

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

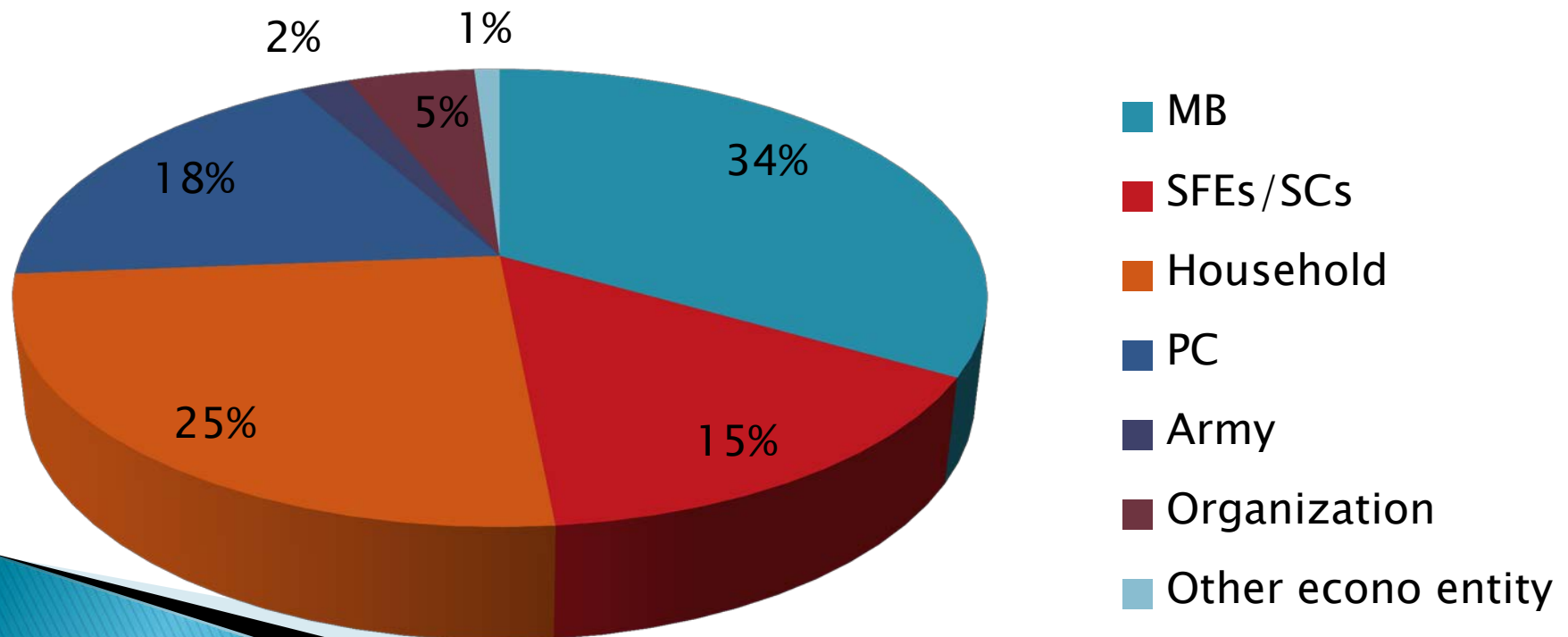
To Xuan Phuc  
Forest Trends  
Eric Gardette IC

