

Ecosystem Services in Vietnam: Challenges and responses in moving from theory to implementation

Ecosystem services are increasingly recognized for their high economic values. Payments for ecosystem services represent significant potential to generate public and private sector-based revenues for poor forest dwellers in Vietnam and the Greater Mekong Subregion and supports landscape level biodiversity conservation. Market failures to account for and deliver them limit the extent they generate tangible and sufficient rewards to produce the necessary behavioral and institutional changes needed to sustain them.

Vietnam's Ministry of Agriculture and Rural Development (MARD) Legal and Policy Department, its Forest Protection Department, its Department of Forestry, the Ministry of Finance, the Ministry of Natural Resources and Environment, the Electric Authority of Vietnam, the Saigon Water Company, Lam Dong Province, and the Asia Regional Biodiversity Conservation Program (ARBCP) have improved the ability of market signals to set prices and deliver environmental services in the following ways:

1. Completed ecosystem service mapping and improve scientific understanding of ecosystem production functions in the pilot Da Nhim watershed basin
2. Established an assessment and implementation approach that can be used to respond to and perform under differing biophysical and socioeconomic contexts
3. Developed policy, finance, and governance enabling conditions

Water regulation and soil conservation production function and a vulnerability models were developed in the Da Nhim watershed to create a scientific basis for estimation and future verification. Strategic environmental, economic threats, opportunity cost, and alternative, value chain assessments identified the local context within which land-management practices, financial incentives, and management structures can be established and monitored to deliver ecosystem services.

The MARD, the ARBCP, and partner government agencies developed and are implementing the landmark Pilot Payment for Forest Environmental Services Policy (Decision 380 QD-TTg), creating significant financial and legal enabling conditions for implementing PES in Vietnam. The policy:

- is the first PES policy in SE Asia
- is the first *pilot* policy (of any kind) to be implemented in Vietnam
- secures \$16.5M in payments for water regulation and soil conservation services from EVN/water utilities from 2009-2010
- mobilizes public and private sector support for 2020 biodiversity, forest management and poverty reduction targets
- establishes a decentralization mechanism to enable payments between provinces
- increases transparency and accountability
- enables provincial responses to different biophysical/economic/social/market conditions.

Lessons learned will be applied in Cambodia and other parts of the GMS.