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# **PROGRESS IN PAYMENT FOR FOREST ENVIRONMENTAL SERVICES IN VIET NAM**

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and Payment for Ecosystem Services  
Kunming, Yunan, P.R.China***



# OUTLINE OF PRESENTATION

1. Background of the PFES policy

2. Initial results & impacts

3. Difficulties and Challenges

4. Decisive factors for PFES success

5. Orientation and Next steps



# 1. Background of PFES policy

05/02/2007:  
Viet Nam  
Forestry  
Development  
Strategy 2006 -  
2020

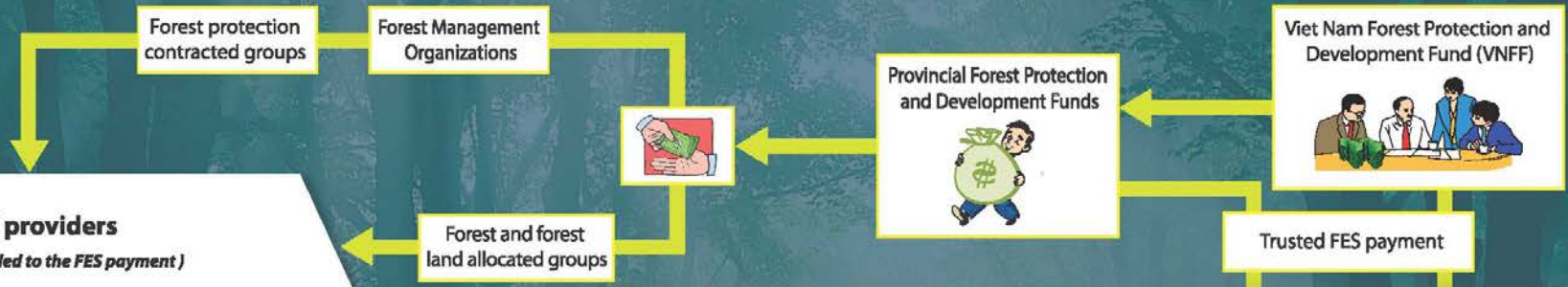
14/01/2008:  
Decree 05 on  
Forest  
Protection  
and  
Development  
Fund

10/04/2008:  
Decision 380  
on the pilot  
policy on  
payment for  
environmental  
services (Lam  
Dong & Son  
La)

24/09/2010:  
Decree 99 on  
the policy on  
PFES  
implementation  
nationwide

02/11/2016:  
Decree 99 on  
Revision of  
Decree 99

# 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)

(FES)



Soil protection, erosion control



Natural landscape beauty



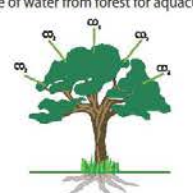
Water regulation and supply



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



## FES Users

## Price paid

## % of total PFES

Hydropower generators

20 (36)  
VND/kwh

~ 98%

Clean water suppliers

40 (52)  
VND/m<sup>3</sup>

~ 2 %

Industrial production facilities

On-going

NA

Tourism service providers

1-2% of  
revenue

~ 0.1  
%

Others (carbon sequestration,  
aquaculture)

On-going

NA



## 2. Initial results & impacts

### ▶ Institutional impacts

- *Legal framework for PFES created;*
- *Central fund and 41 provincial funds created;*
- *District & commune funds are being established.*

