

10 YEARS OF PFES POLICY IN VIETNAM:

ADB

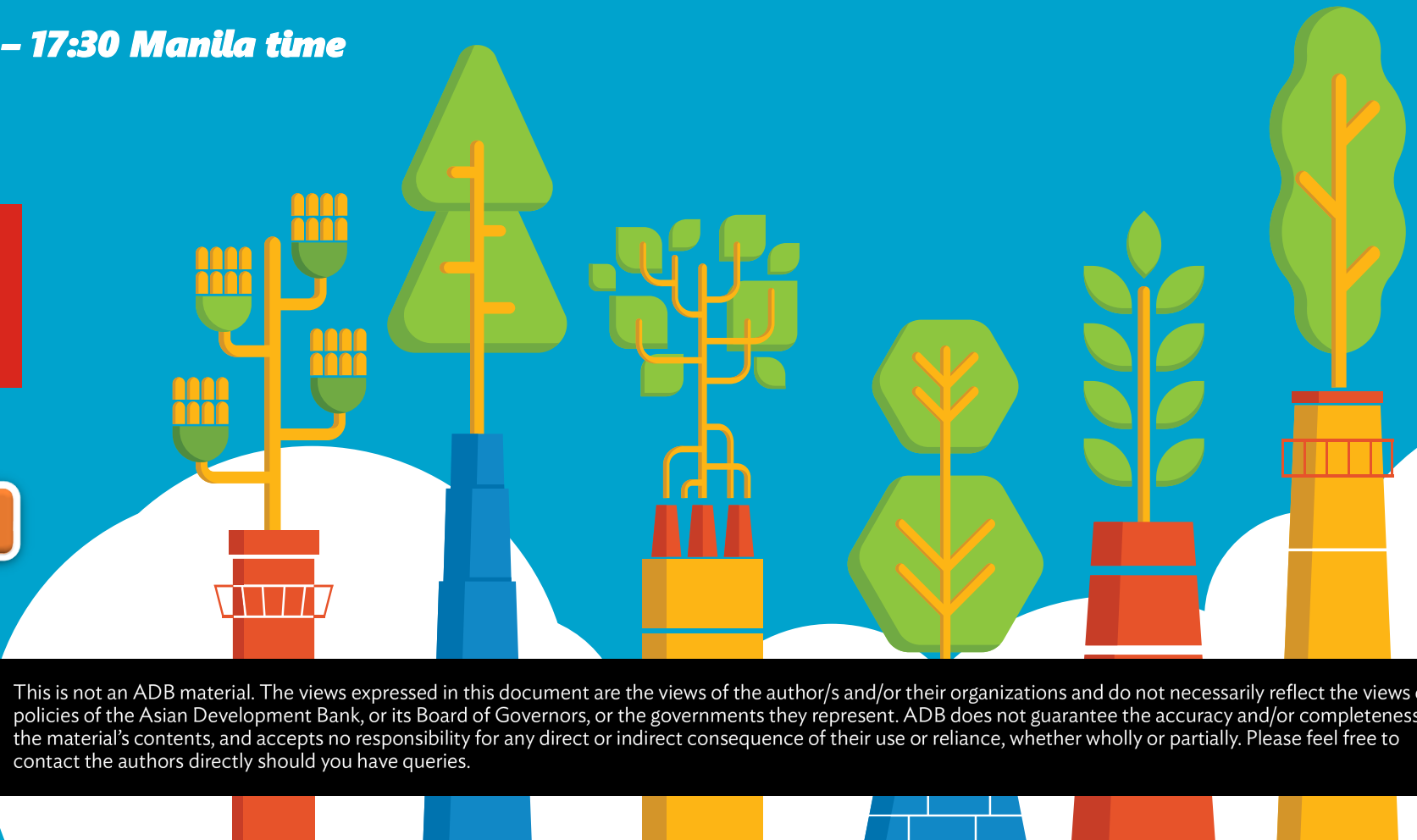
From theory to practice

Webinar: 4 August 2021, 16:00 – 17:30 Manila time



MR. PHAM HONG LUONG

**Sustainable Financing for Nature
Positive Investments: Tools for
Integrating Economic and Market-
Based Instruments into Projects**



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OUTLINES



No	Contents
1	Policy overview
2	Policy implementation and impacts
3	Lessons learned
4	Difficulties and Challenges
5	Opportunities
6	Key messages

