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Payment for Forest Environmental Services: Lessons Learned from Vietnam

Pham Thu Thuy, CIFOR

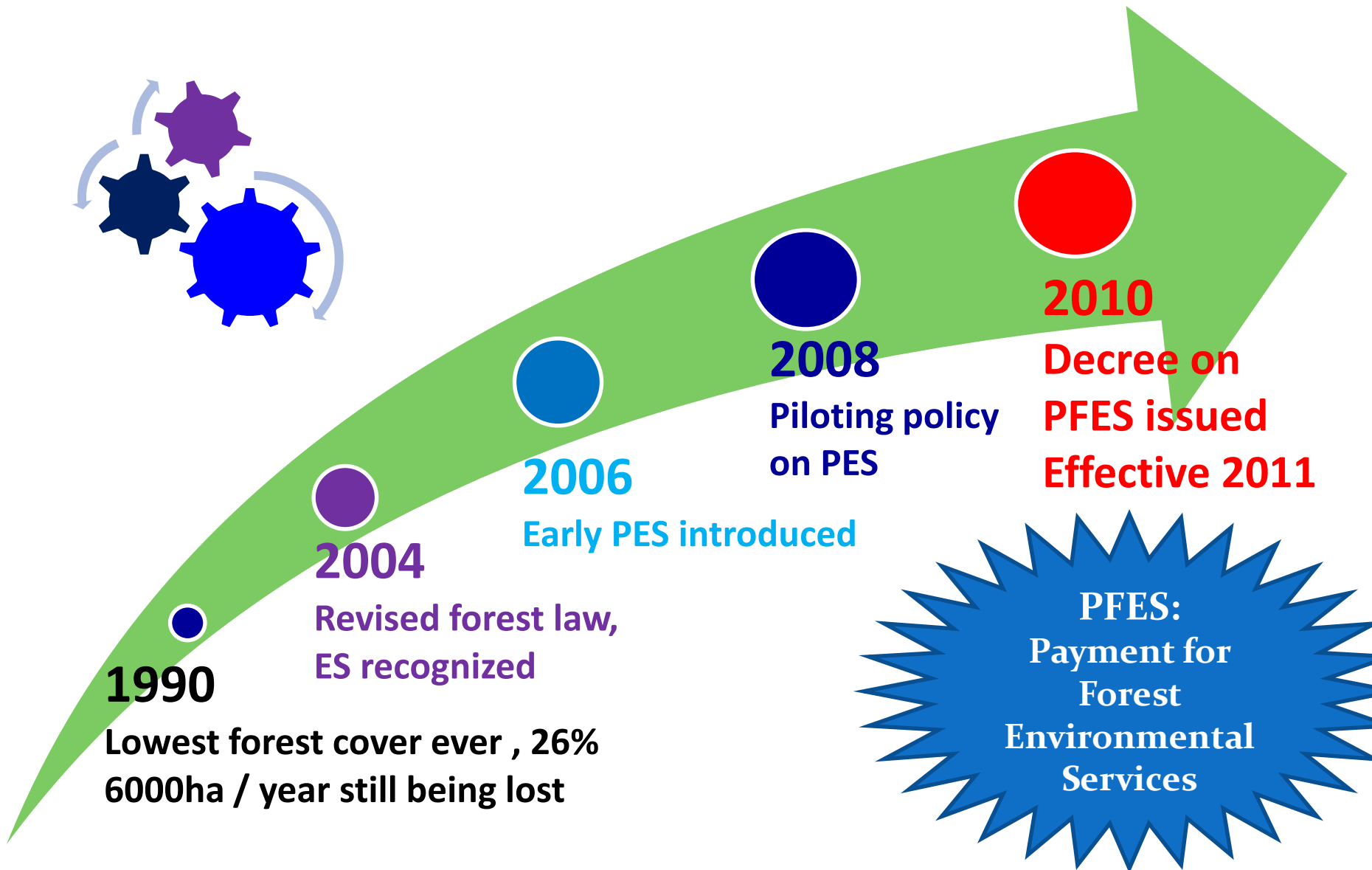
Karen Bennett, USFS

Vu Tan Phuong, VAFS

Vietnam in Context to SE Asia



Vietnam PES Development



DECISION

On approving the Project on “Implementation of the Decree 99/2010/ND-CP dated September 24, 2010 of the Government on the policy for payment for forest environmental services”

