



Japan International Cooperation Agency (JICA)  
Sustainable Natural Resource Management Project (SNRM)

**UTILIZATION OF PAYMENT OF FOREST ENVIRONMENTAL  
SERVICES (PFES) FOR FOREST MANAGEMENT  
in Pa Khoang commune, Dien Bien district, Dien Bien Province**

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## List of Abbreviations

CPC	Commune People's Committee
DARD	Department of Agriculture and Rural Development
DPC	District People's Committee
FPDF	Forest protection and Development Fund
JICA	Japan International Cooperation Agency
MARD	Ministry of Agriculture and Rural Development
MB	Management Board
PF	Production forest
PFES	Payment of Forest Environmental Services
PRAP	Provincial REDD+ Action Plan
REDD+	Reducing emissions from deforestation and forest degradation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
SNRM	Sustainable Natural Resource Management Project
SUF	Special Use Forest
VFPT	Village forest patrolling team

## **I. Objectives and Methodology**

### **1.1 Background**

The Sustainable Natural Resources Management Project (SNRM project) aims to develop institutional and technical capacity of the implementation of Provincial REDD+ Action Plan (PRAP) through pilot activities at commune level in the Dien Bien province.

One of the most important activities in implementation of PRAP is to conduct Payment of Forest Environmental Services (PFES) as an incentive of forest protection. However, current utilization status of PFES payment is not well functioned for forest management.

In order to figure out the current utilization status of PFES payment, the SNRM project plans to carry out a survey in the Pa Khoang commune.

### **1.2 Objectives**

The objectives of the assignment are to figure out current utilization status of PFES in the Pilot Commune of SNRM project in Dien Bien (Pa Khoang commune) through:

- 1) Updating institutional mechanism, Forest Land allocation status, and PFES payment distribution method and records in Pa Khoang commune.
- 2) Elaborating PFES calculation method as per land ownership and forest status.
- 3) PFES utilization in Pa Khoang in the past and currently
- 3) Identifying the issues of PFES

### **1.3 Methodology:**

- Collect secondary data/information from Forest protection and Development Fund (FPDF)– Dien Bien DARD.
- Primary data/information was collected through interview CPC chairman, Muong Phang SUF MB manager and village heads.

## **II. Current status of PFES payment and utilization**

### **2.1 Institutional mechanism of PFES payment**

In Dien Bien, FPDF is under the management of DARD. Dien Bien provincial FPDF was established under the Decision No. 134/QĐ-UBND dated 08/3/2012 of Dien Bien Provincial People's Committee. The organizational structure of Dien Bien FPDF includes the Fund Management Council, the Fund Control Board, Executive Board and technical divisions.

The procedure for distribution of PFES payments from the environmental service users to the service providers is defined in Circular 62/2012/TTLT-BNNPTNT-BTC issued in 16/11/2012 by MARD and Ministry of Finance and Circular 20/2012/TT-BNNPTNT issued in 7/5/2012 by MARD.

The roles and responsibilities of the central and local levels are well defined in the collection, payment and monitoring. Forest owner is required to participate in the assessment and verification process of forest area for PFES payment.

DARD set up a verification board responsible for monitoring the forest owner at organization level such as political and social organizations, and verification board under District Forest Ranger Unit is responsible for forest owners such as households, individuals and communities. The final verification

report will be completed by District Forest Ranger Unit, and approved by DPC. The approved report will be sent to provincial FPDF for PFES management. The FPDF will pay to the forest owners who provide environmental service for the service users such as water companies and the hydropower companies. These companies will have an responsibility to pay the user's fee directly to the FPDF.

FPDF pay PFES to forest owners annually, such as organization, households, individuals and communities. In addition, FPDF is also responsible for overall management of PFES including the contract procedure, payments to forest owners, reporting on forest management and protection, reviewing financial documents and preparing quarterly reports on PFES implementation.

## **2.2 Forest land allocation/forest status for PFES payment**

### **2.2.1 Forest land allocation in Pa Khoang commune**

In Dien Bien, the PFES money comes from three forest areas: (1) Da river basin includes Muong Nhe, Muong Cha, Tuan Giao, Nam Po, Muong Lay, Tua Chua and Dien Bien districts (2) Ma river basin includes Dien Bien, Dien Bien Dong districts and (3) some small basin inside province such as Nam Rom river and Pa Khoang lake includes Dien Bien, Muong Lay, Dien Bien Dong and Muong Cha districts where some water supplier and hydropower companies is utilizing water resource. In Dien Bien province, total allocated forest area which was approved for PFES money was 227,608.87ha (verified in 2015).

