

The 5th ICRI East Asia Regional Workshop

# Payment for Environmental Services in Vietnam: From the Theory to Practice

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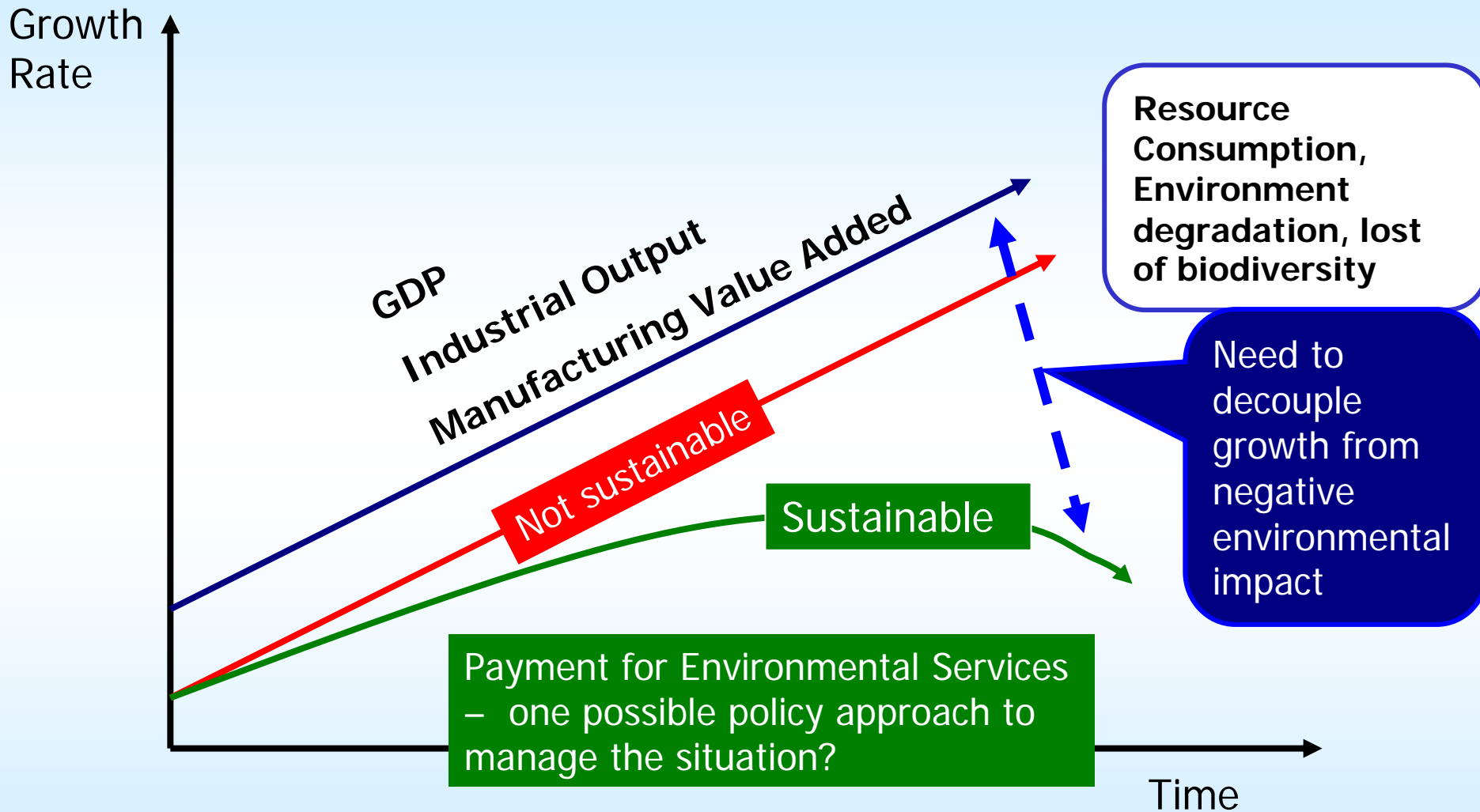
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# Country situation

- High performance of economic growth ~ 7.5% per annum in 2000-2009
- Export structure improved, shifted from primary commodities toward manufactured goods.
- People's living standards improved.
- GDP per capita rose 16% → VN is approaching the status of a lower middle income country (WB standards)
- Poverty rate declined from 19% to 14.8%; 1.7 million new jobs are created in one year.

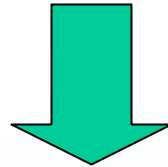


# Success ... breeds new challenges



# Why PES?

- A means to finance conservation.
- The basic premise behind such schemes is:
  - natural environment have an economic value
  - the people who benefit from these services seldom are required to pay for



- The economic values of env. services need to be valued and charged to the beneficiaries.
- The payment should go to those who continue to provide the services.