# 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%)

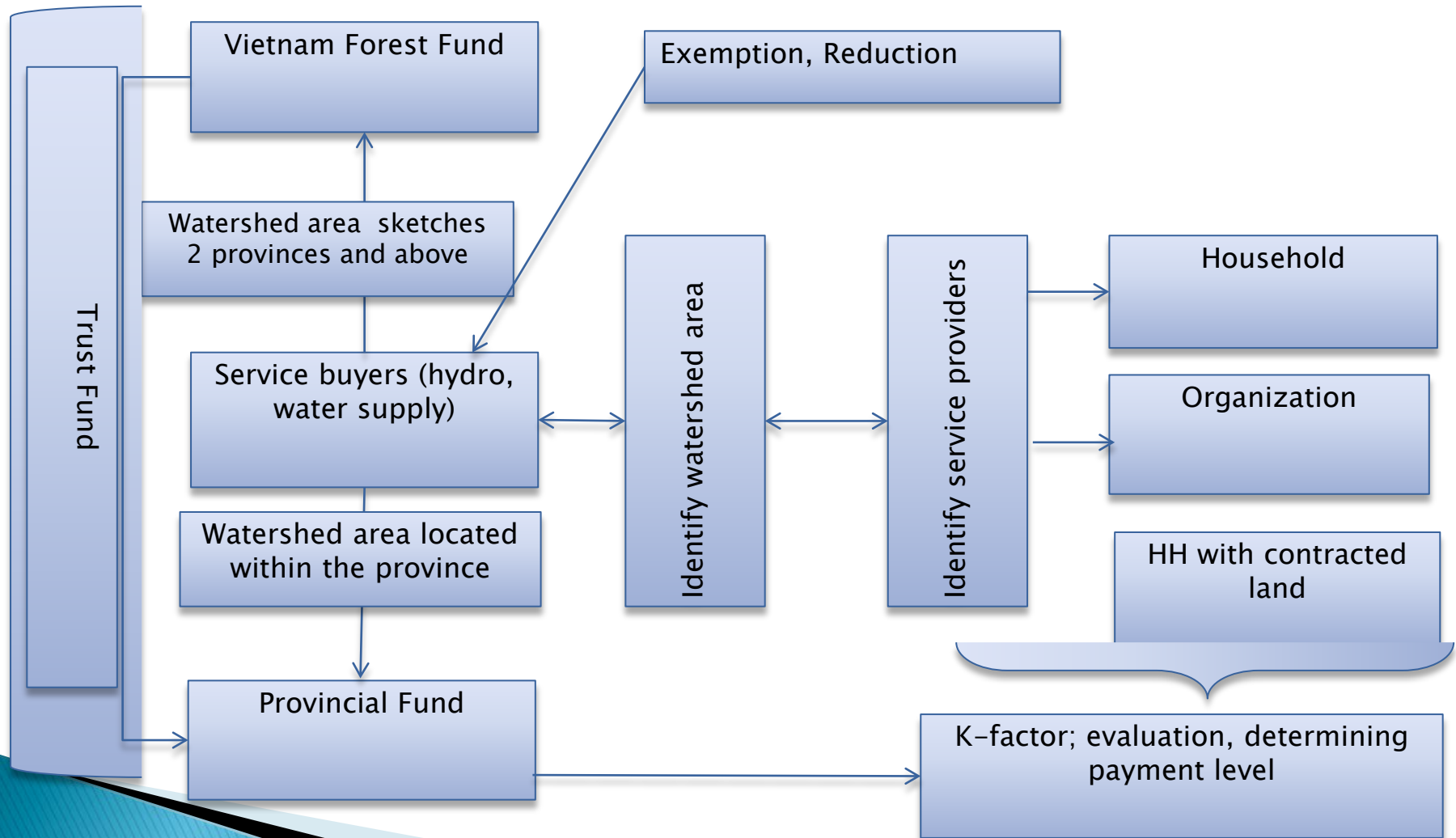


# Enabling conditions for PFES including REDD+(1)

- ▶ 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

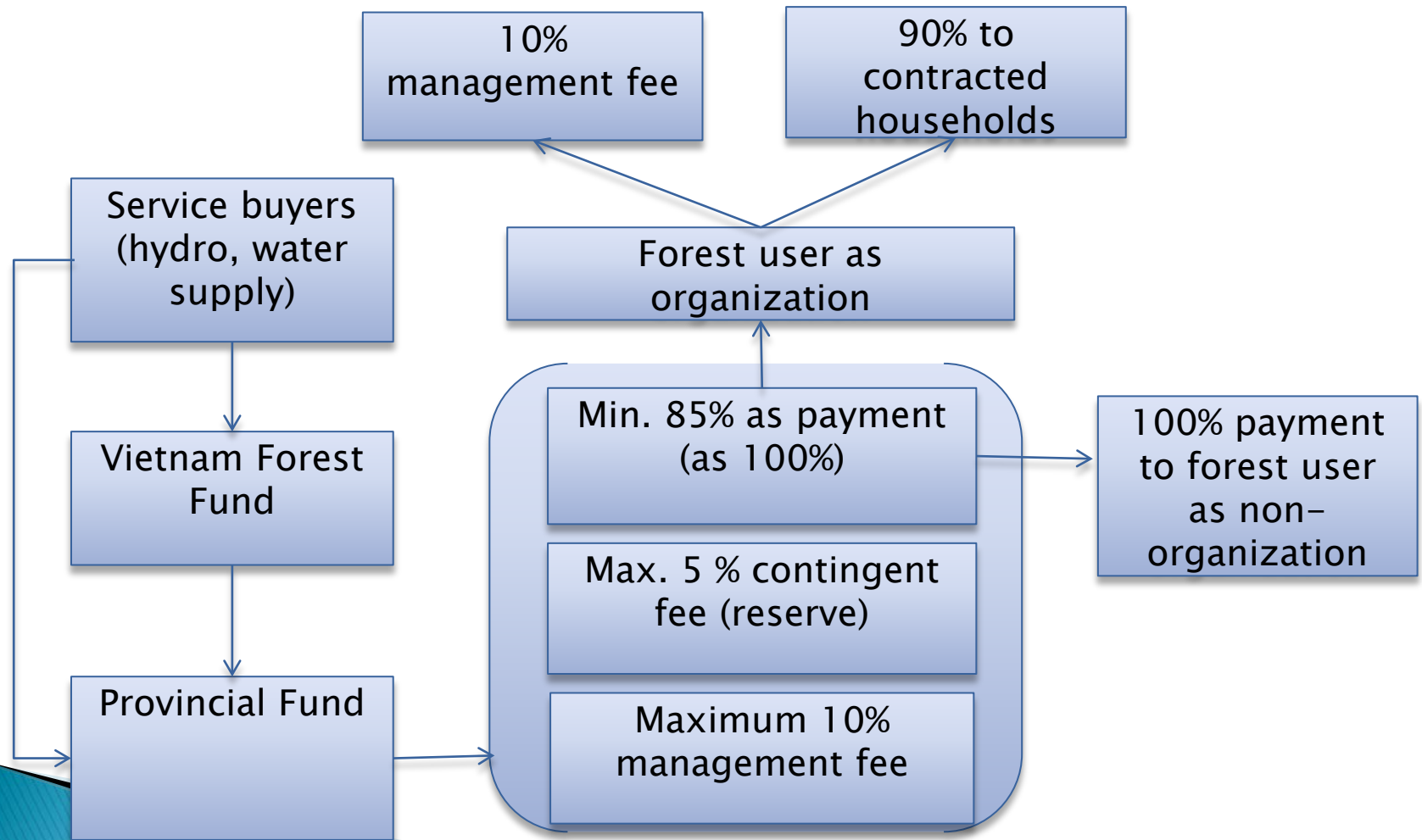
# Enabling conditions (2): Decree 99

## Benefit sharing Mechanisms

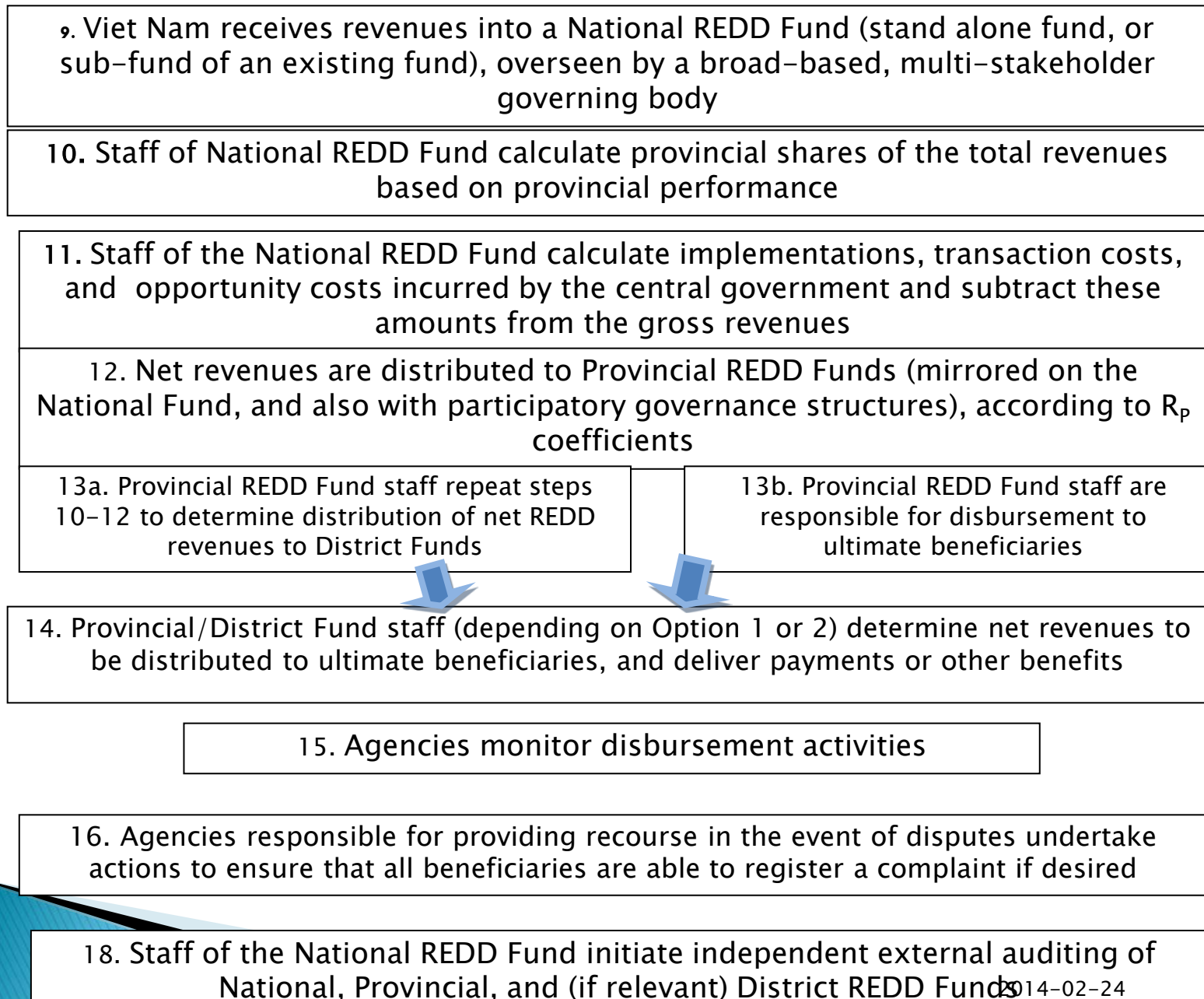