POLICY OVERVIEW

*Prime Minister Decision
380/QĐ-TTg on piloting PFES in
2 provinces (Son La and Lam
Dong)*



*Decree 147 on revise and
supplement some articles of
Decree 99; Forestry Law (2017)
and Decree 156/2018/NĐ-CP;
Forestry Strategy*

**2008
STUDY AND PILOT**

**2010
INSTITUTIONALIZE**

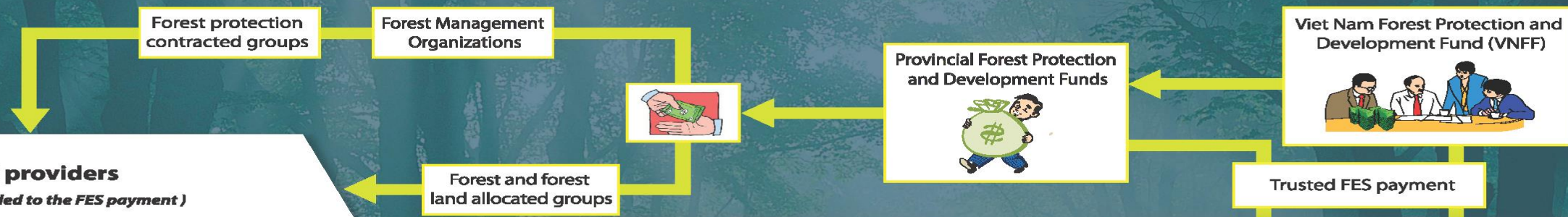
**2011 - Now
REPLICATE**



*Government Decree
99/2010/NĐ-CP and PM
Decision 2284/QĐ-TTg on
deploying PFES 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.



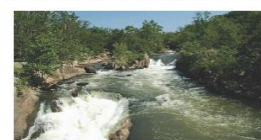
Forest environmental services (FES)



Soil protection, erosion control



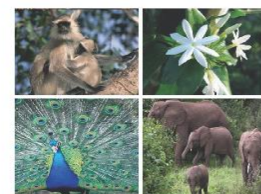
Natural landscape beauty



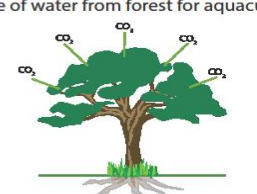
Water regulation and supply



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)



