ADB

Completion Report

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Viet Nam: Improving Payment for Forest Ecosystem Service Implementation

Asian Development Bank

TA Number, Country, and Name:		Amount Approved: $1,500,000.00	
TA 8592-VIE: Improving Payment for Forest Ecosystem Service Implementation		Revised Amount: Not Applicable	
Executing Agency: Ministry of Agriculture and Rural Development	Source of Funding: Japan Fund for Poverty Reduction	Amount Undisbursed: $64,841.00	Amount Utilized: $1,435,159.00
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Description

Decree 99/2010 issued by the Prime Minister of Viet Nam enabled payment for forest ecosystem services (PFES) implementation. After issuing this decree, the government established the National Forest Development and Protection Fund (VNFF) under the Ministry of Agriculture and Rural Development (MARD). There were 41 provincial Forest Development and Protection Funds (FDPF) established to collect and disburse FES payments. However, actual PFES implementation was a challenge given the complexity of valuing ecosystem services and managing fee payments and disbursement flows. The barriers to integrating ecosystem service values into land use and forest master planning included: (i) the lack of comprehensive and easily accessible information on environmental resources and related economic data; (ii) the lack of guidelines for integrated and interdisciplinary PFES planning; and (iii) government officials' limited knowledge and capacity to implement integrated ecosystem services management. The technical assistance (TA) was designed to help the government of Viet Nam overcome these constraints by demonstrating how to standardize and integrate PFES into socioeconomic planning, increase the efficiency of PFES mechanisms, and improve livelihoods of local communities through the sustainable management of forest natural resources. The TA piloted PFES integration in three provinces: Kon Tum, Lao Cai, and Thua Thien Hue.

Expected Impact, Outcome, and Outputs

The impact of the TA was that PFES improve rural livelihoods and environmental quality in the three target provinces by 2020. The expected outcome was that ecosystem service values and payments are assessed, collected and disbursed following a consistent approach in the three target provinces by 2016.The four expected outputs of the TA were (i) economic evaluation of environmental services standardized at the provincial level; (ii) mechanisms for PFES valuation, management, and distribution piloted and institutionalized; (iii) national and provincial policymakers have the capacity to value ecosystem services and integrate them into economic development planning; and (iv) best practices and lessons captured and shared.

Delivery of Inputs and Conduct of Activities The consulting firm, Nippon Koei Co. Ltd.,was contracted to help implement the TA. Initial consultant inputs comprised one international expert for 10 person-months and 14 national experts for 242 person-months. The consultant inputs were increased from 252 person-months to 279 person-months because the actual needs for aquaculture, industrial water supply and tourism PFES studies and pilots were greater than expected. Additional activities and inputs through minor scope changes strengthened TA design. Despite replacing two national consultants due to unsatisfactory performance and unavailability of some experts, performance of consultant is rated satisfactory. Vacated positions were adequately filled and all expected outputs were delivered. ADB fielded two TA review missions during implementation and held regular meetings with MARD and VNFF/FDPF officials to review progress and resolve issues. MARD demonstrated strong ownership of TA initiatives and facilitated coordination and cooperation among stakeholders. MARD established a technical steering committee comprising legislatives from ADB, MARD's VNFF and department of planning and finance; the Ministry of Natural Resources and Environment's Biodiversity Conservation Agency and Institute for Strategy and Planning on Natural Resource and Environment. Four technical steering committee meetings reviewed TA progress and helped coordinate TA activities among government agencies. The performance of MARD and ADB are rated satisfactory.

Evaluation of Outputs and Achievement of Outcome

The TA achieved its expected outputs: (i)PFES evaluation was standardized in the three targeted provinces;(ii) PFES payment processes, disbursement, and monitoring were improved and contributed to livelihood improvement; (iii) a comprehensive PFES capacity building program was implemented; and (iv) PFES-related knowledge products were prepared and disseminated widely.

Under output 1, six economic evaluations of forest environment services for three new sectors (aquaculture, industrial water supply and tourism) in the three TA provinces and one additional site in Ca Mau were successfully completed. Economic evaluations in the three sectors were piloted and standardized in Lao Cai during December 2016. However, the PFES study for carbon sequestration was not carried out given the absence of regulations to identify emission generators that could be subject to PFES. Economic evaluations of forestry ecosystem services were integrated into the three target province's 5-year PFES implementation plans (2016–2020), which were approved by the respective provincial people committees.

Under output 2, mechanisms for PFES valuation, management and distribution were successfully developed. The mechanisms were piloted and integrated in four government guidelines and manuals developed with TA resources. The first is for forest ecosystems service valuation and payment including the manual *Developing the Plan on the Implementation of the Policy of PFES at the Provincial Level*. The second guideline is for collection and distribution of PFES funds, including the MARD-approved manual *Accounting and Financial Management for PFES*. PFES forest monitoring and evaluation guidelines were piloted in Kon Tum only where forest data was available. These were integrated into the MARD-approved manual *Guiding the Use of Software on the Online GIS Data Sharing WebGIS*. The fourth guideline is for community PFES management, piloted in Thua Thien Hue and Kon Tum provinces. The related manual *Management and Use of PFES Funds at the Village Level* was approved by the respective provincial governments. Gender mainstreaming was successful in group fund management and livelihood improvement activities but not in the group activities on forest patrolling, which are traditionally done by men. A gender-

sensitive capacity-building action plan was prepared after technical trainings for each subject.

