

# Vietnam PFES in International Comparison



# Examples of International PES Forest Policies at Natl Level

Country	Name of Program	Scope	ES definition	Buyers/sellers	Payment	How are funds raised?
Costa Rica	Pago por Servicios Ambientales (PSA)	700,000 ha	Forest cover	B: Govt S: Landowning smallholders	~ US\$64/ha	Funded by national fuel tax surcharge and donors; a few private transactions with hydropower companies
Mexico	Program of Payments for Environmental Services	2.2 mill ha	Primarily degraded watershed	B: Govt (state forest agency) S: Landholders (ind & ejido)	US\$27-36/ha	Funded by national water fees, central transfers and donors
China	Sloping Land Conversion Program	12 million ha	Sloping cropland conversion to forest	B: Govt S: Rural HH	US\$ 20-40 equiv/ha	Funded by central govt budget transfers
Ecuador	Socio Bosque	525,000 ha	Forest cover; high altitude grasslands	B: Govt S: Rural HH or communities	US \$30 and below/ha	Funded by central govt transfers

Sources: Wunder, Engel, and Pagiola 2008; de Koning et al 2011; FONAFIFO, CONAFOR and Ministry of Environment, 2012



# Key Questions from Existing Intl PES Projects

- **Beneficiaries:** should they be voluntary or compulsory? How to target?
- **Definitions and valuations of ‘services’:** how much to be paid and for what?
- **Monitoring:** need to insure additionality and conditionality; almost no private-private PES projects, so all require intermediary role, esp in monitoring
- **Timing and structure of payments:** how HHs respond to financial and other incentives, and in different forms?
- **Buyers:** Nearly all buyers are governments, making PES more akin to environmental taxes. How to include more private sector?
- **Land use changes required:** PES as added value (reforestation) or subtracted value (no use of land)
- **Equity:** how to reach most number of sellers (e.g currently, mostly larger, wealthier landowners participate in PES in Costa Rica, Mexico); how to distribute benefits
- **Efficiency:** getting most conservation at least cost; getting more conservation from PES than other policies (e.g. is PES more efficient than an IDCP); reducing transaction costs

# Obstacles and Challenges (Big Picture)

- ***PFES cannot work alone***
  - System requires dependence on other forest policies such as land allocation, reforestation, and forest ranger monitoring.
  - As such it needs to be better integrated with these sectors
- ***Is PFES pro-poor?***
  - We cannot say definitively PFES is pro-poor because we simply do not have data on how many recipients were poor as compared to medium or well-off households
  - However we can point out that much of the forest payments are going to upland areas which tend to have poorer ethnic minority residents so in that sense the overall targets of the policy and the areas in which it is implemented will tend to favor the poor.
  - Better monitoring and reporting will help us confirm if the poor are the main beneficiaries
- ***Is PFES protecting the most endangered/valuable forests?***
  - We cannot say yet that PFES is protecting forests that are most vulnerable to deforestation. As coverage of PFES expands from 40% of existing forest cover this will be more possible.
  - However, PFES is funding more watershed and production forests than special-use forests. How to better understand needs of special use forests and make sure they benefit from PFES is a challenge.

# Obstacles and Challenges (Big Picture)

- **Conditionality** will be a key factor for **long-term sustainability** of PFES policies
  - Currently there is very little monitoring of either contracts or provided environmental services.
  - Therefore to ensure the long-term sustainability of the policy we will need to have a more integrated system of monitoring to ensure that payees are happy and that service providers are being appropriately targeted and are providing the services that they are being paid for
- **Ensuring participation of households:**
  - PFES is a policy aimed to support poor households in forest areas. Payments are one tool to get these households involved in PFES but they do not need to be the only tool. Better education, better cooperation and more empowerment of local communities in forest management should be goals as well.
  - Ultimately need a firm foundation such that forests will continue to be protected even in payments are reduced in future.

## Example: Reasons given by households for participating in PFES

Reason	Lam Dong	Son La
To manage forests better for long term benefits	44%	62%
To get payments	72%	14%
Feeling personal responsibility	33%	21%
Participating to get new information and experience	15%	72%
Gain access to land rights	2%	0%
To improve social relations	2%	0%
Forced to participate	0%	24%

Source: HH survey, 2011 in Lam Dong and Son La provinces. 75 HH interviewed each site



# Recommendations for Donors

- **Assessing Environmental Services (ES):** Support to assess options for tourism, carbon and aquaculture guidance from MARD on ES in Decree 99; support for new ES not in Decree 99 (pilots) (e.g agricultural ES, direct biodiversity payments, etc)
- **Supporting New Initiatives:** Funding for staff person at VNFF in charge of helping set up direct PFES transactions and coordination with international funding sources (REDD, biodiversity banking, etc). Pilots of direct PFES transfers (e.g. breweries and nearby watershed communities)
- **Monitoring:** assessment of how PFES monitoring can be integrated with other current systems of forest and environmental monitoring (e.g FORMIS, REDD baselines, etc)
- **Livelihoods & gender:** Study of how important PFES is to household livelihoods and how benefit sharing mechanisms can be made more pro-poor, as well as to understand gender dimensions of PFES policy.

# Future of PFES in VN & Internationally

- Internationally, PFES/PES policies are working towards more **inclusive & participatory** processes
  - How can the objects of PES policy be more involved in setting it up, monitoring, etc?
  - How can PES transfers be more transparent and free of corruption?
  - How can public information/education help improve PES policy?
- Intl PES policy also concerned with **better targeting** (both environmental and social):
  - Are the areas most at risk from deforestation covered under PES?
  - Are the poorest and most forest dependent people getting benefits from PES?
- Understanding that **PES cannot do it all**:
  - There will be areas of forest that cannot be protected by PFES money (because no buyers, etc) and state funding will still be needed.
  - How to prioritize and integrate multiple funding sources?

# Conclusions

- The most important conclusion we can draw from the 3 year review of PFES is that it has been **relatively successful in setting up institutional mechanisms.**
  - PFES policy now has a good set-up for financing mechanisms (with a few adjustments needed) but the challenge of this success is that VNFF is seen as a financial organization only and does not have the staff or role to support more extensive monitoring or education or cooperative activities.
- The challenge now is to transition PFES to a more comprehensive approach that involves:
  - more environmental services
  - more stakeholders
  - more beneficiaries
  - more buyers
  - This should be the long term goal for PFES revisions