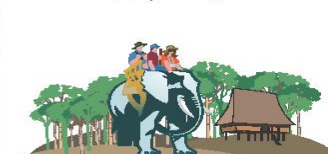
Hydropower plants



Fresh water supply companies



Facilities using services for carbon sequestration and aquaculture



Eco-tourism businesses



Industrial manufacturers who use surface or underground water



POLICY OVERVIEW



Hydropowers:
36 VND/kwh



**Clean water
suppliers:**
52 VND/m³



**Industrial
facilities:**
50 VND/m³



Eco-tourism:
Min. 1% revenue



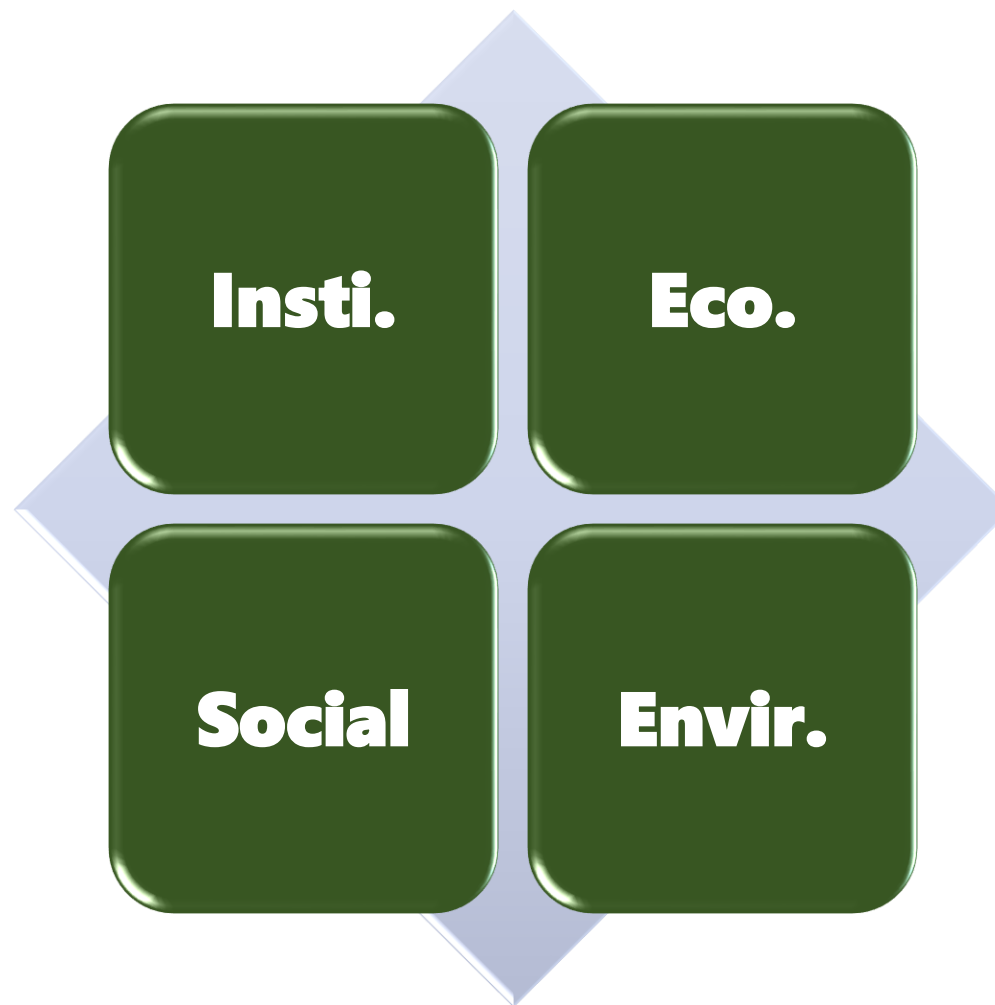
Fisheries:
Min. 1% revenue



PAYMENT LEVEL OF SERVICE USERS



POLICY IMPLEMENTATION AND IMPACTS



POLICY IMPLEMENTATION AND IMPACTS

LEGAL DOCUMENTS

- Forestry Law, 886 Target Programme and Strategy;
- Decrees (05, 99, 147, 156), Decision (380, 2284) and Circulars.

TOOLS

- Technical Manual (*Forest determination, Mapping, M&E*);
- Financial Manual (*E-payment, Finance Management*);
- PFES applications / softwares.

SYSTEM OF FUNDS

- 2009: VNFF and 4 Provincial Funds;
- 2020: VNFF and 45 Provincial Funds.

INSTITUTIONAL IMPACTS



POLICY IMPLEMENTATION AND IMPACTS

- Revenue: 16,442 bill. VND (*Eqv. \$700 mill.*); Annual revenue: 1,600 bill. VND (*Eqv. \$70 mill.*);
- Central Fund: 11,410 bill. VND (*69%*); Provincial Funds: 5,012 bill. VND (*31%*);
- PFES accounts for *18.5% total investment capital* in forestry sector; Equivalent to *95.3% state budget* for forestry sector;
- Hydropower plants contributes for *96% PFES revenue*.

