; (iii) benefit sharing to beneficiaries. The implementation of benefit sharing plans approved by third parties and endorsed by the Government of Viet Nam (such as the Carbon Fund of the World Bank) will not fall into the windows above since it will not require further approval from the NRF. (See Annex 5, Figure 3-“Disbursement Windows”)

a) For disbursements falling under **Window 1: Government implementation** proposals will be prepared and submitted by government agencies based on their mandates specified in the NRAPs, PRAPs or equivalent. The proposals will be evaluated by the Board of Directors upon the following bases:

+ The evaluation of the consistency between the proposal and the mandates of the government agencies;
+ The evaluation of the program/project management and financial capacities of the proponent by the The Fund Management Board;
+ The technical and financial evaluation merits of the proposal by the Technical Advisory Panel.

The eligible activities under this window including: Support to enabling national policies and capacity development for REDD+ or programs that contribute to emission reductions and removals; Development of PRAP; Implementation of PRAP components (or provincial equivalent REDD+ plan) that are under the mandate of the government agencies; Operation of REDD+ at the national and provincial levels (including MRV, NFMS, SIS, etc.) by the VRO.

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13 Examples include strengthened capacity for forest law enforcement, strengthened capacity of agricultural commodity associations to ensure compliance with national sustainability strategies, operation and management of forested protected areas, fiscal reforms and incentives etc.
The selection of proposals will be based on the selection criteria of priority areas/activities approved by the BOD.

b) Activities falling under the **Window 2: Competitive window** will be opened to any legally operated entity with access to the Fund. Proposals will be submitted following calls for proposals and be assessed basing on:

+ Pre-screening conducted by The Fund Management Board;
+ The evaluation of program/ project management capacities and financial capacities of the proponent by the The Fund Management Board;
+ The technical and financial evaluation merits of the proposal by the Technical Advisory Panel.

The Board of Directors will approve the proposals based on the satisfactory evaluations described above. Activities falling into this window may include: (i) support to national enabling policies and capacity development for REDD+ or programs that contribute to emission reductions and removals and capacity development (PAMs), and (ii) implementation of PRAPs, or equivalent plans with REDD+ integrated.

c) Activities falling under **Window 3: Allocation of incentives** will be opened to forest owner and forest users with a valid contract with the forest owners. The allocation of incentives will be based on the following:

+ Site level plans/proposals identifying activities to directly or indirectly reduce deforestation, forest degradation, manage forest sustainably and conserve or enhance forest carbon with concrete result indicators supporting for implementing PRAP (or provincial equivalent REDD+ plan); indicators on forest area and forest quality as well as appropriate incentives packages will be identified clearly and rationaly by the REDD plan or proposals;
+ Forest land use certificates;
+ Contract for forest protection.

Activities falling under this window will include: The implementation of PRAPs or provincial equivalent REDD+ plan; the implementation of benefit sharing plan of the GHG emission reduction Programme.

The Trustee of the FMU is responsible for preparing the funding allocation plan and disbursing funds to small grants.

The Board of Directors will be informed of the approval of grants and the grants’ related information in the next BoD meeting (including the PRAP, approved grants, grants’ recipients and projects’ scope). The BoD will approve the annual investment plan including the annual budget allocation for each window above. The annual plan will be drafted and submitted by The Fund Management Board basing on:

+ Resource availability;
+ Performance of previous year (based on tCO₂e, proxies and other non-carbon benefits disaggregated according to the M&E plan by province);
+ National ER targets;
+ Existing plans (NRAP, PRAP, FPDP);
Directions of the National REDD+ Steering Committee.

The Vietnam REDD+ Office will provide technical input during the formulation of the REDD+ Fund action plan. Independent technical appraisal of the action plan will be provided by the Technical Advisory Panel. Further details of the program/project appraisal procedures will be provided in the operational manual.

d) The **ER Program’s benefit sharing plan** will be implemented through the NRF. In this case the NRF’s governance bodies will have no resource allocation and performance monitoring role. This will be done according to Emissions Reduction Payment Agreement signed with the Trustee of the Forest Carbon Partnership Facility’s Carbon Fund. The NRF will thus act as an escrow account. The Executing Agency of the ER Program will be requested to share the reports submitted to the CF Trustee with the Board of Directors of the NRF for information.