# Enabling conditions (3): Decree 99

## Payment distribution (costs)



# Enabling conditions (4) Proposed REDD+ BDS



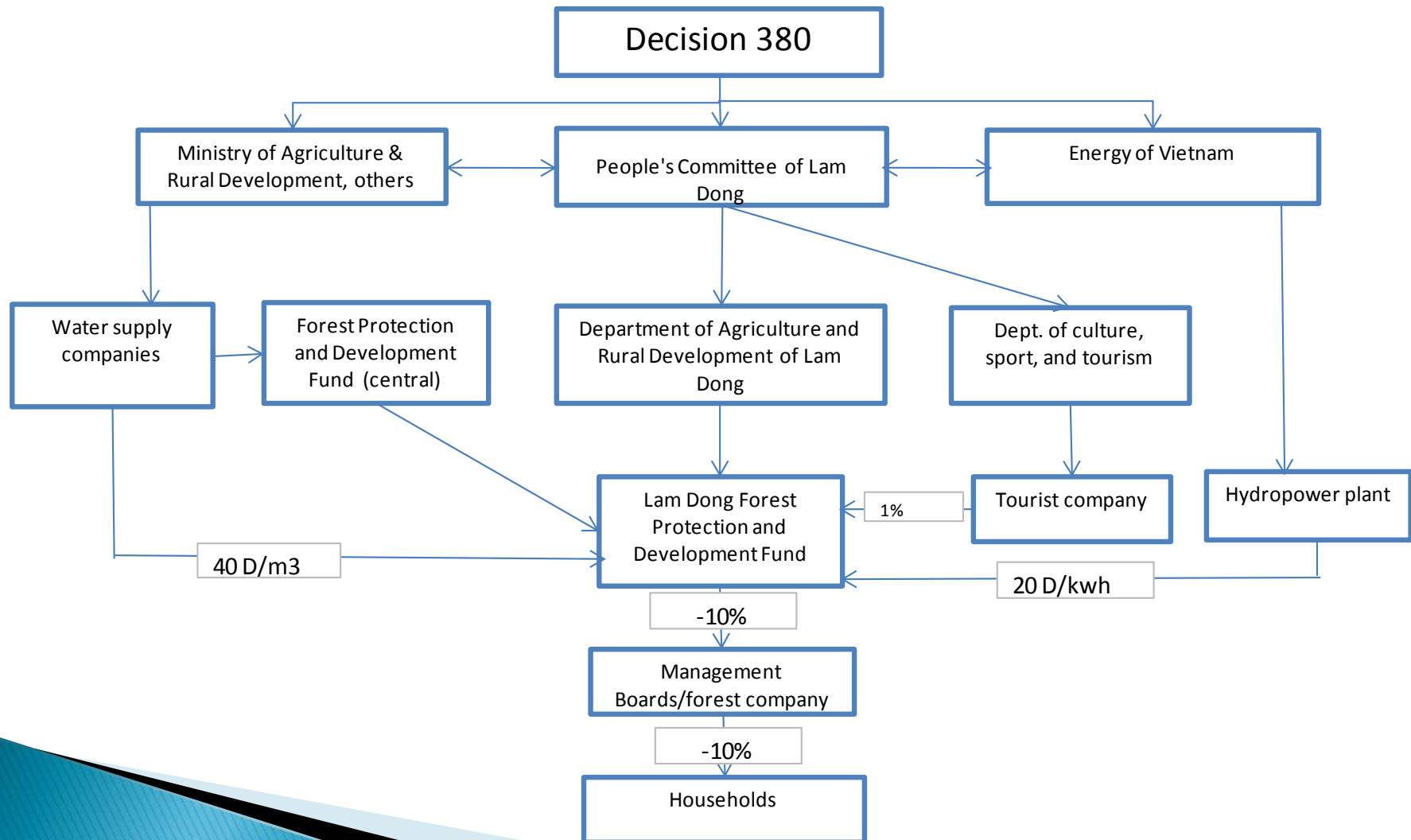
# Case study. PES in Lam Dong

- ▶ 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

# Issues

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

# 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

# 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

# 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?

# 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

# 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



# 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 interventions among government officials and different administrative levels

# 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)

# 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

# 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