



PAYMENTS FOR FOREST ENVIRONMENTAL SERVICES IN VIET NAM

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OUTLINE OF PRESENTATION

1. Background of policy

2. Results/Initial impacts

3. Problems/difficulties need to be solved

4. Lessons learnt and Recommendations



1. BACK GROUND OF THE POLICY

Vietnam is one of the first countries in Southeast Asia and the world to initiate a nationwide PFES scheme

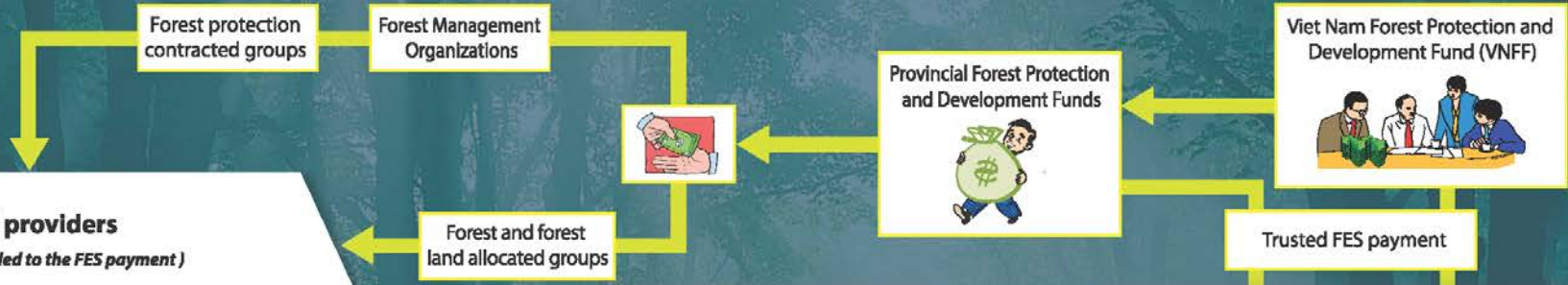
● **05/02/2007**
Viet Nam Forestry Development Strategy 2006-2020

● **14/01/2008**
Decree 05 on the Forest Protection and Development Fund

● **10/04/2008**
Decision 380 on the Pilot policy on payment for forest environmental services (Lam Dong & Son La)

● **24/09/2010**
Decree 99 on the policy on payment for forest environmental services implementing nationwide

Payment for Forest Environmental Services in Viet Nam



FES providers

(who are entitled to the FES payment)

- **OWNERS** of forest areas located in the watershed
- Organizations, households, individuals, local communities implementing **forest protection** contracts in watershed with forest owners who are state organizations.



Forest owners include:

- Organizations, households, individuals, local communities who are allocated forests by the government;
- Organizations, households, individuals, local communities who are leased forests for long-term and permanent management purposes;
- Organizations, households, individuals, local communities who contribute their own investments to establish forests on the allocated forest land.



Forest environmental services (FES)



Soil protection, erosion control



Natural landscape beauty



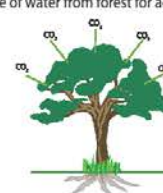
Water regulation and supply



Provision of spawning grounds, sources of feeds and natural seeds, use of water from forest for aquaculture



Biodiversity conservation



Carbon sequestration

FES users

(who pay for FES)