Pa Khoang commune – the pilot area of SNRM project, is subjected to the PFES payment based on the Decision 5875/QD-QBND of Dien Bien district on 14 December 2015 on allocation production forest land area in Pa Khoang commune. The total allocated production forest land area was 273.92 ha which is allocated to 9 community and 4 households.

For Special Use Forest, the total allocated special use forest area in Pa Khoang commune was 1,466.69ha. Based on the Decision # 611/QD-UBND of Dien Bien PPC on 24 July 2015, 967.06 ha of Special use forest in Pa Khoang commune was allocated to Muong Phang Forest Management Board (*Among of this area, 938.88 ha belong to Pa Khoang commune, and 28.18 ha belong to two villages of Muong Phang commune*). Muong Phang Forest Management Board signed forest protection contracts with 11 communities, 1 youth union, and two guesthouses of police and military. Based on the decision # 274/QD-UBND on 02 April 2019 of Dien Bien DPC, Muong Phang Forest Management Board was allocated 499.63ha of special use forest in Pa Khoang commune. This area is verified and a new contract for forest protection is made and signed already.

### **2.2.2 Forest status for PFES payment in Pa Khoang commune**

According to PFES implementation report in 2018 (Payment of PFES in 2017), the area of PFES forests is 1,199.69ha, including 263.94ha of production forests and 935.75ha of special-use forests which were allocated to the CPC and Muong Phang Forest Management Board. In 2019 (Payment of PFES in 2018), this figure is a bit different. The total area of PFES forests is 1,152.63ha, including 212.75ha of natural production forests and 939.88ha of special use forest (*See table 1*).

In 2019, Pa Khoang youth union no longer signed the forest protection contract. Their area was contracted with the community and the community was eligible for the PFES payment. At the same time, Dien Bien PPC re-examined all forest area for PFES payment and they found that some forest area was not inside watershed area of Pa Khoang lake. That's the reason why PFES forest area reduced compared to last year (2018).

Table 1: Verified forest area for PFES payment in Pa Khoang commune (FPDF report. 2019)

	PFES forest area 2017 (ha)				PFES forest area 2018 (ha)			
	# owner/ contractor	Production Forest	SUF	Total	# owner/ contractor	Production forest	SUF	Total
Military, Police Guesthouse	2	0	195.25	195.25	1	0	195.85	195.85
PK Youth Union	1	0	62.37	62.37	0	0	0	0
Household	4	16.86	0	16.86	0	0	0	0
Community	20	247.08	678.13	925.21	13 (PF) +11 (SUF)	212.75	744.03	956.78
<b>Total</b>	<b>27</b>	<b>263.94</b>	<b>935.75</b>	<b>1,199.69</b>	<b>13</b>	<b>212.75</b>	<b>939.88</b>	<b>1,152.63</b>

### 2.2.3 PFES calculation method, and payment

PFES defines payment criterias based on the size of area to be protected as well as on the quality of the forest (K factor). K factor is defined based on the forest quality with the value 1.00 for rich and very rich forest, 0.95 for medium forest and 0.90 for poor forest so that the amount of payments are discounted based on the quality of the forest. In case of Dien Bien, all target forest area of PFES is evaluated as 1.00 for natural forest and 0.90 for planted forest.

For production forests, PFES is directly paid to village communities and households by the FPDF, with the deduction of 10% of management fee. For special-use forests, PFES is paid to Muong Phang SUF management board by the FPDF with the same amount of deduction, however, the SUF management board is responsible for forest protection and PFES payment through signing contracts with different stakeholders such as local communities of villages/hamlets, armed force units, political and social organizations to implement PFES. Under existing regulations, additional 10 percentages of management fee is deducted by Muong Phang SUF management board.

Pa Khoang CPC is responsible for monitoring and evaluation of forest values as the result of forest protection and management conducted by households and village communities so as to ensure transparency in the evaluation and equal distribution of the benefits to their protection efforts. Monitoring items include forest area and forest quality to circulate the amount of payment.

The Dien Bien DARD also assigned Sub-FPD to monitor and evaluate the quality of forests for PFES, particularly to monitor armed force units and political and social organizations assigned by forest protection and management contracts.

In Pa Khoang commune, the PFES money for 2018 was paid in April 2019. Total PFES payment in 2019 in Pa Khoang commune was 1,017.47 million VND (156.83 million VND for production forest was paid to 13 communities, and 860.64 million VND for special use forest was paid to 11 communities and 2 guesthouses (Table 2)).