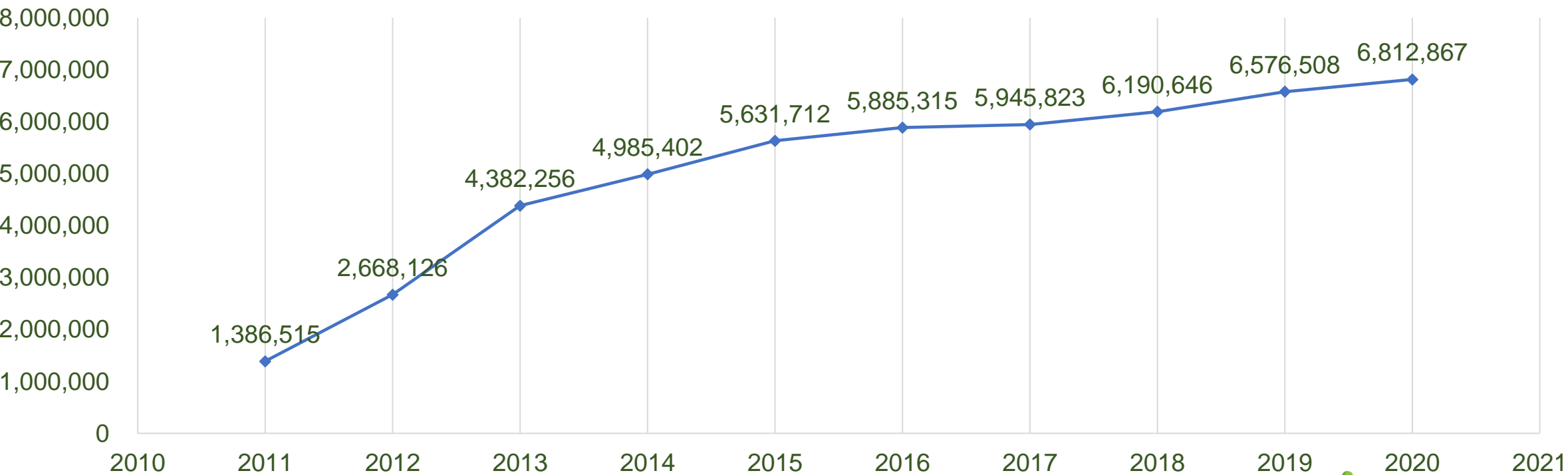
No	Service Users	Amount (VND/Billion)
1	Hydropower plants (<i>521 contracts</i>)	15,747
2	Clean water suppliers (<i>283 contracts</i>)	483
3	Eco-tourism organisers (<i>18 contracts</i>)	100
4	Industrial facilities (<i>344 contracts</i>)	50
5	Others (<i>banks interest rate, others</i>)	42
	Total (<i>1,166 contracts</i>)	16,422

ECONOMIC IMPACTS



POLICY IMPLEMENTATION AND IMPACTS

PFES PAID AREA (HA): *ACCOUNT FOR 45% FORRST AREAS*



ENVIRONMENTAL IMPACTS



POLICY IMPLEMENTATION AND IMPACTS

1. Reduce forest violations:
 - a. 2006-2010: 195.825 cases;
 - b. 2011-2015: 136.325 cases;
 - c. 2016-2018: 46.851 cases;
2. Reduce forest loses:
 - a. 2006-2010: 27.732 ha;
 - b. 2011-2015: 11.578 ha;
 - c. 2016-2018: 6.627 ha.
3. Increase forest coverage:
 - a. 2010: 39.5%;
 - b. 2015: 40.84%;
 - c. 2020: 42%

Years	2014	2015	2016	2017	2020
Forest area (1,000ha)	13,796	14,061	14,377	14,415	14,550
Forest coverage (%)	40.43	40.84	41.19	41.45	42.00

ENVIRONMENTAL IMPACTS



POLICY IMPLEMENTATION AND IMPACTS

1. Forest owners received 13,764 bill. VND:
 - a. 215/ 420 Management Boards received 7,406 bill. VND;
 - b. 88 Forest companies received 1,617 bill. VND;
 - c. 170,089 Forest owners as hhs, individuals received 984 bill. VND;
 - d. 8,067 Forest owners as community received 1,920 bill. VND;
 - e. 1,432 Commune PC and other organizations allocated forests received 1,837 bill VND;
2. HHs, entities signed contracts for forest protection and management received 3,568 bill. VND:
 - a. 43,945 contracted hhs received 704 bill. VND;
 - b. 5,878 Contracted communities received 2737 bill. VND;
 - c. 124 other contracted organizations received 126 bill. VND.

