# International experiences on Benefit Sharing: payment for ecosystem services in Vietnam

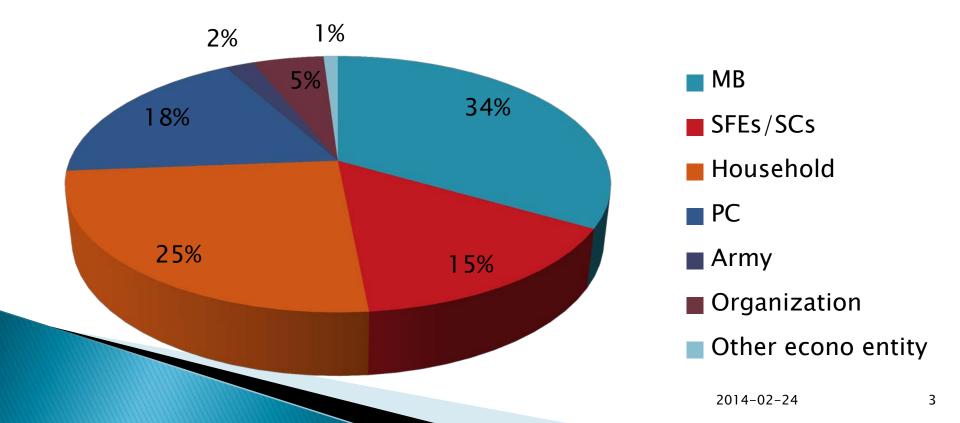
To Xuan Phuc Forest Trends Eric Gardette IC

#### **Preview**

- Current forest situation
- PFES enabling conditions
- Case study Lam Dong province
- Key issues
- Effectiveness, efficiency, equity
- Conclusions

#### Current forest situation

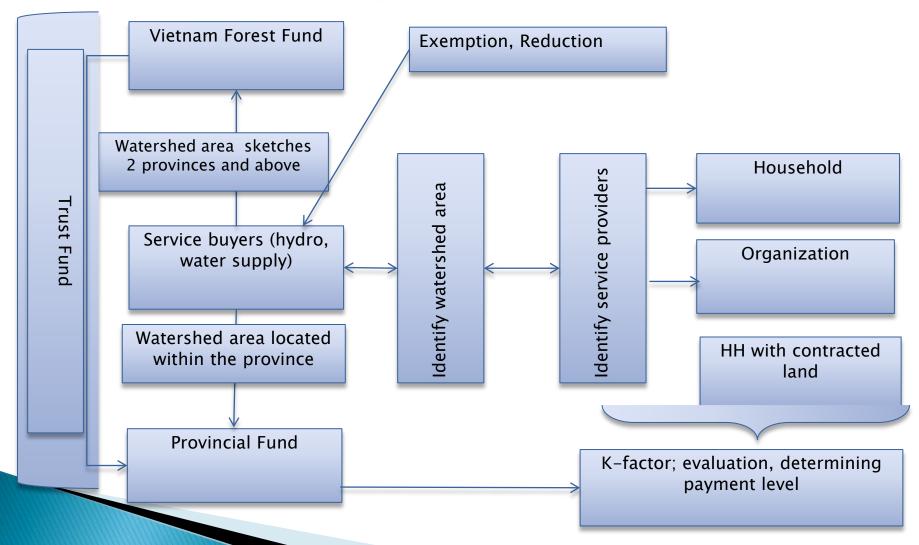
- ▶ 13 million ha, 39.1% forest cover
  - Special use forest (PA): 1.94 mil ha (14.9%)
  - Protection forest: 4.38mil ha (33.7%)
  - Production forest: 6.28 mil ha (48.3%)