Hydropower plants



Fresh water supply companies



Facilities using services for carbon sequestration and aquaculture



Eco-tourism businesses

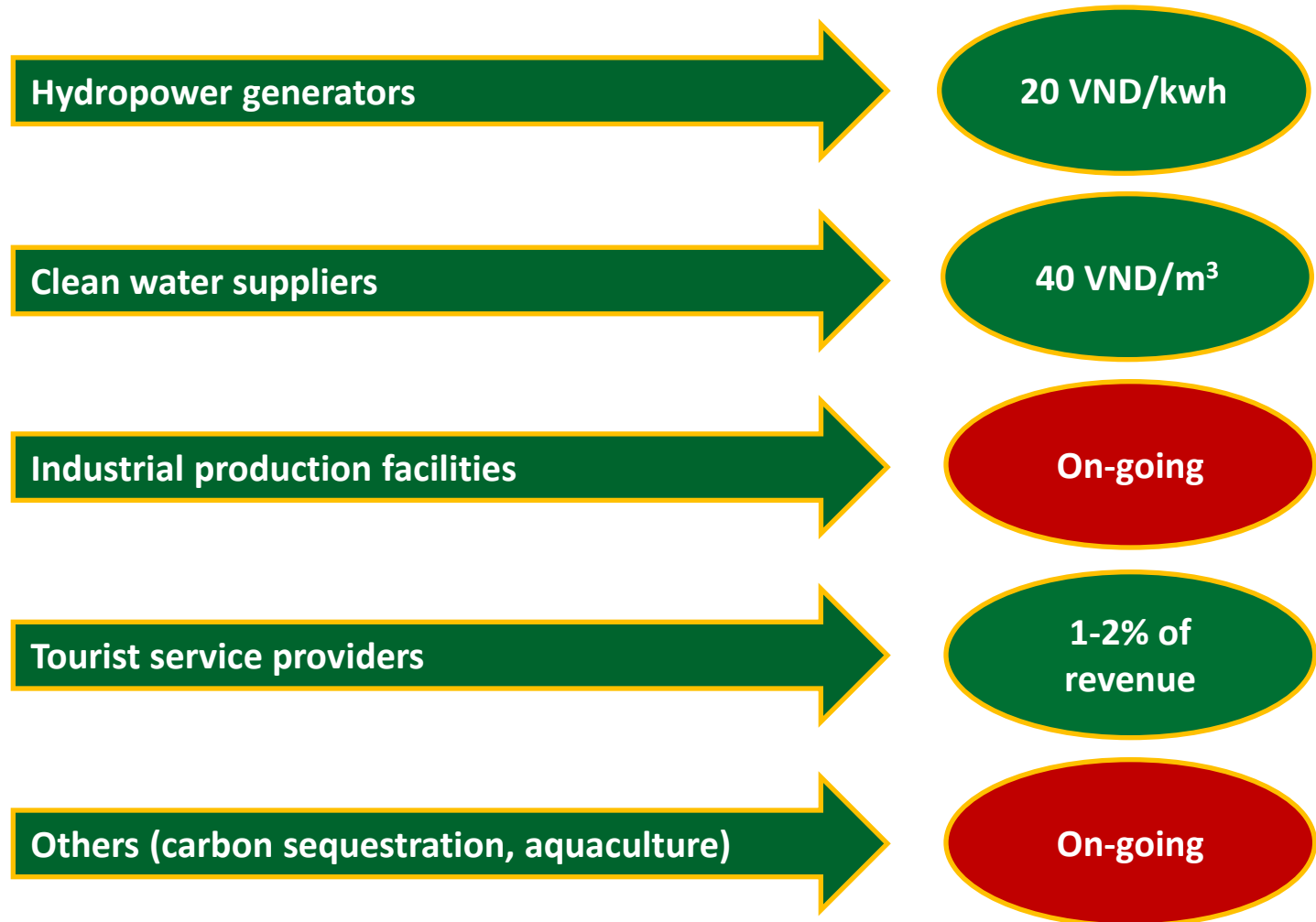