6. Management and Use of NRF resources

a) For international contributions

- The contributions and payments for ER credits will be mobilized basing on results, “results based actions” and “result based financed” as per UNFCCC-COP decisions and agreements with donors or other financial contributors (partners);

- The contribution and payment for those emission reduction credits will be co-mingled with other funding sources and managed according to the NRF Operational Manual.

b) ODA and grants of NGOs

- For ODA

  + After signing the bilateral agreements (or multi-lateral) between the Government of Vietnam and the international donors, the management and use of these funding sources will follow the agreements or related MoUs. The profits/interest from the bank will be managed and used based on the NRF Operational Manual.

  + All profits earning from trusted-fund services will be used in accordance with the NRF Operational Manual.

  + After receiving the funding sources, if there is no other specific regulations, NRF will follow procedures to register the funding sources at Ministry of Finance according to the Circular No 225/2010/TT-BTC dated 31 December 2010 and send confirmation of receipt letter to each donor.

  - The funding sources from NGOs will be managed in compliance with the corresponding agreements signed between NGOs and the NRF.

c) Trusted funds, grants from domestic and international entities/indivduals for REDD+ projects and programmes

- This source of funds includes investments made by domestic and international businesses, and forest owners; advances from public investment; voluntary contributions from national or international individuals; and others.

- The receipt and management of funds thus raised for REDD+ will be based on the agreement signed with funding contributors, consistent with international
regulations and Vietnam laws. Detailed regulations will be provided in NRF Operational Manual.

d) Government counterpart contributions to projects/programmes

- Government counterpart contribution from the state budget for programmes/projects according to specific agreements with partners will be made available at the beginning or replenished regularly. The funds will be transferred to NRF account at the State Treasury.

- The funds will be managed in compliance with related financial regulations of Viet Nam which will be further specified by the NRF operational manual.
<table>
<thead>
<tr>
<th>#</th>
<th>Sources of funding</th>
<th>To be used for</th>
<th>Funding modalities: 03 windows</th>
<th>Operation mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>International contributions, including payments for emission reduction resulted from REDD+ activities</td>
<td>- Operations and management of the NRAP (MRV, NFMS, SIS); - Support to adjustment of policies and measures; - Research; - Development and implementation of PRAPs; - Allocation of incentives based on performance.</td>
<td>- Transferring to Gov. agencies for implementation; - Small grants based on competitive process; - Performance based payments</td>
<td>- as per funding agreement signed with donors/ contributors/ investors or payers; - To be managed in compliance to NRF operational manual and regulations</td>
</tr>
<tr>
<td>2</td>
<td>International grants (ODA) for REDD+ and funds from NGOs</td>
<td>- Operations and management of the NRAP (MRV, NFMS, SIS); Support to adjustment of policies and measures. - Development and implementation of PRAPs - Research - Implementation of PRAPs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Trusted funds, grants from domestic and international entities/individuals for REDD+ projects and programmes</td>
<td>- Operations and management of the NRAP (MRV, NFMS, SIS); - Support to adjustment of policies and measures; - Research; - Development and implementation of PRAPs</td>
<td></td>
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<tr>
<td>4</td>
<td>State budget in the form of government counterpart contribution to programmes/projects under the agreement signed with partners.</td>
<td>- As per agreement signed with partners. - Transferring via the State Treasury</td>
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<td></td>
</tr>
</tbody>
</table>
7. Monitoring and Evaluation

a) Based on the results framework and the corresponding monitoring framework of the Fund, the Fund’s organs will undertake programmatic and financial monitoring activities in coordination with national REDD+ institutions and mechanisms and according to Vietnamese law and UNFCCC requirements including all safeguards agreements (see Annex 4).

b) For programmatic monitoring, carbon and intermediary results will be monitored by using the National Forest Monitoring System’s and the Safeguards Information System’s data. Additional sources of verification, including reports of observations during field visits and of other monitoring activities conducted by the Fund Management Board may be identified based on the results framework and the corresponding indicators.

c) For financial monitoring, financial reporting and internal and external audits will be used. The latter will be done in compliance with Viet Nam’s laws and regulations in general and the decision of the Prime Minister on NRAP in particular.