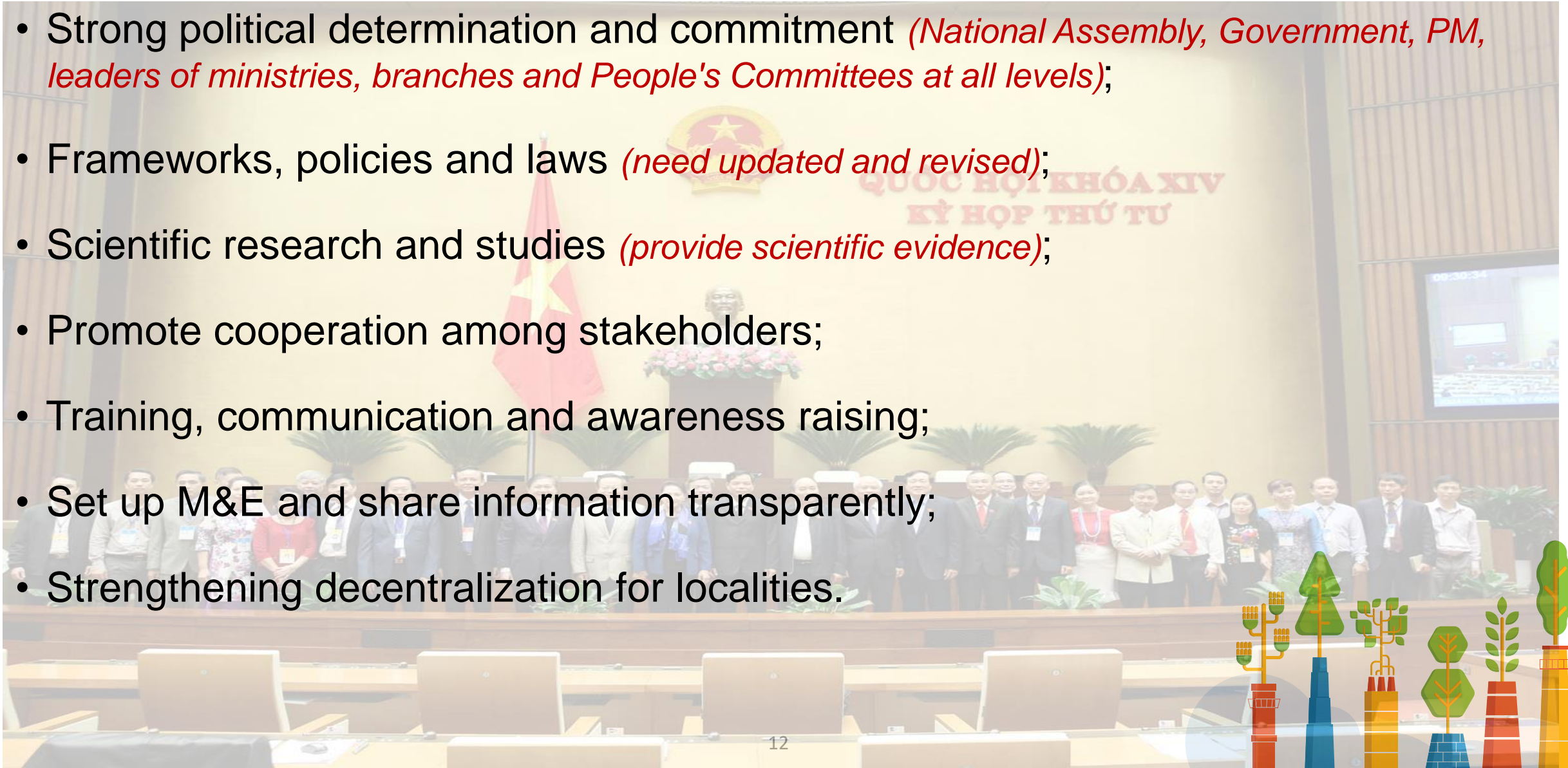
PFES HELPED TO: CREATE JOBS TO LABOURS, INCREASE INCOMES, IMPROVE LIVELIHOODS, CONTRIBUTE TO POVERTY REDUCTION AND CHANGE PERCEPTION OF LOCAL PEOPLE.