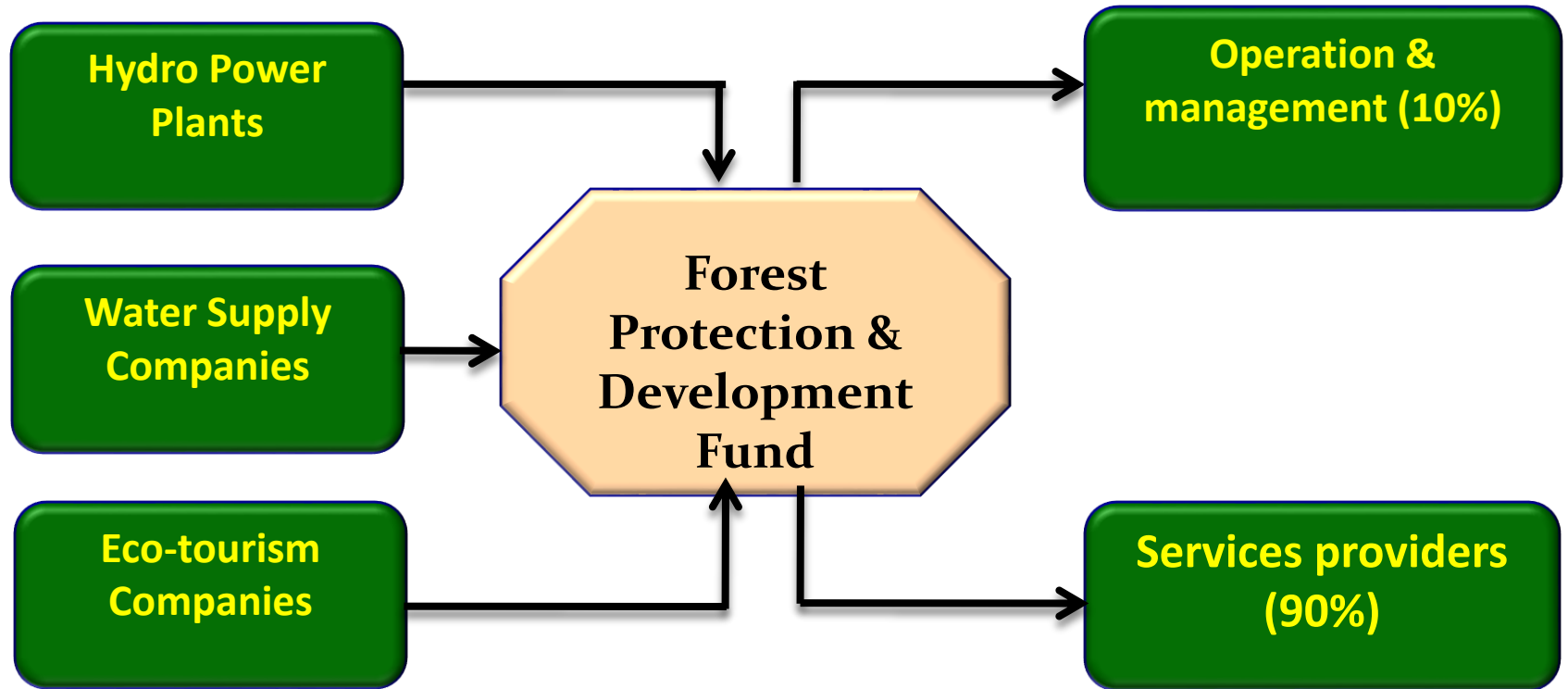
A Brilliant Decree

- Generate financial sources for forest management
- Securing environment for protection, production and livelihood
- Contribute to improving income of local people involved in forest management



Initiated by and through support of USAID/RDMA (Regional Development Mission for Asia) and Winrock International Asia Regional Biodiversity Conservation Program and the Government of Vietnam 2002

Simplified PFES scheme



- FPDF is non-profit fund managed by Ministry of Agriculture & Rural Development
- Hydro Power Plant charges 20 VND/kwh (\$.0009) to users of electricity;
- Water supply company charges 40 VND/m³ (\$.002) to users of clean water
- Eco-tourism companies pay 1-2% of revenue earned