d) Monitoring and evaluation activities will be undertaken both at the Fund level and at the program/project level. The detailed M&E roles and responsibilities of the Fund’s organs, the national REDD+ institutional structures and the entities with access to the Fund will be detailed in the developed Monitoring and Evaluation Plan based on the Fund’s results and monitoring framework.

e) The Monitoring and Evaluation Plan will also define the consequences of the irregularities discovered during the monitoring process, the conditions of their application and the organs responsible for applying them. (see more details in Annex 5: Figure 4 – proposal on M&E mechanism for REDD+ and Figure 5 – project cycles)

8. Reporting line and information publishing

a) The reporting regime of the NRF will follow applicable regulations of Viet Nam Government and additional requirements of donors, if any, according to signed funding agreements.

b) The annual report of NRF will be submitted to MARD Minister, donors of NRF, chairperson and members of the National REDD+ Steering Committee, including MONRE - the focal point of UNFCCC, MPI – the focal agency of Green Climate Fund, and will be posted into the NRF’s website. Reporting lines and information exchange mechanism is summarized in Figure 1, Annex 5.

c) The organizations, agencies who receive the funding from NRF for programmes/projects/activities are responsible to develop quarterly and annual regular reports (progress reports, financial reports, reports on funding use) as well as the midterm review reports and final review reports to NRF Management Board.
d) The decisions of BOD and NRF Management Board on funding allocation, on grant approval, etc., will be uploaded on the Website of NRF.

e) If there is an urgent issue, NRF Management Board is responsible for reporting to BOD, donors, funding contributors and other relevant government agencies according to the Vietnam Laws and the requirements of funding contributors, donors.

f) The detailed regulations on reporting will be further guided by M&E Framework and the NRF Operational Manual.
PART III: IMPLEMENTATION ARRANGEMENT

1. RESPONSIBILITIES OF GOVERNMENT AGENCIES

1. Ministry of Agriculture and Rural Development (MARD)

a) Draft and promulgate decisions, regulations and other legal instruments necessary for establishing and operationalizing the REDD+ Fund;

b) Report to MONRE on REDD+ related GHG emissions for inclusion in the national GHG Inventory for reporting to UNFCCC and to MPI for reporting to GCF;

c) Collaborate with the Ministry of Planning and Investment, Ministry of Natural Resources and Environment, Ministry of Finance, and others to draft and issue legal instruments on the mobilization, receipt, management and use of financial resources of REDD+;

d) On behalf of the Government of Viet Nam, negotiate and sign memorandum of understanding and bilateral/multi-lateral funding agreements for REDD+;

e) Issue decisions to confirm the approval of proposals by Board of Directors to facilitate operation and implementation of the programs/projects.

Further details about functions of related departments under MARD should be referred to Annex 2.

2. Other Ministries

a) MONRE, MOIT, MOF, MPI will nominate DG level to be member of the Board of Directors (the same person serving as member of the National REDD+ Steering Committee).

b) MPI, MONRE and MOF will work with MARD to issue legal instruments on the mobilization, receipt, management and use of financial resources as mentioned under point 1.b above.

3. Provincial People’s Committee

a) Amend the Charter of organization and operation of the provincial Forest Protection and Development Fund as relevant to receive REDD+ funding as described in point 8. of Part II above, under the guidance of the MARD;

b) Approve the PRAPs following technical review and clearance by MARD;

c) Lead the amendment process of the PRAP as necessary based on assessment of the Technical Advisory Panel of the NRF and technical clearance from MARD;

d) Assign departments and agencies responsible for management and implementation of PRAP.

4. REDD+ Institutions

a) The National REDD+ Steering Committee is an advisory body to help MARD direct the National REDD+ Action Programme and propose policies and measures related to REDD+. It supports the MARD to enhance coordination between ministries and REDD+ related initiatives (funded or not funded by the NRF) to ensure the achievement of NRAP objectives.
The National Steering Committee reports to MARD on emission reductions and removals achieved in REDD+ to be reported via MONRE to UNFCCC and via MPI to the Green Climate Fund.

Any member of the National REDD+ Steering Committee who is also member of the NRF Board of Directors will be represented by the same person in the two bodies to ensure consistency in defining direction, priorities, implementation and monitoring.