Under output 3, the capacity of national and provincial PFES policymakers was strengthened through a comprehensive capacity building program. The establishment and operation of a PFES Champion Network was not approved by MARD because of a policy shift to streamline internal network formation. Consequently, PFES stakeholder collaboration was facilitated through TA technical steering committee meetings, workshops and trainings. In total, 69 central and provincial FPDF officials participated in the PFES WebGIS training-of-trainers, providing them with the necessary skills and knowledge to organize follow-on training for WebGIS forest monitoring and evaluation (M&E). The capacity of more than 500 provincial and national PFES officers was improved through 13 trainings and workshops, covering four PFES technical areas: (i) PFES valuation; (ii) PFES integration in five-year planning; (iii) WebGIS for forest M&E; and (iv) financial management, accounting, and village fund management. About 40% of the training participants were women, except for the WebGIS training whereby female participation was lower than 40%. The final PFES capacity assessment was completed and approved by MARD in December 2016.

Under output 4, communication and knowledge management plans were adequately developed and implemented. PFES awareness raising campaigns for residents and officials were piloted in the three target provinces. Communication tools developed and used included leaflets on PFES policy; an audio on the rights and responsibilities of PFES providers; nine quarterly VNFF newsletters with 30 articles on TA activities; and PFES information, education, and communication programs that were broadcast on television in the three target provinces. Four technical handbooks, five study reports, and a booklet to summarize 18 best practices were published and disseminated through a national workshop on PFES implementation (October 2016) and the TA final workshop (27 December 2016). A 15-minute video clip broadcast on national television in English and Vietnamese highlights TA achievements and lessons for supporting biodiversity conservation. All knowledge products were uploaded on the Greater Mekong Subregion Environment Operations Center website.[1] The TA results were also shared with the 5th International Conference on Eco-Compensation and Payment for Ecosystem Services, held in Kunming, People's Republic of China in November 2016.

The TA achieved its intended outcome. Ecosystem values and payment in the three TA provinces are now assessed following PFES evaluation methodologies and integrated in five-year PFES implementation plans. A PFES collection and disbursement system was adopted by the three TA provinces and approved by the government.

Overall Assessment and Rating. The TA is rated *successful* overall. Although the TA took slightly longer to implement than initially expected, TA outputs were achieved within the original cost estimate. TA implementation processes were efficient and demonstrated how to streamline PFES evaluation and administration by central and provincial authorities. The TA is likely sustainable, given PFES evaluation and fund administration are institutionalized through the approval of technical guidelines by MARD and Provincial People Committees; and included in five-year PFES plans. Moreover, the PFES pilot for industrial water supply was disseminated to three additional provinces through MARD's Decision No. 3337/BNN-TCLN (22 June 2016). The TA's design was relevant since PFES study results were key inputs to formulate Decree 147/2016/ND-CP (2 November 2016). This Decree strengthened payment and disbursement transparency and clarified forest ecosystem service payments in other sectors by amending Decree 99/2010. The PFES valuation methodologies developed under the TA are being used in the Green Annamites Project funded by the United States Agency for International Development. The high relevance of the TA findings caused MARD to recommend integrating PFES into the revised Forestry Law, later approved by the National Assembly on 15 November 2017.

Major Lessons. PFES scheme was invented to supplement administrative orders that require producers to pay for the use of forest ecosystem services and support the people living in forest buffer zones for maintaining the services; however, producers are unwilling to pay unless ecosystem services are accurately valued based on market rates. The forest ecosystem services valuation process and fee collection and disbursement systems developed with TA resources align with market-based principles. The TA demonstrated how to strengthen national legislation by integrating systems to enable efficient use of natural resources and conserve biodiversity. The guidelines and procedures developed under this TA constitute a strong basis for country-wide PFES application, but these need to be institutionalized and operationalized through new decrees and circulars that support the new Forestry Law.

Recommendations and Follow-Up Actions
It is recommended that MARD nationally standardizes and institutionalizes PFES evaluation processes, PFES fund administration procedures, and M&E systems developed under the TA. MARD should also strengthen its forest management information system by integrating the PFES M&E system because WebGIS focuses on monitoring and evaluating forest quantity and quality. ADB should continue to support country capacity development to strengthen forest ecosystem services valuation and PFES, which could be integrated into agriculture and natural resource and/or public financial management TA and lending operations.

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[1] http://www.gms-eoc.org/resources/improving-payment-for-forest-ecosystem-services-implementation-ta-8592-vie