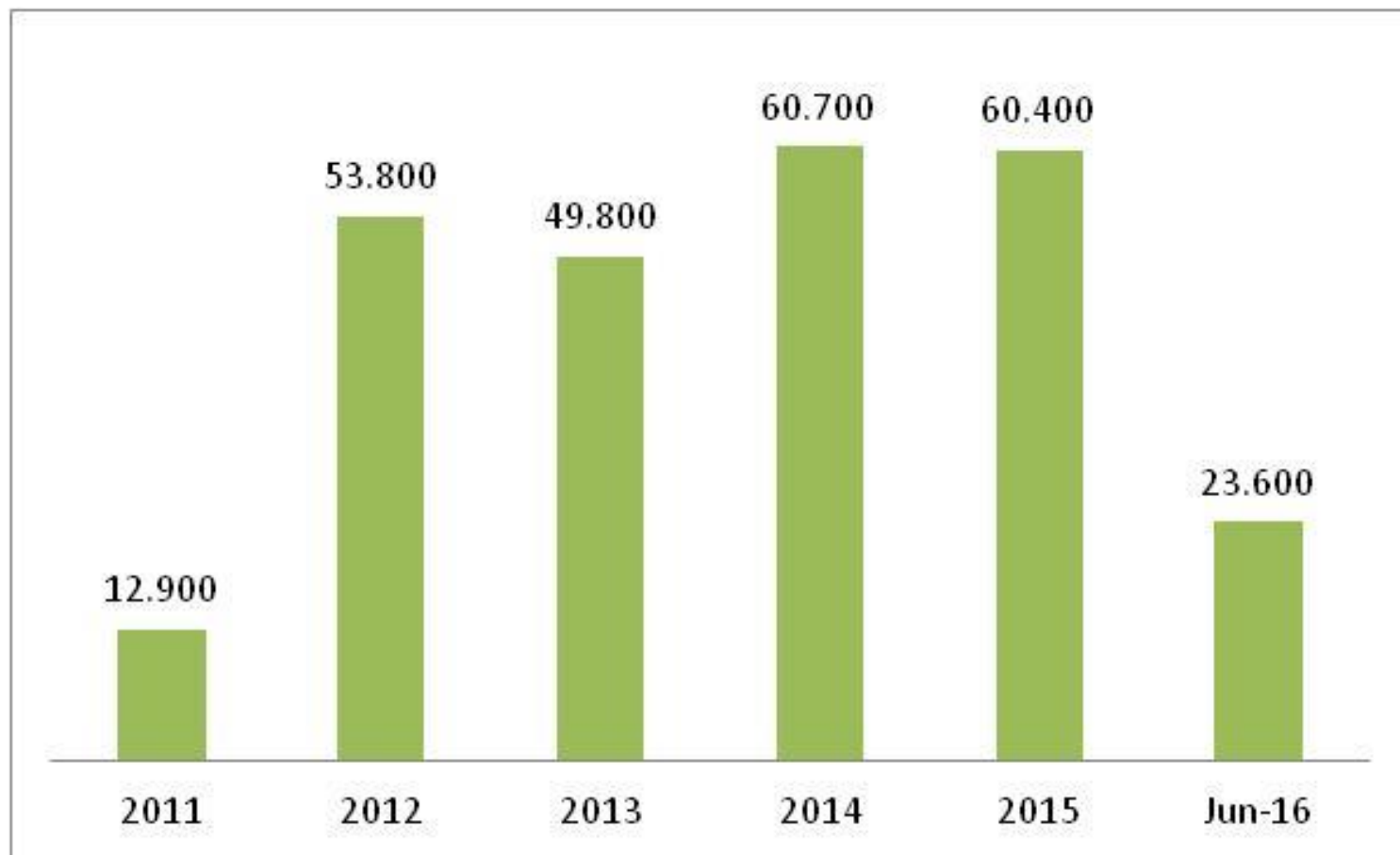
### ▶ Economic impacts

- **Signed 464 contracts:** 320 hydropower, 85 water suppliers & 59 tourism facilities.
- **Annual revenue:** 50 - 60 million USD;
- **Total revenue (2011 to 06/2016):** 261.2 million USD (22-25% of sector investment);



## Annual PFES revenue (2010–2015)

Unit: USD





## 2. Initial results & impacts (con't)

### ► Environmental and Forest governance impacts

- *Decentralization of forest protection & management;*
- *Improved forest land allocations & forest protection contracts*
- *Reduction of forest violations, deforestations and forest fires;*
- *Protection of 5 mil.ha/year (of the total 14.06 mil.ha forests);*
- *Forest cover increase: 39.5% (2010) to 41.05% (2016).*

### ► Social impacts

- *Participation of local communities & stakeholders in forest protection: 500,000 households; 650 forest organisational owners, 199 FMBs, 84 forests companies, 15 National Parks, 40 Nature Reserves;*
- *Increased incomes: 100 USD/household/year.*





### 3. Difficulties and Challenges

- Goods common price increased but PFES payment levels unchanged (20 VND/kwh; 40 VND/m<sup>3</sup> of water);
- Wide range in payment amounts between river basins (range from 0.10 USD to 50 USD/ha);
- Absence of published forest inventory data: some local households & communities have not yet received payments;
- Payment rate and paid amounts are still low; fund distribution mechanisms not totally appropriate;
- Late payments by hydropower plants in general;
- Some services have not been applied & implemented.



## 4. Decisive factors for PFES success

- Legal frameworks, political will, and strong commitment from Gov. at all levels;
- Collaboration among relevant stakeholders (inside and outside) in designing and implementing the policy. Especially, mobilize supports from donors and international partners, NGOs;
- Communications, awareness raising and capacity building to improve knowledge of relevant actors;
- Participation of local people on forest protection and management via forest land allocation and forest protection contracts.



## 5. Orientation and next steps

- Create M&E system to provide complete and transparent information on time;
- Improve management, including reduction of transaction costs;
- Value and apply other services such as PFES for aquaculture, industry & carbon sequestration.
- Integrate PFES database into the sector FORMIS;
- Continually study and revise PFES policy and regulations on operation of the fund.



# Thank you!

*“Payment for Forest Environmental Services  
For Greener Vietnam”*