The decisions and guidelines of the National REDD+ Steering Committee will be taken into account in the operation of the NRF by the Board of Directors.

b) The Vietnam REDD+ Office (VRO) is responsible to provide Secretariat services to the National REDD+ Steering Committee. Its duties and rights are to:

- Provide technical input to the National REDD+ Fund in the following areas (also defined above): Creation of roster of independent experts; Developing criteria for selection of experts; Formulating programme/project appraisal criteria; Providing inputs for the NRF’s Annual work plan;
- Manage the NRIS; Convey the decisions and guidelines of National REDD+ Steering Committee to the NRF.

II. RESPONSIBILITIES OF PARTNERS, DONORS

1. Timely provide financial contributions/support to the Vietnam REDD+ Fund according to the agreements signed with Vietnam Government through MARD.

2. Nominate the representative to be the co-chair of BOD (if there are more than one international donor, the donor community will set up the nomination/selection modality of their representative as the co-chair)

3. Consider to provide technical support for NRF activities based on the proposal of the Director of the Fund Management Board.

4. Undertake monitoring and evaluation exercises and support the NRF activities according to the bilateral or multi-lateral financial agreements.
Annex 1: Proposed composition of the Board of Directors

The Board of Directors will be composed of the following 13 members:

1. Vice Minister of Agriculture and Rural Development (MARD) in charge of Forestry – (as chairperson);
2. A representative of international donors as a Co-chair (when the fund has more than one international donors, MARD will facilitate the nomination process of a Co-chair among donors);
3. A Deputy Director General of the Viet Nam Administration of Forestry-VNFOREST;
4. A DG of MARD’s International Cooperation Department;
5. A DG or d/DG from the Ministry of Natural Resources and the Environment;
6. A DG or d/DG from the Ministry of Finance;
7. A DG or d/DG from the Ministry of Planning and Investment;
8. A DG or d/DG from the Ministry of Industry and Trade (who deals with markets and trading of wood, coffee, rubbers, shrimp, etc.);
9. Representatives of domestic and international entities and/or individuals those make financial contribution to the Fund;

Observers: A representative from socio-political organizations and occupational organizations selected through a self nomination process; a representative from private sector; a representative of global UN-REDD programme; a trustee/bank; a representative of Fund Management Board.

In case the institution/DG/dDG member of the Board of Directors is also member of the National REDD+ Steering Committee, the same person will represent the institution/directorate in both Steering Committees to ensure coherence. This composition of the BoD may be adjusted upon negotiation and agreement between MARD and donors.
Annex 2: Involvement of MARD departments

1. International Cooperation Department
   a) Advise the leadership of the Ministry on the negotiation of memoranda of understanding, multi and bilateral funding agreements with entities for REDD+.
   b) Participate in the monitoring and evaluating activities of the NRF as a member of the Board of Directors and as detailed in the Monitoring and Evaluation Plan;

2. Planning Department
   Participate in the monitoring and evaluating activities of the NRF as a functional unit of MARD as indicated by M&E plan;

3. Department of Finance
   Participate in the monitoring and evaluating of the activities of the NRF as a functional unit of MARD as indicated by M&E plan;

4. VNFOREST:
   a) Assist the Minister of Agriculture and Rural Development in implementing the NRAP, be responsible for developing and implementing policies, programs, plans and projects related to REDD+, including management plans using REDD+ financing.
   b) Develop and submit to MARD:
      - Proposal on the establishment of a REDD+ Fund;
      - Draft Decision on the establishment of the REDD+ Fund;
      - Draft (i) operational regulations covering: Process and procedures for approving project proposal funded by the NRF, Investment plan, workplan and budget, Result framework (with S.M.A.R.T. indicators) which forms the basis for benefit sharing system, M&E framework and reporting regime, Benefit sharing policy, Risk management, Financial management, disbursement and audit, Procurement, Transition period and capacity building plan, Resource mobilization plan (may be included under financial management chapter); (ii) Operational manual to further detail the regulations and contains all templates and annexes such as ToR of BOD or forms of funding agreements, project proposals, workplans, progress reports, financial report…; (iii) anti-corruption policies guiding ways to manage conflicts of interest and anti-corruption and (iv) any other document required for the proper functioning of the Fund;
   c) Advise MARD, in collaboration with the Ministry of Finance, on the development and issuance of a joint Circular guiding the financial management of the REDD+ Fund.
## Annex 3: Compilation of the overseas cases of REDD+ funds development