Industrial manufacturers who use surface or underground water



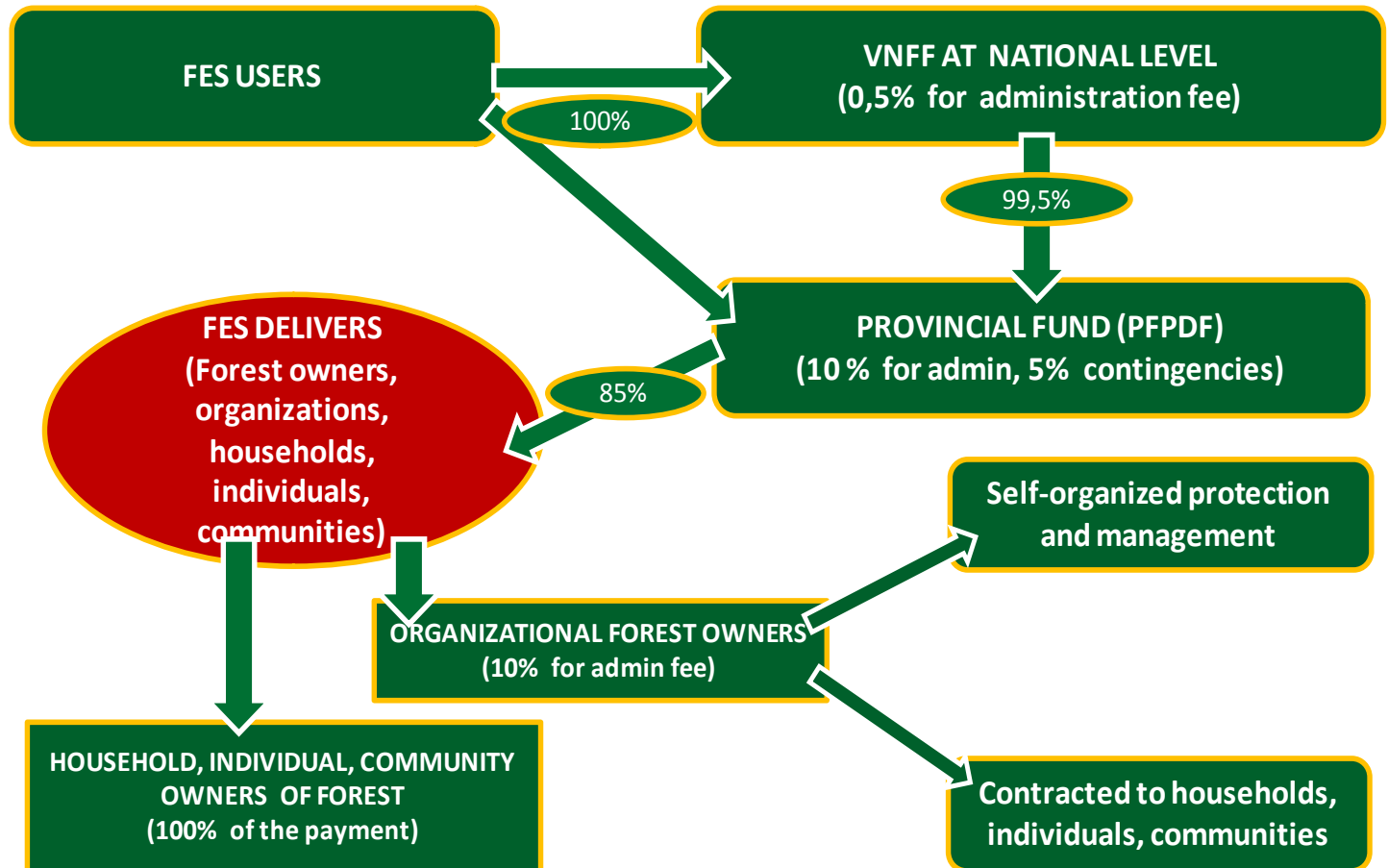


Level of Payment for each FES User





PFES Distribution Mechanism

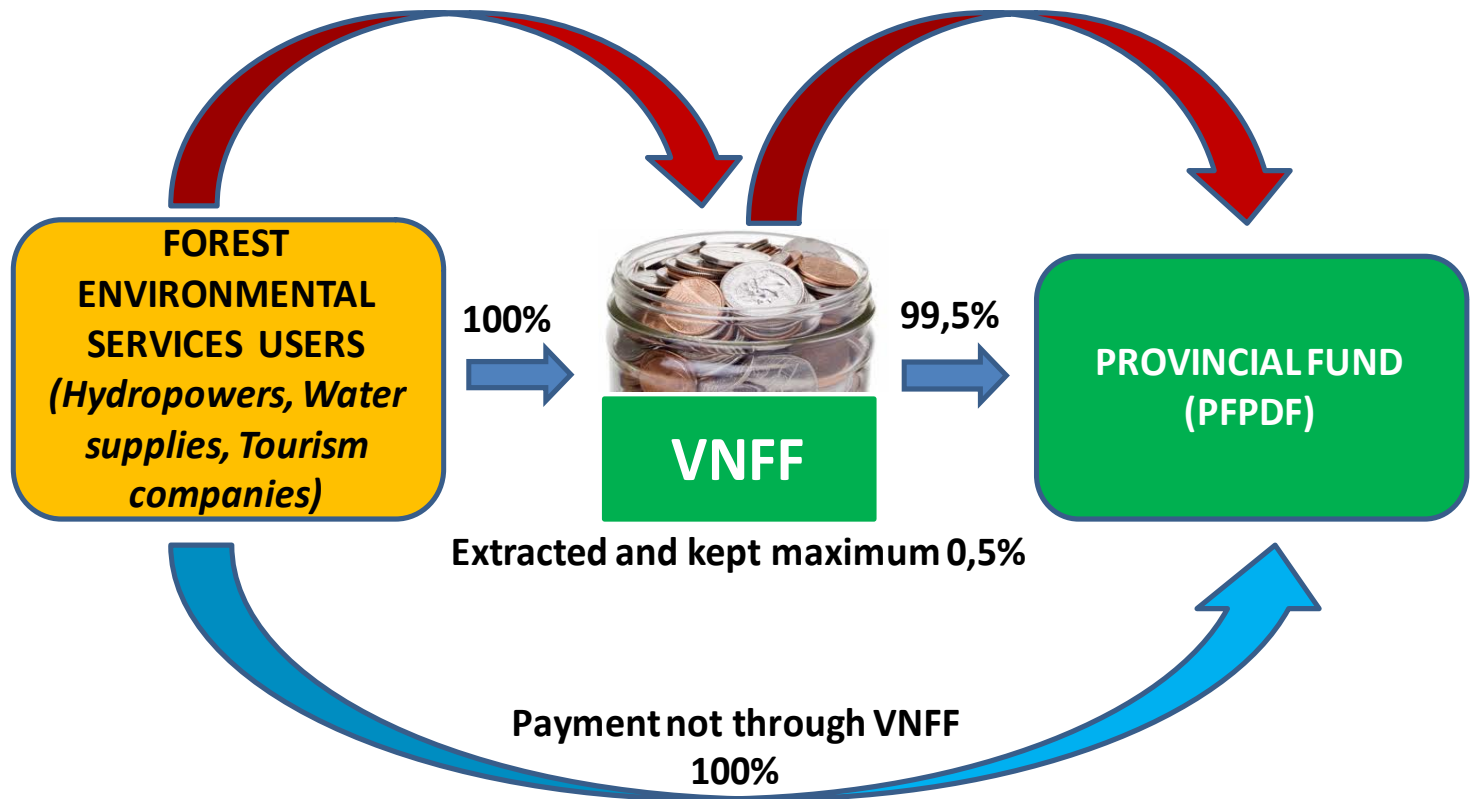




PFES Modality

