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SOCIALIST REPUBLIC OF VIETNAM

March 30, 2011

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Re: Credit No. 3953-VN and GEF Trust Fund Grant No. TF053397-VN
(Forest Sector Development Project)

Performance Indicators

Dear Sir/ Madame:

We refer to paragraph 17 (a) of Schedule 4 to the Development Credit Agreement dated April 4, 2005 between the Socialist Republic of Vietnam and International Development Association and paragraph 9 (a) of Schedule 4 to the GEF Trust Fund Grant Agreement dated April 4, 2005 between the Socialist Republic of Vietnam and International Bank for Reconstruction and Development, both for the Forest Sector Development Project.

The Performance Indicators set forth in the letter dated April 4, 2005 are deleted in entirety and restated for ease of reference in the current format of annex to this letter.

Please confirm the agreement on behalf of the Association and the Bank, respectively, to the application of these Performance Indicators by signing the form of confirmation below.

Very truly yours,
SOCIALIST REPUBLIC OF VIETNAM

By: /s/ Nguyen Van Binh

Authorized Representative

Confirmed:

International Development Association
International Bank for Reconstruction and Development

By: /s/ Victoria Kwakwa

Authorized Representative

Headquarters: 1818 H Street, N.W., Washington, D.C. 20433, U.S.A.
## Results Framework and Monitoring

<table>
<thead>
<tr>
<th>PDO</th>
<th>Project Outcome Indicators</th>
<th>How will this Outcome Information be used?</th>
</tr>
</thead>
</table>
| To achieve sustainable management of plantation forests and the conservation of biodiversity in special use forests. | 50 percent of the smallholder plantation area of the project is certifiable according to international standards for sustainable forestry. | **Year 1-3:** To measure whether the project follows prescribed guidelines for plantation establishment, including social and environmental project prescriptions.  
**Year 4:** If necessary, to determine whether the strategy for compliance with project guidelines needs to be changed.  
**Year 5:** To guide implementation for overall plantation program and its continuation/expansion. |
<p>| Management effectiveness in SUFs will improve (in %) and measured by using the Management Effectiveness Tracking Tool (METT). | <strong>Year 3-6:</strong> To review and feed into management guidelines and management plans for the SUFs. |</p>
<table>
<thead>
<tr>
<th>Intermediate Outcomes</th>
<th>Intermediate Outcome Indicators</th>
<th>Use of Intermediate Outcome Monitoring</th>
</tr>
</thead>
</table>
| **Outcome 1**  
(\textit{the result of Component 1})  
Draft policies available for promoting the development of private (smallholder) sector and market development for plantation forestry. | Plantation management, forest land allocation guidelines, investment procedures and institutional models for smallholder forest plantation management developed in the four participating provinces. | **Year 5**: To assess the potential for replication of the project’s approach to smallholder forestry and its overall sector impact. |
| **Outcome 2**:  
(\textit{the result of Component 2})  
Provincial Forestry Departments are able to inform, train, inspect and monitor smallholder forest plantations according to prescribed project procedures. | Compliance checks by provincial Departments of Agriculture and Rural Development (DARD) meet prescribed project implementation standards for approximately 70 percent of the plantation area. | **Year 3-5**: To review whether prescribed project guidelines are followed properly or adjustments for compliance are needed. This includes compliance with Ethnic Minority Development Plan and environmental guidelines. **Year 5**: To inform the process of national plantation policy formulation. **Year 5**: Low yield levels may indicate: (a) poor information dissemination/training; (b) lack of incentives for plantation management and production for competitive markets; (c) other conditions outside the influence of the project (natural disasters etc.). |
| **Outcome 3**:  
(\textit{result of Component 2})  
Participating smallholders have skills and knowledge to manage plantations according to prescribed project guidelines. | Rotation yields at the end of first cycle are in line with project plantation models. | |
| **Outcome 4**:  
(\textit{result of Component 3})  
Special Use Forests are managed and protected according to international conservation standards. | 30 supported Special Use Forests are implementing management plans of international standards (METT) and are managed in cooperation with local communities. | **Year 1-3**: To determine management effectiveness and outreach. **Year 5**: To feed into broader programs for replication in other Protected Areas. |
<table>
<thead>
<tr>
<th>Intermediate Outcome Indicator</th>
<th>Target values</th>
<th>Data Collection and Reporting</th>
<th>Responsibility for Data Management and Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Baseline</td>
<td>YR1</td>
<td>YR2</td>
</tr>
<tr>
<td>50 percent of the smallholder plantation area of the project is certifiable according to international standards for sustainable forestry.</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Management effectiveness in Special Use Forests will improve (in %), measured by using the METT.</td>
<td>0</td>
<td>%</td>
<td>%</td>
</tr>
</tbody>
</table>

**Results Indicator for Each Component**

**Component 1**
Plantation management, land allocation guidelines, investment procedures and institutional models for smallholder plantation management developed. None

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th>Annual and semi-annual reports (qualitative assessment)</th>
<th>Policy Studies and reports</th>
<th>CPCU; VCF Secretariat</th>
</tr>
</thead>
</table>

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<table>
<thead>
<tr>
<th>Component 2</th>
<th>Compliance checks by provincial DARDs meet prescribed project implementation standards for approximately 70 percent of the plantation area.</th>
<th>None</th>
<th>0</th>
<th>0</th>
<th>30</th>
<th>50</th>
<th>70</th>
<th>70</th>
<th>Project compliance monitoring. DARD periodic assessments. External evaluation.</th>
<th>CPCU; PPMUs, DARDs, DIUs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 2</td>
<td>Rotation yields at the end of first cycle are in line with project plantation models (in % of model yield)</td>
<td>None</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>50</td>
<td>100</td>
<td>Annual and semi-annual reports</td>
<td>Project compliance monitoring. DARD periodic assessments. External evaluation</td>
</tr>
<tr>
<td>Component 3</td>
<td>30 supported Special Use Forests are implementing management plans of international standards (METT) and are managed in cooperation with local communities</td>
<td>None</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>Annual and semi-annual reports, including cumulative report with individual SUF ratings</td>
<td>Management Effectiveness Tracking Tool (METT)</td>
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</tbody>
</table>