<table>
<thead>
<tr>
<th>Name of the fund</th>
<th>Country</th>
<th>Structure</th>
<th>Financial sources</th>
<th>Disbursement window</th>
<th>Beneficiaries</th>
<th>MRV and M&amp;E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Guyana REDD+ Investment Fund (GRIF)</strong></td>
<td>Guyana</td>
<td>World Bank takes operational tasks of the trust fund, guided by the Multi-disciplinary steering committee among government and donor, secretariat</td>
<td>Norway</td>
<td>Grant to implement low carbon development strategy of Guyana</td>
<td>The trustees are UNDP, Inter-American Development Bank WB (partners organizations)</td>
<td>Programmes: - Fund level: result-based (tCO2e) and the indicators on non-carbon benefits rights allocation; - Project level: based on the performance indicators (not tCO2e) Finance: Based on the regulations of Trustees (Fund level) and the partner organizations (project level)</td>
</tr>
<tr>
<td><strong>Congo Basin Forest Fund (CBFF)</strong></td>
<td>Congo Basin</td>
<td>AfDB takes operational tasks of the trust fund, guided by the Multi-disciplinary steering committee, AfDB provide secretariat and have support from private fund management organization (for small and medium projects)</td>
<td>Norway, UK, Canada</td>
<td>Grant to implement projects proposals that had been evaluated based on 6 criteria on reducing deforestation, develop the basic systems and MRV, and enhance partnership building between Government and civil society.</td>
<td>Government and CSOs</td>
<td>Programmes: - Fund level: not tCO2e, measuring the results based on the performance indicators, including the average rate of reducing deforestation - Project level: based on the performance indicators Finance: Based on the regulations of Trustees (Fund level) and annual auditing (for both fund level and project level)</td>
</tr>
<tr>
<td><strong>Amazon Fund</strong></td>
<td>Brazil</td>
<td>National Bank take the operation roles, guided by a Multi-disciplinary steering committee with the support of Technical Petrobras</td>
<td>Norway, KfW and domestic Petrobras</td>
<td>The loan without pay back (but will be taken back if the project does not achieve the results as expected) to directly Federal and republic government , Brazil NGOs</td>
<td>Programmes: - Fund level: result-based (reduce deforestation rate lower than average level * EF = tCO2e). - Project level: based on the performance indicators (not tCO2e) – but consider to the definition of the loan without pay back in</td>
<td></td>
</tr>
<tr>
<td>Name of the fund</td>
<td>Country</td>
<td>Structure</td>
<td>Financial sources</td>
<td>Disbursement window</td>
<td>Beneficiaries</td>
<td>MRV and M&amp;E</td>
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</tr>
<tr>
<td>Fund for REDD+ in Indonesia</td>
<td>Indonesia</td>
<td>board</td>
<td>Grant, loan, and company budget for projects relevant to National programme on GHG and provincial action plans</td>
<td>or indirectly contribute to reducing deforestation in Legal Amazon, up to 20% for the international projects or the projects outside Amazon</td>
<td>Implementing agencies: provincial authorities, central government, CSOs, private sector. If these organizations are not competent, then they are not eligible to become as the entities with access to fund but need a partner to assist (UN or WB)</td>
<td>advance Finance: based on the regulations of trustees (BNDES)</td>
</tr>
</tbody>
</table>

Programmes:
- Fund level: result-based (tCO2e) but currently in Phase 2 no need result-based tCO2e.
- Project level: result-based monitoring (tCO2e) and no result-based (revision of M7E framework is ongoing)