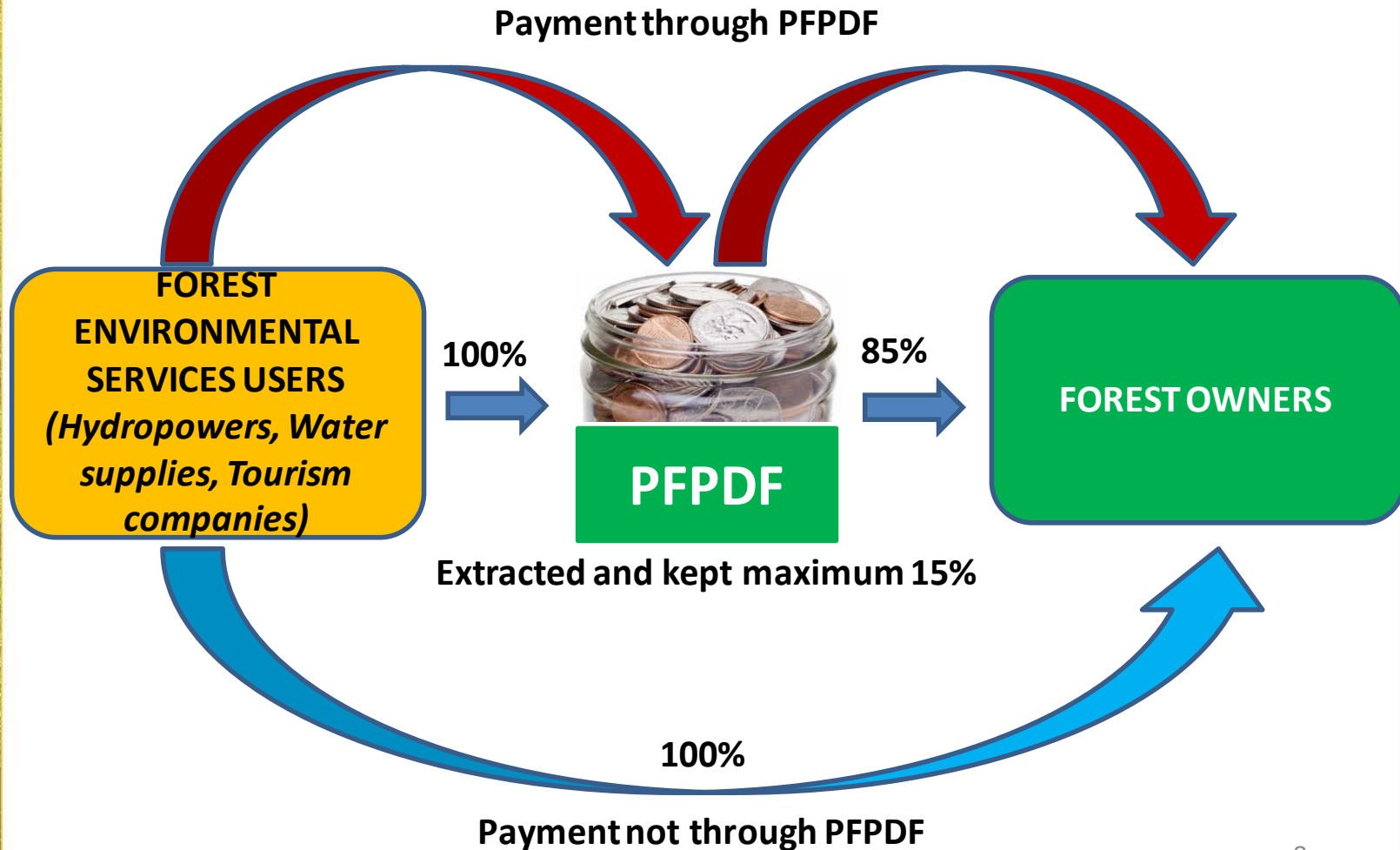
Example: Trust fund for PFES according to Decree No. 99/2010/NĐ-CP

Payment through VNFF





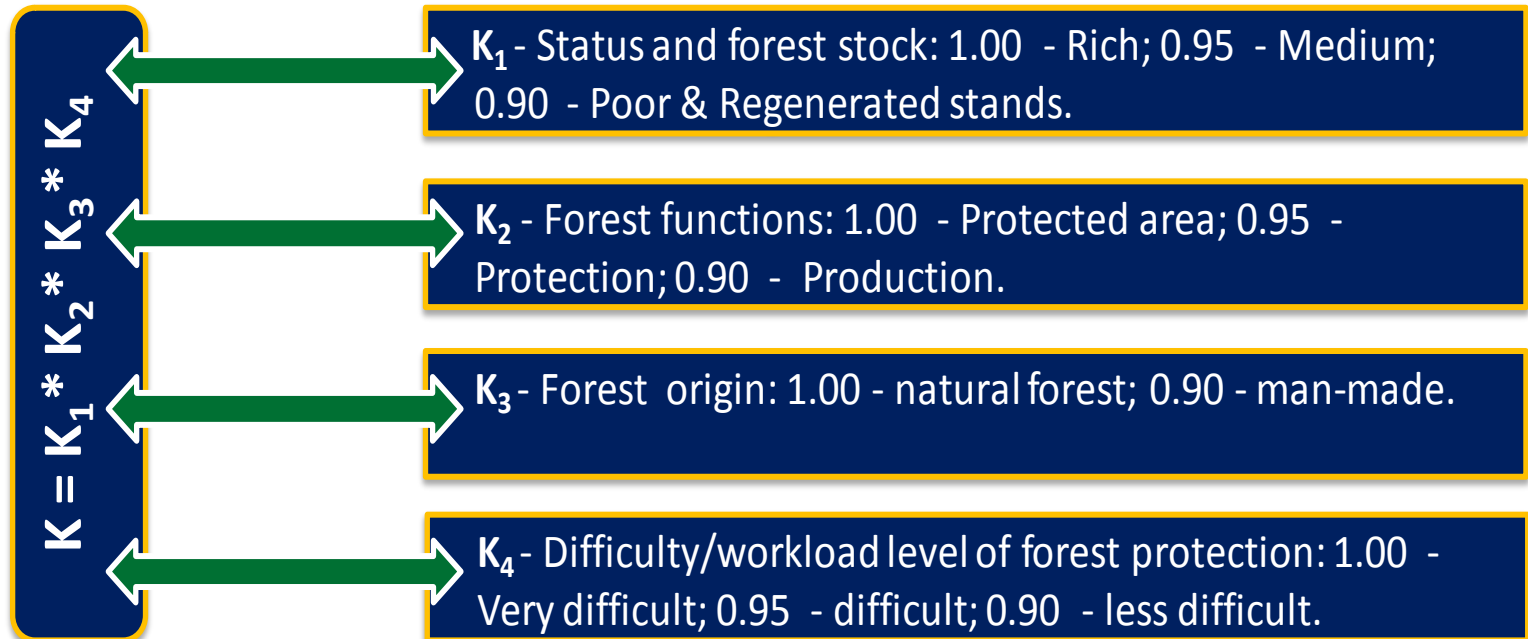
PFES Modality (continued)