Forests – Carbon Sequestration



8 Forested Ecological System
42% of land area is forested (2011)
74% natural regen, 25.4% plantation
0.6% primary



Source: FAO 2010

Watershed Protection

Erosion Control & Flood Regulation



Watershed Protection

- Clean Water



Protect Natural Landscape Beauty

Biodiversity



Vietnam

Top 16 most bio-diverse countries in the world

- 700 species of animals and plants are threatened with extinction nationally
- 300 species are threatened with global extinction
- 49 species are classified as “critically endangered”



Protect Natural Landscape Beauty

EcoTourism



38% of GDP in 2004

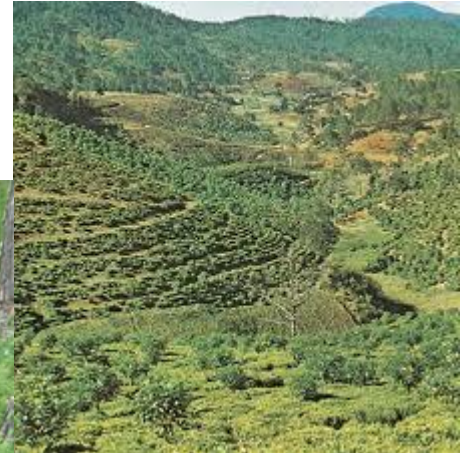
Protect Spawning Grounds



Richard Crank



Wise Land Use Decisions



Enforcement of Laws

Improve Health and Reduce Rural Poverty



“The rights of local people managing forests will play an increasingly important role in the nation’s forestry policies.., But if local people have no legal right to the forest then they will be at a great disadvantage in trying to get any benefits”

Dr. Nguyen Quang Tan, IIED

Achievements 2011-2013

- Central steering committee led by Minister of Agriculture and Rural Development
- 20 legal documents issued
- 40 / 63 provinces established steering committee to oversee the implementation of PFES; and 36 funds founded



Achievements 2011-2013

- Annual revenue of \$51.3 million generated from PFES
 - hydro power plants pay over 98%
- About 3 million ha of forest protection are paid annually (\$15/ha/year)
 - 25% of rural farm income
- PFES revenue contributes to 23% of investment in forestry



Key gaps/limitations of PFES

- Forest data for PFES not reliable
 - no frequent update or no link with national forest inventory data
 - Ownership boundaries unclear
- Absence of monitoring and evaluation system
 - forest quality/quantity
 - erosion
 - income of local people, etc.
- High transaction costs
 - large number of service providers (forest owners)
- High opportunity costs
 - PFES: \$ 15/ha/yr
 - Coffee: \$2,000/ha/yr
 - Maize: \$1,500/ha/yr

Lessons from PFES in Vietnam

Assess PFES in Vietnam, considering 3 criteria:

- **Effectiveness:**

improvement in forest quantity and quality and social well-being;

- **Efficiency:**

costs associated with PFES transaction and implementation;