Finance:
Based on trustee regulations (UNDP) in the interim period
<table>
<thead>
<tr>
<th>Name of the fund</th>
<th>Country</th>
<th>Structure</th>
<th>Financial sources</th>
<th>Disbursement window</th>
<th>Beneficiaries</th>
<th>MRV and M&amp;E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DRC National REDD+ Fund</strong></td>
<td>DRC</td>
<td>UNDP take the operation roles of the trust fund (MPTF) guided by a Multi-disciplinary steering committee, technical panel and secretariat</td>
<td>International</td>
<td>Grant for priority projects identified in result framework</td>
<td>Government, UN, World Bank, NGOs (national and international)</td>
<td>Programmes:</td>
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<td></td>
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<td>- Fund level: not based on tCO2e, but measured according to performance indicators, including for emission reduction but not depends on the results of emission reduction for the first window, but for the second and third window it depends on the emission reduction results.</td>
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<td></td>
<td>- Project level: measuring results based on the monitoring framework of project, not payment based on the achieve results of emission reduction for the first window but with payment for the second and third window.</td>
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<td></td>
<td>Finance.</td>
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<td></td>
<td>- Fund level: based on the trustees regulations.</td>
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<td></td>
<td>- Project level: based on the regulations of organizations.</td>
</tr>
<tr>
<td><strong>FONAFIFO – National Forest Financing Fund</strong></td>
<td>Costa Rica</td>
<td>National bank take the operation roles, semi-public organizations, guided by a public-private multi-disciplinary steering committee.</td>
<td>International and national (finance and voluntary)</td>
<td>Grant (not payment for REDD+ but only as PES)</td>
<td>Forest users in PES, Revising for REDD+</td>
<td>Programmes:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Fund level: result-based for REDD+ but no for PES.</td>
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<td></td>
<td>- Project level: PES per ha for specific activities monitored by independent agencies (regentes) – the revision is ongoing to meet REDD+ requirements</td>
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<td>Finance:</td>
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<td></td>
<td>- Fund level: BNCS.</td>
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<td></td>
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<td></td>
<td></td>
<td>- Project level: internal and external independent auditing</td>
</tr>
</tbody>
</table>
Annex 4 – Interim arrangements and transition plan

**Interim arrangements:** This is an interim phase since the Trustee is international organization. It is possible to start the interim phase here if capacities are available and donors agree.

**Interim period:**
- International Trustee
- Management unit part of Fund Management Board as Administrative interface (AL)
- The Technical Advisory Panel recruited by third party or by FMB if supported by the UN

**DESCRIPTION**

- Funds are transferred from the donor on the account of an international trustee
- International trustee does not manage the funds, it transfers to Fund Management Board who will do the contracting and grant management for all entities (except UN if deemed necessary)
- Fund Management Board can be supported by international partners (i.e. by providing staff) but not using their financial management rules nor hosting the fund management function
- Technical advisory panel is recruited either by third parties or by the FMB

**ADVANTAGES**
- Donors are reassured international trustee only releases funds when conditions met (instructions from BoD)
- Fund Management Board can be supported so existing minor capacity constraints can be addressed
- Programmatic risks are mitigated through technical advisory panel’s independent recruitment
- Managing through the FMB may be less costly than using a third party managing agent

DISADVANTAGES

- FMB’s capacity needs to be assessed and donors must have trust to use this model

EXAMPLES

- Trustee can be MPTF or an international bank
After Interim period: Full National Ownership

The choices to be made in this final phase relate to the legal capacity of the Fund.

The question of legal capacity is central in the Fund establishment process. Legal capacity is necessary to enter into agreements (such as contribution agreements between the Fund and the donors, grant agreements between the project implementing entities and the Fund, staff contracts and service contracts, purchase agreements to procure goods, etc.)

There are various options that can be envisaged in this context:

1. **The fund will have legal capacity** – this means that the fund on its own behalf will be able to enter into contracts, will be accountable to third parties, can sue and can be sued. Its creation will have to follow VN law on the creation of juristic persons.

   **Practical consequence**: the NRF can be accredited to the GCF and other international REDD+ funding mechanisms.

2. **The fund will not have legal capacity** – other entities will perform the functions listed above and their relationship and responsibilities will be managed through contracts. The functions can be split among several different entities (i.e. not the same entity performs all the functions) for example:
   a. Signature of contribution agreements with donors can be done by a Ministry or by the Trustee/Administrative Agent
b. Signature of the grant agreements with the implementing entities can be done by a Ministry, Trustee/Administrative Agent or a Managing Agent (hired by the Trustee, Administrative Agent, or funded as a project of the Fund).

c. Hiring staff, procuring services and goods can be done by the Ministry and Managing Agent.

**Practical consequence:** the Trustee can be accredited to the GCF and other international REDD+ funding mechanisms

---

**Draft transition plan**

The following steps are proposed for the transition plan. Specific dates are to be decided by the government in consultation with stakeholders.