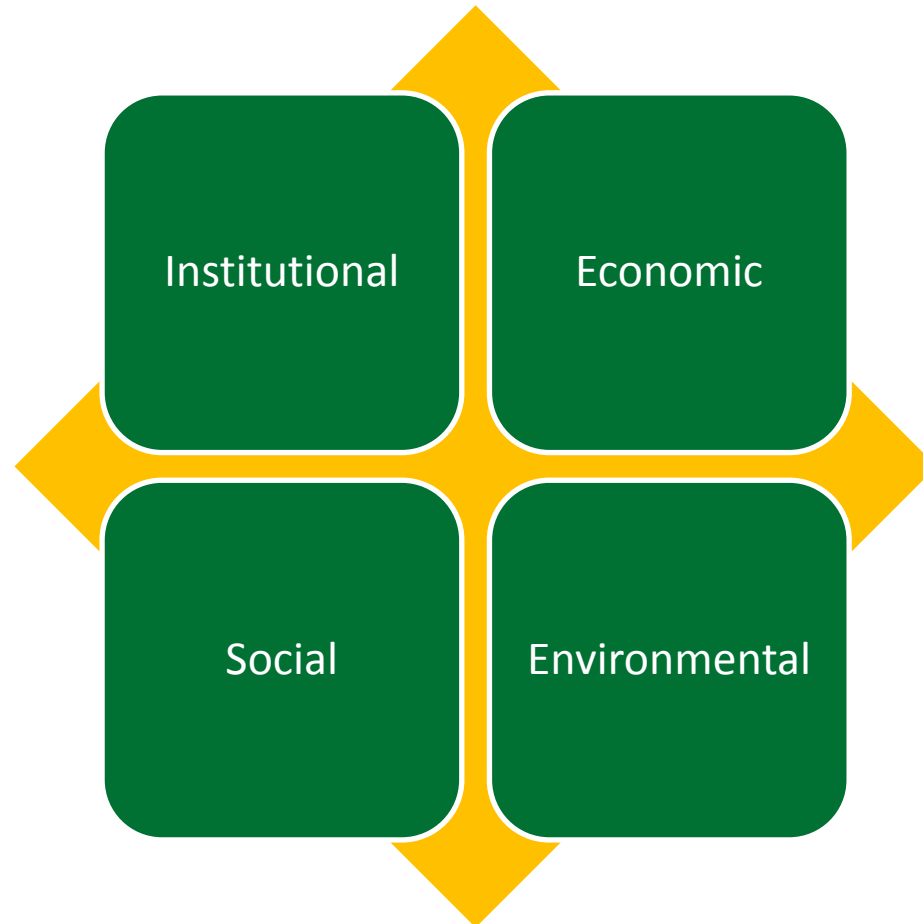
Distribute PFES to forest owners

$$\text{Total PFES revenue} = \text{PFES payment unit (VND/ha)} \times \text{Area of allocated/contracted forest (ha)} \times \text{Payment level adjustment coefficient (K)}$$

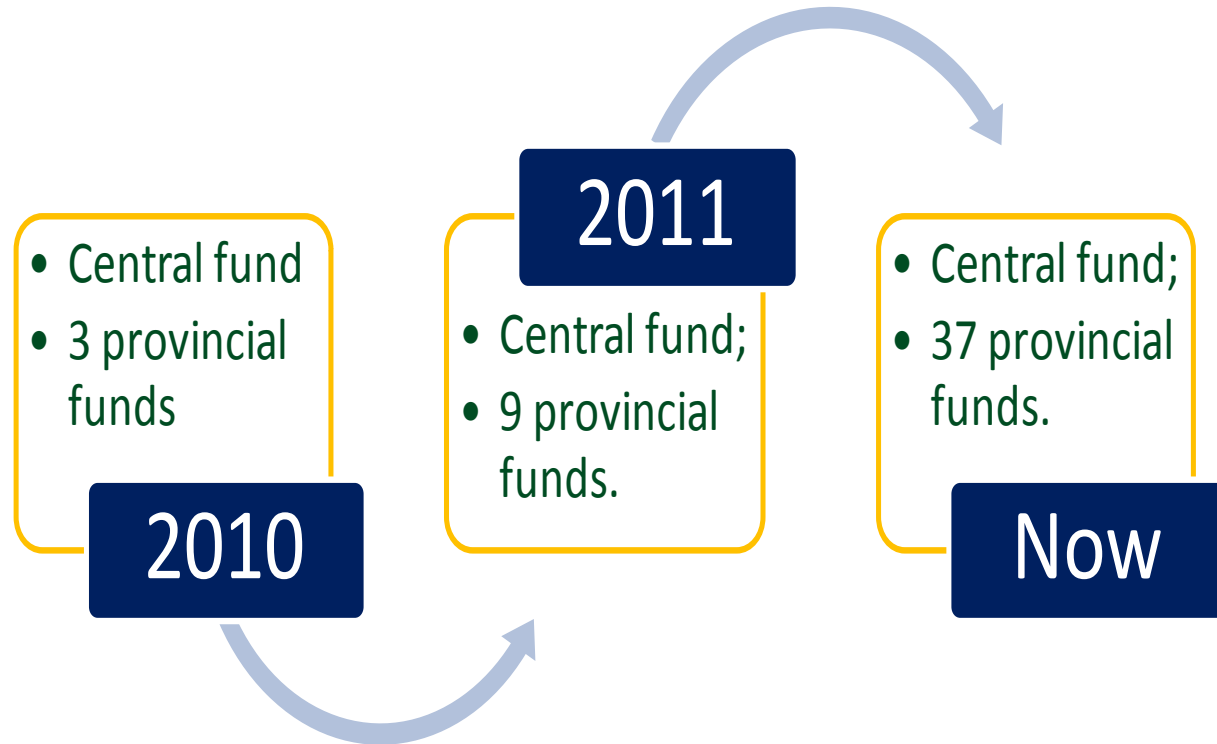




2. RESULTS/INITIAL IMPACTS



2.1. Institutional Impacts



- Some provinces have already set up district branch of FPDF (Sơn La), and commune funds (Quảng Trị);
- In the future, REDD+ FUND will constitute a part of FPDF.