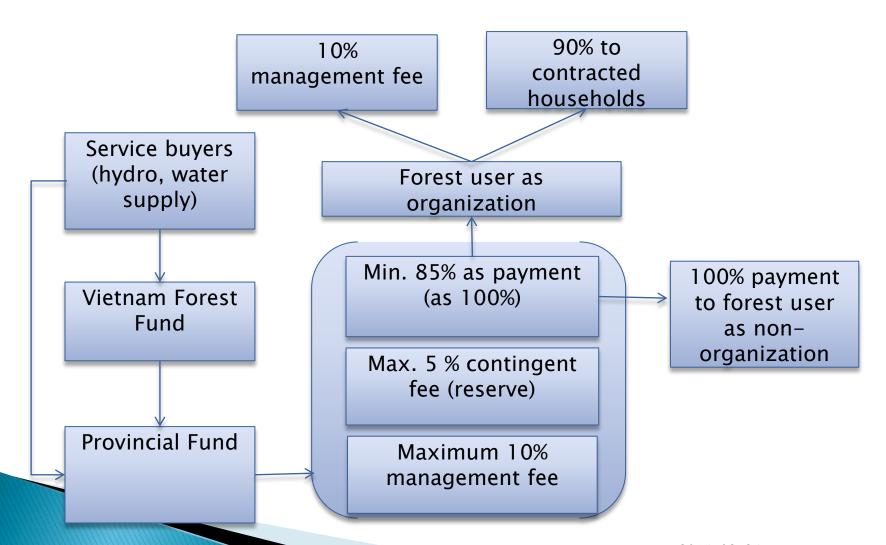
# Enabling conditions for PFES including REDD+(1)

- ▶ Both PFES and REDD+ are involved in Vietnam
- PFES piloting policy (PFES) and Decree 99
- Vietnam is one of the eligible countries of UNREDD. UNREDD phase 1 is completed; phase 2 is starting
- National REDD+ Program under construction
- Project-based REDD+ activities on the ground
- FLEGT VPA negotiation
- Private initiative: certification, SFM

# Enabling conditions (2): Decree 99 Benefit sharing Mechanisms



# Enabling conditions (3): Decree 99 Payment distribution (costs)



#### Enabling conditions (4) Proposed REDD+ BDS

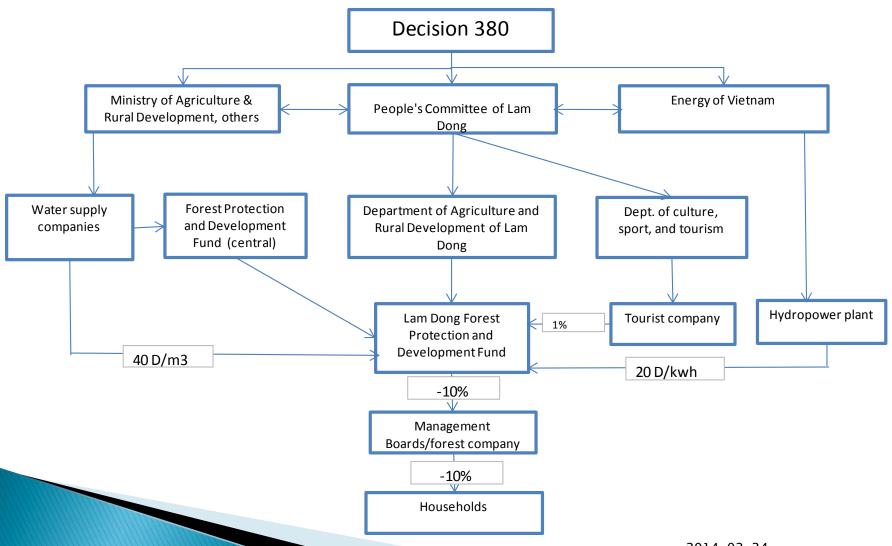
- viet Nam receives revenues into a National REDD Fund (stand alone fund, or sub-fund of an existing fund), overseen by a broad-based, multi-stakeholder governing body
- 10. Staff of National REDD Fund calculate provincial shares of the total revenues based on provincial performance
- 11. Staff of the National REDD Fund calculate implementations, transaction costs, and opportunity costs incurred by the central government and subtract these amounts from the gross revenues
- 12. Net revenues are distributed to Provincial REDD Funds (mirrored on the National Fund, and also with participatory governance structures), according to  $R_P$  coefficients
  - 13a. Provincial REDD Fund staff repeat steps 10-12 to determine distribution of net REDD revenues to District Funds

- 13b. Provincial REDD Fund staff are responsible for disbursement to ultimate beneficiaries
- 14. Provincial/District Fund staff (depending on Option 1 or 2) determine net revenues to be distributed to ultimate beneficiaries, and deliver payments or other benefits
  - 15. Agencies monitor disbursement activities
  - 16. Agencies responsible for providing recourse in the event of disputes undertake actions to ensure that all beneficiaries are able to register a complaint if desired
  - 18. Staff of the National REDD Fund initiate independent external auditing of National, Provincial, and (if relevant) District REDD Funds014-02-24