# Examples of environmental services

<b>Ecosystems</b>	<b>Environmental services</b>
Forests	Watershed protection, carbon store, biodiversity, scenic beauty
Wetlands	Flood control, waste treatment, water supplies, biodiversity
Mangroves	Shoreline protection, nutrient retention, erosion control, fish breeding
Coral Reefs	Recreation, carbon store, shoreline protection, rare and endangered species

# PES concept

- Relatively new concept globally and in Viet Nam
- No single definition on PES
- IUCN definition:

*PES is a voluntary agreement to enter into a legally-binding contract under which one or more buyers purchase a well-defined ecosystem service by providing financial or other incentives to one or more sellers who undertake to carry out a particular land use on a continuous basis, which will generate the agreed ecosystem service at specified levels.*



# PES schemes

Scheme	Description
Payments for watershed protection functions	Forested watersheds in particular produce a number of services valued by society, including erosion control, maintaining water quality and water flow regulation. These values can be captured by the introduction of a number of schemes, such as direct payments or water fees
Payments for landscape beauty	People will pay large sums of money to visit areas of natural beauty and/or areas which contain charismatic species. Such values can be captured, for example, through entrance fees and/or paying groups access rights
Payments for biodiversity services	Individuals are willing to pay for the knowledge they are contributing towards the maintenance and continued diversity of nature. This can be expressed, for example, by consumers paying more for certified products
Payments for carbon sequestration	Forests play a key ecological function in that they sequester carbon. With the introduction of the Kyoto Protocol restricting carbon emissions this has created markets for carbon offsets, through the CDM. These can be obtained by reforestation and/or afforestation projects



# PES potentials in Vietnam

- VN is a country with a high level of biodiversity in the world (High forest coverage, lots of specific ecosystems, wetlands with national and international importance, valuable, nature heritages)
- Completed relative legal framework on environment and biodiversity
- State management system on environmental protection and biodiversity conservation step by step improved
- Rapidly reformed economy, high economic growth, improved living standard.



# PES activities in Vietnam

Activities	Details
1. PES on watershed protection	ARBCP – USAID/Winrock International BCI – ADB Creating support resource to watershed protection of Ho Tri An: 2008-2009 – DANIDA/WWF
2. PES on Carbon sequestration	Development of payment mechanism for carbon sequestration in the forestry: Research Center for Forest Ecology and Environment (RCFEE) – Institute of Forestry Science – MARD
3. PES on Beauty Landscape	Sustainable financing for protection of Bach Ma NP's landscape: WWF - 2007 <b>Establishment of development fund for marine PA in Con Dao</b>
4. PES on Biodiversity Conservation	Promotion of Cacao trees in the shade of Lam Dong <b>Pilot project of Hon Mun marine PA in Nha Trang: DANIDA, WB/GEF – IUCN 2001-2005</b>
5. The State Programmes	Programme 321 and Programme 661- National Core Programme on reforestation (5MHRP): 1993-2010 Ministry's theme: "Survey, research on development of theoretical and practical bases for policy promulgation on payments for environmental services" 2009-2010 Development of the Gov Decree on PES: 2013



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# Nha Trang Bay MPA PES scheme

- Established in 2001
- Total area of around 13,000 hectares, contains coral reef, sea grass and mangrove habitats
- Recognized as one of the most important places in Vietnam for its diversity of corals with over 350 species
- Important place for domestic and international tourism



**Sustainable financing is crucial issue for MPA management**

# PES in Nha Trang Bay MPA

- In 2002-2005 discussions with stakeholders to develop a payment system for users of Nha Trang Bay MPA
- Funds allocated to support local community development thru Village Development Fund (VDF).
- A percentage (10-15%) of the income generated could be returned to local communities.
- VDF was allocated an amount of USD 2,000 for each of the six villages; a total of USD 12,000.
- Funds used by each village to undertake specific development activities contributing to environmental improvement.



# Payment structure

- ***Nha Trang Bay siteseeing fee:***

- VND 5,000/person (USD 0.30) for all tourists on boats in Nha Trang Bay

- ***Hon Mun services charge:***

- VND 30,000/diver (USD 2.00) for divers within Nha Trang Bay MPA

- VND 10,000 /person (USD 0.60) for all tourists visiting the strictly protected areas of Nha Trang Bay.



# Challenges from implementation



- Information
- Stakeholders involvement
- Management

# Lessons learnt from Nha Trang case study

- Substantial funds can be generated through tourism by introducing user fees for the provision of services (USD 150,000 collected/per year);
- The funds generated are being provided to management authorities to maintain the environment (USD 115,000 allocated to Nha Trang Bay MPA authority);
- Challenges exist in monitoring and identifying clear mechanisms for the allocation of funds (What are? Who are? How are?).



# Further Directions

- Supporting the Government in further development of a supportive legal framework for PES
- Undertaking studies to identify the economic value of ecosystems
- Creating mechanisms to enforce payments through taxes and water price reforms
- Soliciting the involvement of local communities to sign contracts with beneficiaries
- Securing support from local government for PES schemes, obtaining clear mechanisms to provide community-wide benefits from resource allocation
- Balancing the need for local benefits with the needs of the national system



# Thank you for your attention!



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