PFES IMPLEMENTATION IN VIETNAM

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OUTLINE OF THE PRESENTATION

Overview of relevant policies

Results/Initial impacts

Problems/difficulties

Recommendations
OVERVIEW

- **Targets of the policy**
  - Policy implementation actors
  - Links between VNFF & PFES

- **Payment & use of PFES revenue**
  - Level of payment applied to forest service users
  - Management of money from PFES
  - Calculation of PFES payment for forest owners
1. Soil protection, erosion and sedimentation control;
2. Water regulation and maintenance;
3. Carbon sequestration and storage;
4. Landscape protection and biodiversity conservation;
5. Aquaculture services.

FOREST ENVIRONMENT SERVICE USERS
1. Hydropower generators;
2. Clean water suppliers;
3. Industrial producers;
4. Tourist service providers;
5. Carbon sequestration service payers & aquaculture producers
FES LEVELS

- **Hydropower generators**: 20 VND/kwh
- **Clean water suppliers**: 40 VND/m³
- **Industrial production facilities**: ?
- **Tourist service providers**: 1-2% of revenue
- **Others (carbon sequestration, aquaculture)**: ?
PFES DISTRIBUTION MECHANISM

FES USERS

FES DELIVERS (Forest owners, organizations, households, individuals, communities)

PROVINCIAL FUND (PFPDF) (10% for admin, 5% contingencies)

100% 99.5%

85%

100%

100%

VNFF AT NATIONAL LEVEL (0.5% for administration fee)

Self-organized protection and management

Contracted to households, individuals, communities

HOUSEHOLD, INDIVIDUAL, COMMUNITY OWNERS OF FOREST (100% of the payment)

ORGANIZATIONAL FOREST OWNERS (10% for admin fee)
HOUSEHOLD-BASED PFES CALCULATION

\[ K = K_1 \times K_2 \times K_3 \times K_4 \]

- **K** = Total PFES revenue
- **K** = PFES payment unit (VND/ha)
- **K** = Area of allocated/contracted forest (ha)
- **K** = Payment level adjustment coefficient (K)

- **K_1** – Status and forest stock:
  - 1.00 – Rich
  - 0.95 – Medium
  - 0.90 – Poor & Regenerated stands

- **K_2** – Forest functions:
  - 1.00 – Protected area
  - 0.95 – Protection
  - 0.90 – Production

- **K_3** – Forest origin:
  - 1.00 – Natural forest
  - 0.90 – Man-made

- **K_4** – Difficulty/workload level of forest protection:
  - 1.00 – Very difficult
  - 0.95 – Difficult
  - 0.90 – Less difficult
RESULTS/INICIAL IMPACTS

- Institutional
- Economic
- Social
- Environ
• National fund
• 3 prov. funds

2010

• National fund;
• 9 prov. funds.

2011

• National fund;
• 31 prov. funds.

Now

• Some provinces have set up district branch of FPDF (Sơn La), and commune branch (Quảng Trị);

• In the future, REDD+ FUND will constitute a part of FPDF
Economic Impacts

- Total number of trusted/concluded PFES contracts.
- Hydropower: 161 contracts; Water supply: 50 contracts; Tourism: 36 contracts.

- Total PFES revenue in 2012;
- Hydropower: 1,154 billion VND; Water supply: 16.9 million VND; Tourism: 0.9 billion VND.

- PFES revenue from the beginning of 2013 up to now;
- National: 520 billion VND; Local: 80 billion VND.
Economic Impacts (continued)

Promote PFES market

Additional funding resource for forest protection and development

Added contribution of forest sector to the growth of the national economy
Environment Impacts

Reduced forest violations

Contribution to increase forested area and forest cover rate
Environment Impacts (continued)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forested area (million ha)</td>
<td>12,84</td>
<td>12,90</td>
<td>13,03</td>
<td>13,14</td>
<td>13,46</td>
</tr>
<tr>
<td>Forest coverage (%)</td>
<td>38,70</td>
<td>39,10</td>
<td>39,50</td>
<td>39,70</td>
<td>39,90</td>
</tr>
</tbody>
</table>
Social Impacts

Contribution to national defense and social order/security;

• Create jobs and improve income/livelihood for people who are engaged in forestry
<table>
<thead>
<tr>
<th>No</th>
<th>Sources/practices</th>
<th>Payment level (VND/ha/year)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State support</td>
<td>200.000</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>PFES in Lam Dong</td>
<td>300.000 – 450.000</td>
<td>Tùy thuộc từng lưu vực</td>
</tr>
<tr>
<td>3</td>
<td>PFES in Lai Châu</td>
<td>319.000</td>
<td></td>
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</tbody>
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PROBLEMS TO BE SOLVED

- Slow disbursement and low level of disbursement (60%)
- Delayed implementation organization
- Delayed plan approval and collection of PFES revenue
- Slow disbursement and low level of disbursement (60%)
PROBLEMS TO BE SOLVED

• Delayed implementation organisation;
• Delayed issuance of regulations and guidances;
• Limited awareness raising and communication;
• Improper forest management at forest owner level;
• Non-suitable unit price and payment mechanisms;
• Problems with payment delivery from hydropower plants;
• Low level of charging vs cost/price dynamism.
## PROBLEMS TO BE SOLVED

<table>
<thead>
<tr>
<th>No</th>
<th>Comparative indicator</th>
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<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mean power selling price (VND/kwh)</td>
<td>890</td>
<td>948,5</td>
<td>1,058</td>
<td>1,242</td>
<td>1,437</td>
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<tr>
<td>2</td>
<td>PFES level vs mean power selling price (%)</td>
<td>2,25</td>
<td>2,11</td>
<td>1,89</td>
<td>1,61</td>
<td>1,39</td>
</tr>
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</table>
PROBLEMS TO BE SOLVED
RECOMMENDATIONS

- Adequate resources and facilities should be provided for policy implementation;
- Further investigations to revise and supplement regulations and guidances;
- Communications and awareness raising to improve knowledge of relevant actors;
- Strengthen collaboration amongst relevant groups of stakeholders;
- Speed up forest re-democration and re-identification of forest owners.
THANKS !

“FPDF - a fellow passenger of PFES”
- For a greener Vietnam -