## Case study. PES in Lam Dong

- 4 key buyers: 2 hydropower, 1 water supply,1 tourist
- ▶ Total PFES revenue: 5 million USD
- Disbursement of the PFES payment to eligible groups in 2009 and 2010
- 202,251 ha of forest, 7,997 households (via contract with 18 forest users)
- Average payment: 350-400,000 VND/ha/year (17-20 US)

# Lam Dong: payment structure BSM national scale



# REDD +: present and future orientation

- UNREDD Vietnam Program ongoing: regulated market
- Vietnam National REDD+ Program is under development
- Conservation organizations and private companies: voluntary carbon markets
- The government encourage the development of support voluntary carbon market

2014-02-24

#### Issues

- Land tenure
- Service buyers
- Service providers
- Government levels
- Institutions
- Others

2014-02-24

#### Issue 1. Land tenure

- Clearly defined rights are very important for the success of PFES
- Land tenure in Vietnam is not always clear
  - Lam Dong: 18 main forest users; short-term contract signed with local households (30 ha); no long-term guaranteed
  - Who own carbon rights?
- PFES/REDD+ operates within the current tenure structures: marginalise the poor
- Local elite capture

2014-02-24

## Issue 2. Buyers State-owned Enterprise

- Hybrid between public and private, thus powerful buyers (e.g. Hoa Binh hydro/EVN)
- Payment is not performance-based, but made because "Prime Minister requests"
- ES payment should be built in price structure, but constraint thus uncertainty for PFES revenue
- The lack of institutional and policy framework for facilitating carbon market, thus risks for investors

2014-02-24 13

## Issue 3. Service providers

- 8 forest user groups with different quality of forest, thus different payment levels (K factor)
- Ownership right: government
- Unequal distribution of PES/REDD+ benefits among users
  - Potentials for conflicts
  - Difficulties in protecting the forest
- Payment to MB, SFEs/SCs?
- Payment to commune PC?
- Payment mode: individual households, group of households, or community?
- How is payment used within community?

2014-02-24

### Issue 3. Government agencies role

- Government as intermediaries (different levels: province, district, commune), connecting buyers and sellers
- Government decide level of payment, how the payment is made on what basis
- The government regulates carbon transaction trough Provincial Forest Development Fund
- Local government: socioeconomic indicators are important for deciding how payment is made

2014-02-24

#### Issue 4. Institutions

- Institution and policy framework for PFES is evolving
- The lack of policy framework for accommodating carbon investment
- Weak coordination among government agencies (e.g. MARD, MONRE)
- Weak coordination between government and private sector, government and CS.
- The lack of capacity and human resources within the government and non-government sector
- Unclear about post-Kyoto, thus government's hesitancy

2014-02-24

#### Effectiveness

- Effective mechanism in delivering emission reductions or enhancement of removals is not yet designed
- No mechanism to link PFES payment with effective forest ecosystem services
- PFES payments are not only climate benefits but also oriented to poverty reduction
- Low amount of disbursed funds due to many actors and there is a lack of capacity and timely inteventions among government officials and different administrative levels

2014-02-24

## Efficiency

- High transaction costs due to large number of buyers and financial management requirements and many different beneficiaries receiving small amount of revenues
- No mechanisms to bound higher payment to effective improvement of forest cover
- Low performance of PFDFs by lack of capacity of management staff (new Mechanism)

2014-02-24

## **Equity**

- Uneven distribution of PFES buyers making PFES revenues unequal in geographical areas
- K factor is only taking into account the characteristics of the forest and with no reference to the ethnic groups and socio-economic criteria of the community and consequently delivering unequal payment
- Selection of beneficiaries remain unclear and it was reported that an elite are capturing benefits.
- Payments are also low to trigger behavior changes in sustainable forest management

2014-02-24 19

#### Conclusions

- Capacity building particularly for the government
- Improve forest governance
- PFES/REDD+ opportunities but associated with risks, thus adopting with careful attention particularly on the issues land tenure, payment level and equity in benefit distribution
- PFES/REDD+ should apply step-wise approach, starting with participatory payment. Result-based payment later, when the country is ready
- Policy framework for regulating voluntary carbon market should be developed to facilitate investment whereas limiting negative impacts

2014-02-24 20