<table>
<thead>
<tr>
<th>Step</th>
<th>Sub-step/detail</th>
<th>Estimated start date</th>
<th>Estimated duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Identification of functions to be transferred</td>
<td>Trustee</td>
<td>12 months since the starting date of NRF operation</td>
<td>1 week (during a workshop)</td>
</tr>
<tr>
<td></td>
<td>Fund management Board</td>
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<td></td>
<td>Technical Advisory Panel</td>
<td></td>
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<td></td>
<td>Board of Directors</td>
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<tr>
<td>2. Description of roles and responsibilities</td>
<td>The roles of the Technical Advisory Panel and the Board of Directors are not expected to change. But it is expected that the technical Advisory Panel will be recruited by a national entity after the interim period. However, the role the trustee and The Fund Management Board will influence each other depending on how grant management will be shared between the Trustee and The Fund Management Board during the interim and full national ownership period.</td>
<td>12 months since the starting date of NRF operation</td>
<td>1 month including workshop mentioned above</td>
</tr>
<tr>
<td>3. Identification of entity to assume the function</td>
<td></td>
<td>15 months since the starting date of NRF operation</td>
<td></td>
</tr>
<tr>
<td>4. Assessments (of the potential entity and general regulatory environment)</td>
<td>The following elements could be considered (each category consists of further categories) – further elements can be proposed during steps 1 and 2</td>
<td>After identification of entities</td>
<td>3-6 months</td>
</tr>
<tr>
<td></td>
<td>Monetary flows</td>
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<td>Staff</td>
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<td></td>
<td>Accounting policies and</td>
<td></td>
<td></td>
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<tr>
<td>Procedures</td>
<td>After assessments</td>
<td>1 month</td>
<td></td>
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<td>---------------------------------------------------------------------------</td>
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<td></td>
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<tr>
<td>Internal auditing</td>
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<tr>
<td>External auditing</td>
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<tr>
<td>Reporting and follow-up</td>
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<tr>
<td>Information systems</td>
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<tr>
<td>Financial strength (for Trustee)</td>
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<tr>
<td>Experience with integrated Trustee/custodian services (for Trustee)</td>
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<tr>
<td>Program, grant and sub recipient management</td>
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<tr>
<td>Safeguards</td>
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</tbody>
</table>

5. **Develop capacity building plan**
Based on the assessments above

6. **Develop action plan and milestones**
To address gaps identified in the assessments above and complementing the capacity building efforts

7. **Implement capacity building plan**
After the plans adopted

8. **Implement transition**
After the plans adopted
Whenever milestones are reached
Annex 5: Figures

Figure 1: Key relationships of NRF structure

Figure 1: NRF governance arrangements
Figure 3: Disbursement windows

NRF

Window 1: State Management Agencies
Activities
- Operation of REDD+
- National programs and policies
- Activities identified for Government implementation in PRAPs
Entities
- MARD
- MONRE
- Other Ministries

Window 2: Competitive window
Activities
- Capacity building
- Other services and activities identified in PRAPs
Entities
- Non-state administartion agencies
- Research and training organizations

Window 3: Allocation of incentives
Activities
- Inventives provided to forest owners / manager as agreed in Site REDD+ Proposal or forest protection
Entities
- Community development funds
- Households
- FMBs
- FSCs
- Forest owners / managers

Figure 4: Monitoring mechanism

External mechanisms
- Consolidated annual report
- External evaluation
- External audit
- NRIS

Internal mechanisms
- Financial reports
- Narrative reports
- Internal audits
- Programmatic M&E
- Financial M&E

Fund level
Program/project level
Grievance mechanism
Figure 5: Project/programme cycles
### Annex 6: Scope of activities and corresponding funding modalities

<table>
<thead>
<tr>
<th>Activities</th>
<th>Windows</th>
<th>WINDOW 1: Strategic government mandate</th>
<th>WINDOW 2: Competitive window</th>
<th>WINDOW 3: Allocation of incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Operation and management of the national REDD+ Program (MRV, NFMS, SIS)</td>
<td>✓</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>2. Support to national policies and programs</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Research</td>
<td>✓</td>
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<tr>
<td>4. Development of PRAPs</td>
<td>✓</td>
<td></td>
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</tr>
<tr>
<td>5. Implementation of PRAPs</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>6. Implementation of ER Program</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>