2.2. Economic Impacts

397
contracts

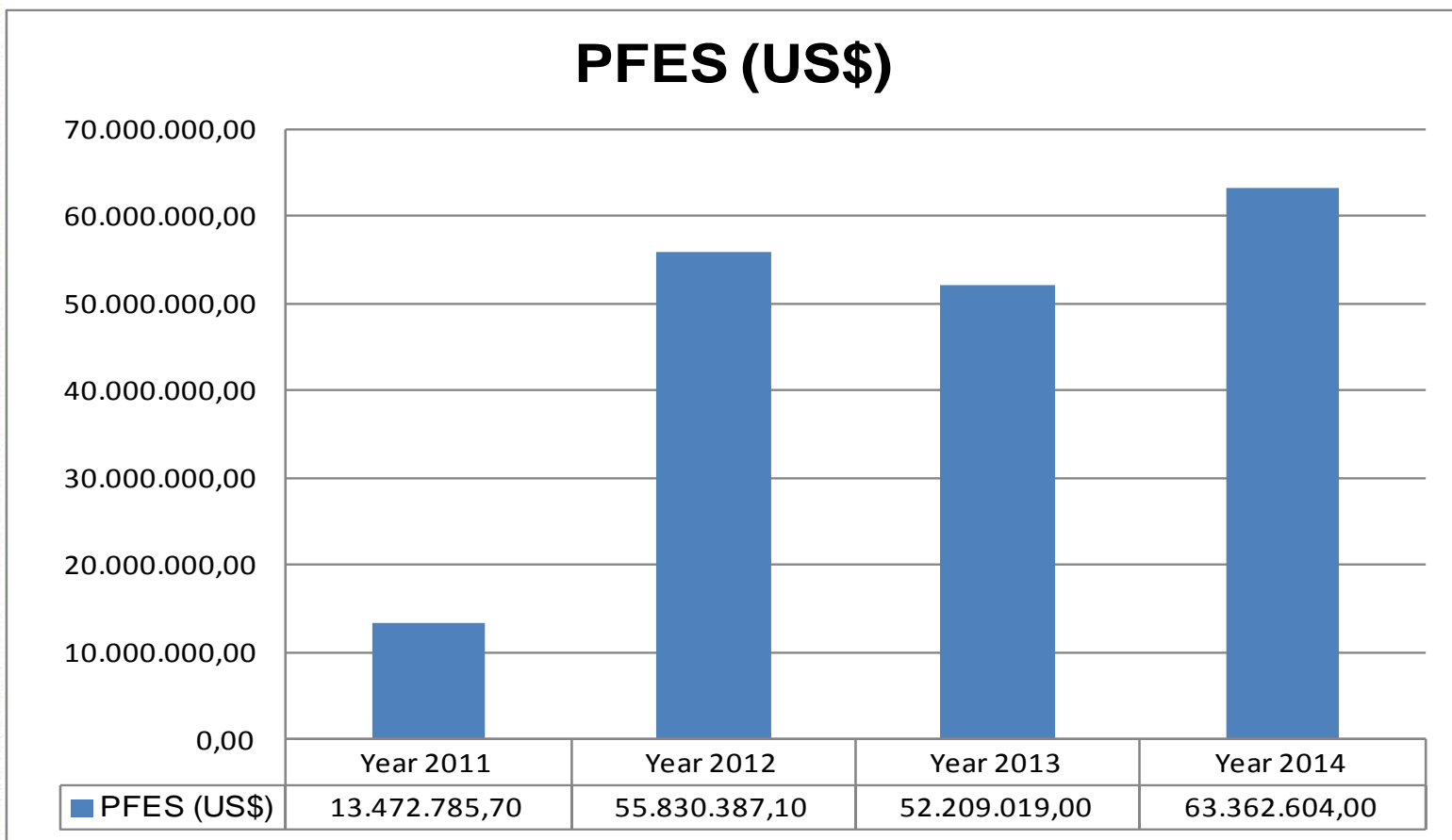
- Hydropower: 276 contracts;
- Water supply: 77 contracts;
- Tourism: 44 contracts.