SOCIAL IMPACTS

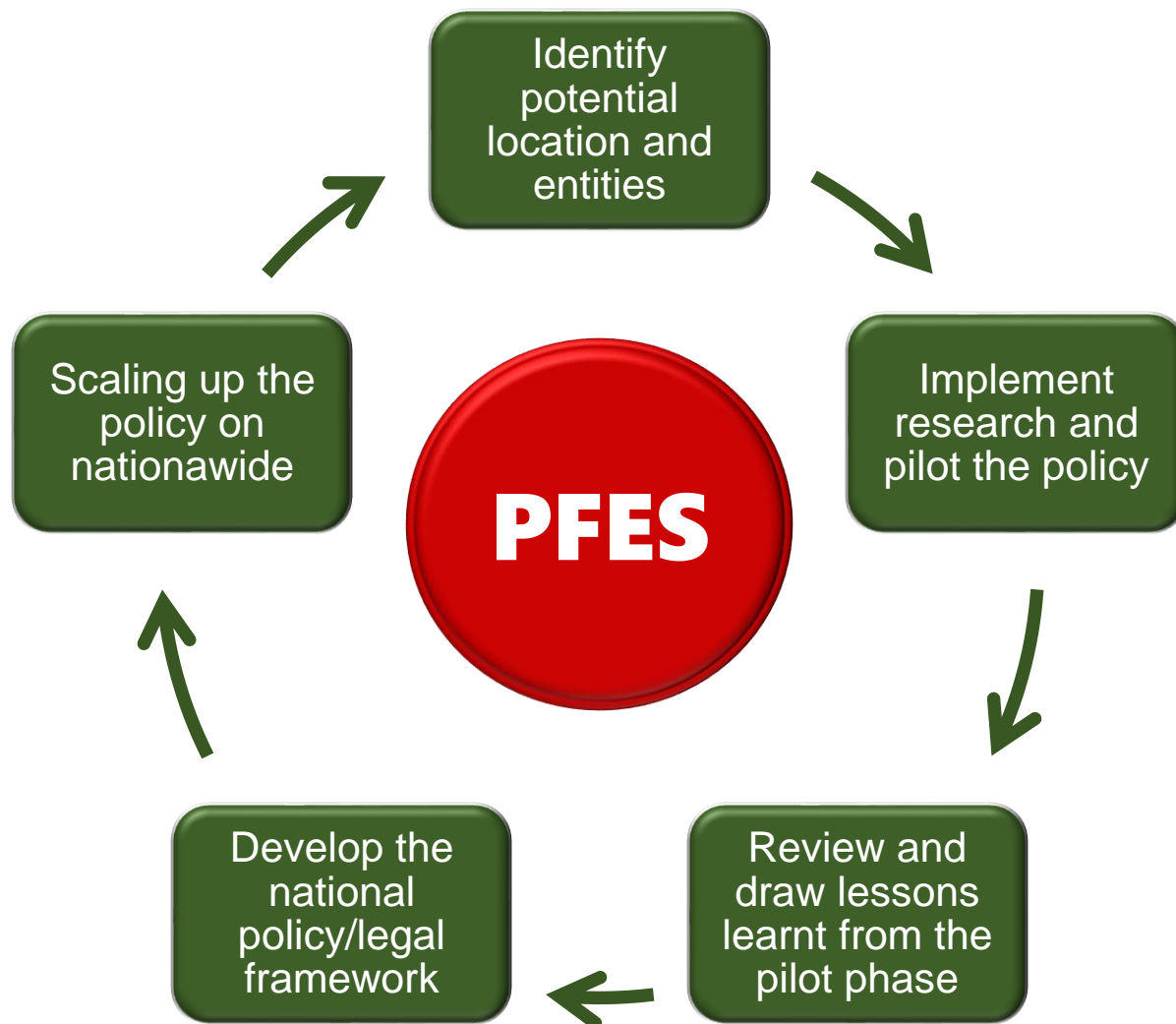


LESSONS LEARNED

- Strong political determination and commitment (*National Assembly, Government, PM, leaders of ministries, branches and People's Committees at all levels*);
- Frameworks, policies and laws (*need updated and revised*);
- Scientific research and studies (*provide scientific evidence*);
- Promote cooperation among stakeholders;
- Training, communication and awareness raising;
- Set up M&E and share information transparently;
- Strengthening decentralization for localities.



LESSONS LEARNED



DIFFICULTIES AND CHALLENGES

- Scalability of services and payers in the context of COVID-19;
- Differences in payment levels between basins and localities (*>100 times*);
- Payment rate for forest owners still low while opportunity cost quite high;
- Monitor and evaluate service quality and environmental impact;
- Improve the efficiency of using PFES (*forest protection and livelihood improvement*);
- Integrate PFES with other policies (*national, local*).



OPPORTUNITIES

- Sustainable forest management is a mainstream trend in the world;
- PFES continues to receive high consensus and a lot of supports from authorities and local people
- PFES is the financial instrument in the priority policy of the sector;
- PFES is institutionalized in the Forestry Law and Strategy;
- Pilot C-PFES through the WB's Emission Reduction Project (\$51.5 mill.);
- Cooperation to promote efficiency improvement of PFES (USAID).



KEY MESSAGES

- Forests play a very important role, providing environmental services;
- Forest owners really stick with the forest when they get benefits and income from the forests;
- PFES must be considered as an effective financial instrument for sustainable forest management;
- Protecting the forests is protecting water resources and our life.





THANK YOU VERY MUCH FOR YOUR KIND ATTENTION!

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