- **Equity:**

contextual, procedural and funds distribution

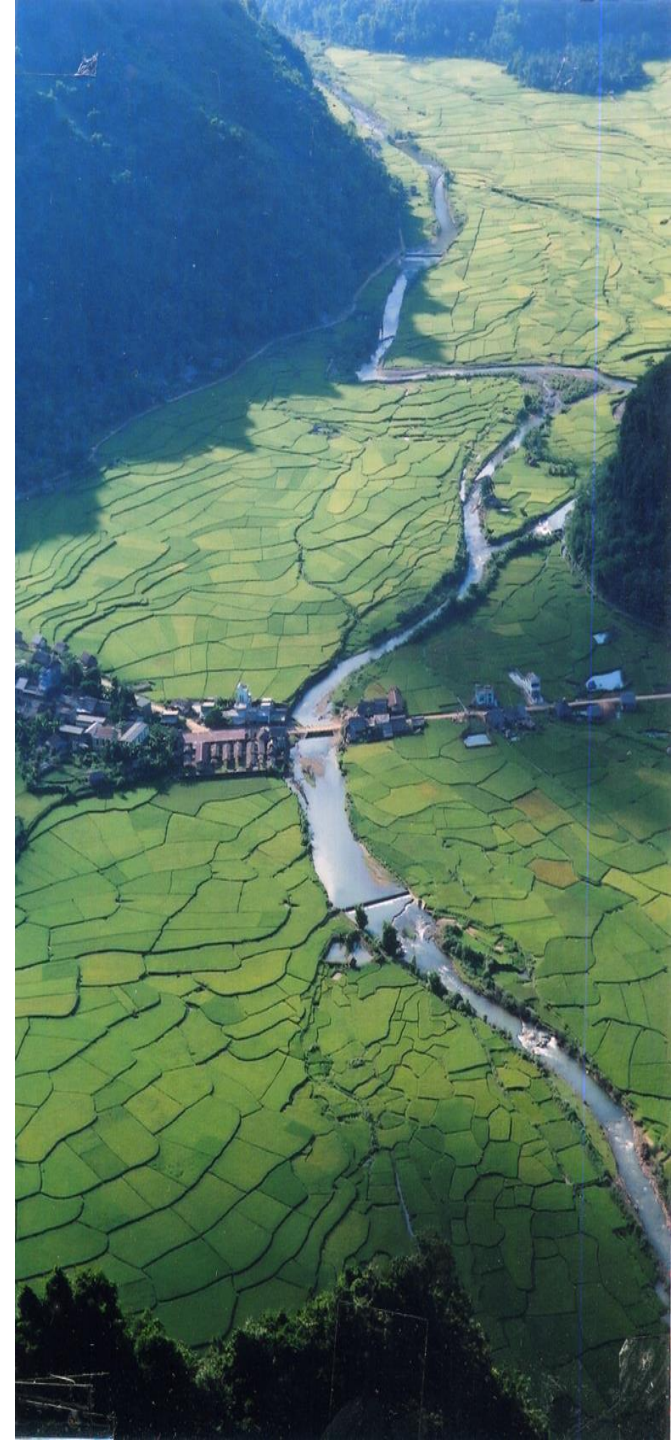
Effectiveness lessons:

- Set up “baseline” condition of forests
 - Unreliable forest data
- Develop criteria and indicators for monitoring environmental services
- Improve capacity/skill for data collection/analysis
- Integrate with governmental development programs
- Independent auditing



Efficiency lessons:

- Clear up land allocations
 - Identify rights to forestland
- Demarcate forestland on maps and in the field
 - solve conflicts before signing contracts
- Ensure implementation of contract conditions
- Prepare reliable, frequent and timely data on payment distribution
- Group contracts should be encouraged to reduce transaction costs



Equity lessons:

- Identify socio-economic baseline & impacts
- Trust and accountability in local leaders are key factors in determining preferences for how PFES payments are structured;
- “Grievance” handling system is needed to enhance accountability and transparency
- Inclusion of local villagers in decision making



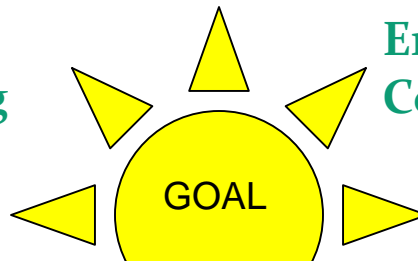
M&E System

Outcomes

Measured every 5 years -
participatory and
independent 3rd party

Improved
Social
Well-Being

Improved
Environmental
Conditions



Determine Institutional and
Policy Impact

Determine socio-
economic impact

Determine
environmental impact

Inputs

Measured annually -
participatory or designated
official body

Employ grievance system

Collect and record
payment from buyer

Record payments, maintain records,
and ensure payment is received by
ES sellers

Develop contracts
with ES buyers

Confirm forest protection and
pay for contract compliance

Identify beneficiaries
(legislated or new)
- **ES Buyers**

Develop contracts with willing ES
sellers
**individual households, groups,
communities, companies, etc.**

Identify eligible land owners/managers
and boundaries on the ground
- **ES Sellers**

Establish Baseline -
Existing Environmental and
Socio-Economic Conditions

Identify land providing specific ES
to be protected/enhanced.

Identify watershed or area contributing to ES buyers

Establishing a PFES Community of Practice

World café discussions

- 3 regional CoP sessions held 2014
- Open forum to discuss progress / share knowledge
- Central Government Officials engaged
 - Directly hearing from locals
- Suppliers/Buyers/Brokers all attend
- Sustainable?



Team building



Key message

Ground breaking legislation

- **Effectiveness:**

Establishing M&E for assessing implementation, performance and procedural aspects

- **Efficiency:**

PFES should compliment other governmental programs, bundle payments

- **Equity:**

Inclusivity in procedural processes by multi-stakeholder groups and overall improved governance



Thank you

OCCASIONAL PAPER



Payments for forest environmental services in Vietnam

From policy to practice

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