184.9
million
US\$

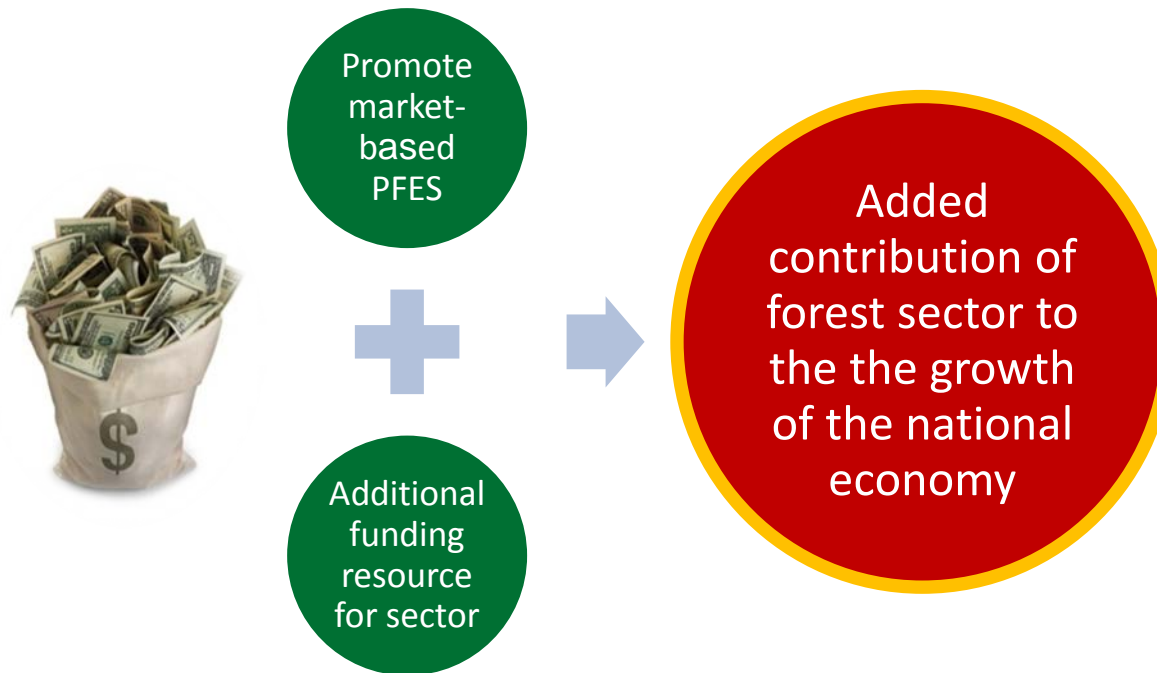
- Hydropower: 180.6 million US\$;
- Water supply: 4.05 million US\$;
- Tourism: 0.211 million US\$.



2.2. Economic Impacts (continued)



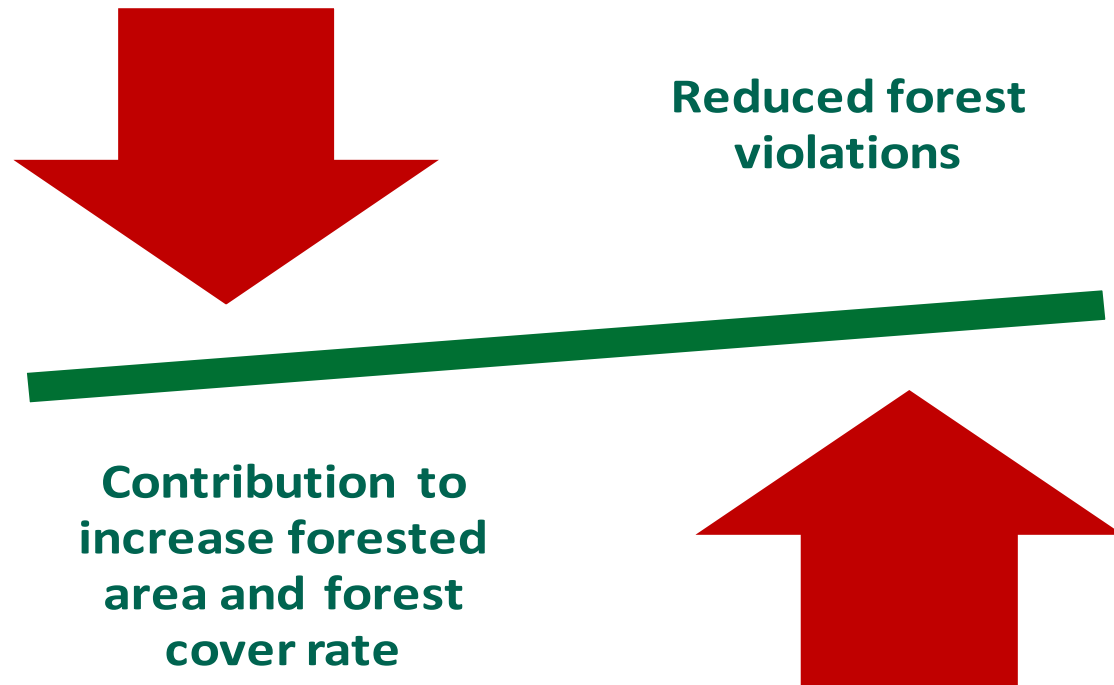
2.2. Economic Impacts (continued)



FES payments provide additional capital investment in the forestry sector (accounting for 22.3%)



2.3. Environmental Impacts





2.3. Environmental Impacts (continued)

Indicators	2008	2009	2010	2011	2012	2013
<i>Forested area (million ha)</i>	12,84	12,90	13,03	13,14	13,46	13,56
<i>Forest coverage (%)</i>	38,70	39,10	39,50	39,70	39,90	39,71

FES Money supports for forest protection of 2.8 - 3.37 million ha/year out of the total 13.8 million ha (accounting for 20-24% of total existing forest area of the country).



2.3. Environmental Impacts (continued)

Description of status	Progress over years					(+) / (-) 2013 vs 2010 (%)
	2010	2011	2012	2013	Total	
Forest violation case	66.925	58.655	57.132	54.745	237.457	-18,20%
Destroyed area (ha)	133.850,00	117.290,00	114.264,00	109.490,00	474.894,00	-18,20%
Forest fired areas (ha)	267.658,00	234.580,00	228.528,00	218.980,00	949.746,00	-18,19%



2.4. Social Impacts

- Created jobs with participation of 236,425 households of contracted forest (90% minority people);
- Improved income/livelihood for people who are engaged in forestry (from PFES revenue average 90 USD/household/year);
- Created new revenue source for forest owners, especially some forestry companies.





3. PROBLEMS/DIFFICULTIES

AT CENTRAL LEVEL

- Guiding document for implementation of Decrees 05 and 99 not yet fully developed and detailed enough;
- Difficult to determine forest area located in inter-provincial watersheds.
- Not yet created sanction mechanism for PFES violation

AT LOCAL LEVEL

- Delayed implementation arrangement, particularly fund's structure and staff.
- Policy dissemination, awareness communication, training and capacity building have not been sufficient; disbursement rate quite low.

AT FES USERS

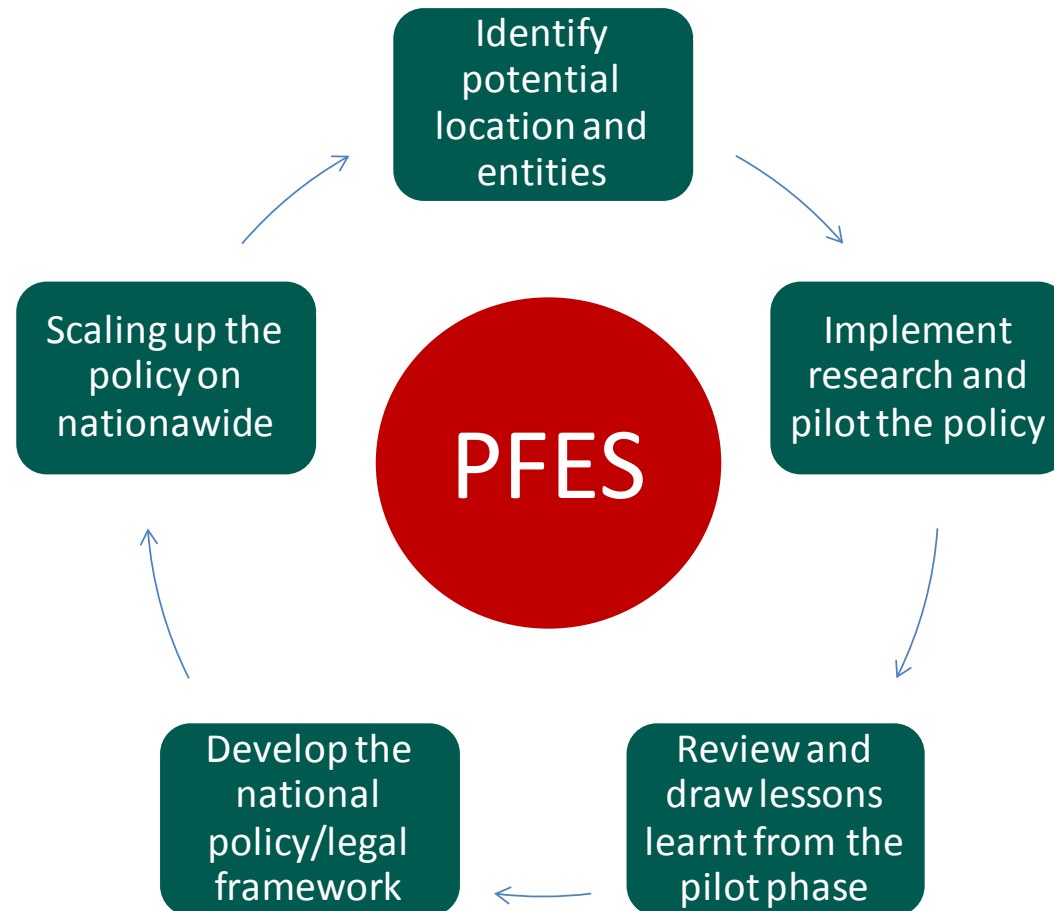
- Awareness on policy still low. Some private or joint-ventured hydropower's still reluctant to pay or find the way to escape.
- M&E system has not been fully developed and detailed enough to provide data timely.



4. LESSONS LEARNT AND RECOMMENDATIONS

- ▶ Political will, legal frameworks and strong commitment from Gov. at all levels are needed for implementing in nationwide;
- ▶ Adequate resources and facilities should be provided for policy implementation and for speeding up forest re-demarcation and re-identification for forest owners;
- ▶ Frequently update regulations and guidance; tools, instruments developed, agreed by consultation of parties;
- ▶ Communications, awareness raising and capacity building to improve knowledge of relevant actors;
- ▶ Strengthen collaboration amongst relevant stakeholders (in-side and out-side) in implementing the policy;
- ▶ Set up M&E system helps supervision of fund management, utilization properly and update data of policy impacts.

SUMMARY OF STEPS TO IMPLEMENT PFES





VISION OF THE VNFF



VISION

Until 2020 the VNFF is striving to become a pioneering financial institution in Vietnam and in Southeast Asia.

Its objective is to effectively support the development of Vietnam forest sector through the mobilization of social resources for forest protection and development, biodiversity conservation, climate change impact mitigation and adaptation, contribute to improving the livelihoods of the communities and people living close to the forest



THANKS FOR YOUR KIND ATTENTION!

*“Forest Protection and Development Funds
in line with Payment for Forest
Environmental Services”*

For *Green* Future of Vietnam!