Table 2: PFES payment in Pa Khoang commune (FPDF report. 2019)

	PFES payment 2018 (million VND)				PFES payment 2019 (million VND)			
	# owner/ contractor	Production Forest	SUF	Total	# owner/ contractor	Production forest	SUF	Total
Military, Police Guesthouse	2	0	99.95	99.95	1	0	179.84	179.84
PK Youth Union	1	0	31.92	31.92	0	0	0	0

	PFES payment 2018 (million VND)				PFES payment 2019 (million VND)			
	# owner/ contractor	Production Forest	SUF	Total	# owner/ contractor	Production forest	SUF	Total
Household	4	8.63	0	8.63	0	0	0	0
Community	20	122.98	347.14	470.12	13 (PF) +11 (SUF)	156.83	680.80	837.63
<b>Total</b>		<b>131.61</b>	<b>479.01</b>	<b>610.62</b>		<b>156.83</b>	<b>860.64</b>	<b>1,017.47</b>

#### 2.2.4 PFES money utilization in Pa Khoang commune

PFES money is distributed to the representative of village/agencies. Each village assign at least 3 representative and visit Pa Khoang CPC to receive the payment.

Regarding PFES money utilization from 2016 backward, the PFES money was shared to all households in village, only some village spared small amount for support of VFPT on their forest patrolling activity. In the 3<sup>rd</sup> village meeting of SNRM with villagers in 21 villages, the project staff, local partners and villagers agreed that PFES money should be extracted 30% for support of VFPT on their forest patrolling and the rest amount (70%) will be shared equally to households. (*The extracted amount is in table 3 below*). This practice was applied from 2017. In case of villages which has small forest area allocated for PFES and received limited amount of payment, did not allocate to households and kept that amount for their village activities.

Apart from incentive from PFES, the support from SNRM project such as technical training and provision of equipment, encourage VFPTs of 21 villages to conduct forest patrolling more proactive. They also developed monthly forest patrolling plan and reports and submitted them to forest rangers. Based on the monitoring result of SNRM in October 2018 and April 2019, VFPT in 21 villages conducted forest patrolling 5 times a month in average. More forest violation cases were detected and handled (13 cases in 2018 and 15 cases in 2019).

No.	Village	Type of forest	PFES forest area (ha)	Price/ha (1,000 VND)	Amount (1,000 VND)	Extracted (30%) 1,000 VND
1	Pa Tra	SUF	77.14	921.116	71,054.88	21,316.46
2	Co Cuom	SUF	92.450	921.116	85,157.17	26,591.69
		PF	3.78	921.116	3,481.81	
3	Dong Met 1, 2, Co Thon	SUF	236.106	921.116	217,481.01	65,244.30
4	Vang 2	SUF	28.74	921.116	26,472.87	13,603.40
		PF	34.280		18,871.81	
5	Cong, Keo, Ten	SUF	158.380	921.116	145,886.35	58,754.30
		PF	52.24	921.116	49,961.31	
6	Xom 1,2,3	SUF	10.329	921.116	9,514.20	4,258.04
		PF	5.080	921.116	4,679.26	
7	Bo	SUF	74.040	921.116	68,199.42	26,425.89
		PF	21.59	921.116	19,886.89	
8	Nghiu 1,2	SUF	48.59	921.116	44,757.02	18,481.27
		PF	18.29	921.116	16,847.21	
9	Ha 1,2	SUF	13.33	921.116	12,278.47	6,648.61
		PF	10.73	921.116	9,883.57	
10	Vang 1	PF	0.13	452.48	58.82	No



No.	Village	Type of forest	PFES forest area (ha)	Price/ha (1,000 VND)	Amount (1,000 VND)	Extracted (30%)1,000 VND
11	Pu Sung	PF	60.74		29,577.03	8,873.109
12	Co Muong	PF	3.89	921.116	3,583.14	3,583.14
13	Military guesthouse	SUF	153.51	921.116	141,400.51	No
14	Truc An guesthouse	SUF	41.74	921.116	38,447.38	No
	<b>Total</b>				<b>1,017.47</b>	<b>251,272.03</b>

Table 3. PFES extracted amount for support VFPT (FPDF report. 2019 and SNRM monitoring result)

### 2.2.5 Issues of PFES payment/ Provincial REDD+ implementation

Some problems on proper use of PFES money have found during practice of forest patrolling. The amount of 30% PFES money should be used for the efforts of VFPT members such as forest patrolling. However, some VFPT members who were working in other province assigned their wives as forest patrolling member instead of husbands. Actually she could not go to the field for the patrolling, but they still received the payment. The rest amount (70% of PFES money) was shared to all households in village, but in some cases of forest violation such as forest fire, all households did not always participated for handling the issues. In other case, there were some households who committed forest violations in the past still received the payment.

Muong Phang Forest Management Board and Pa Khoang CPC discussed with villagers on how to use PFES money effectively and appropriately for forest protection: the payment should be made based on the actual working days participated in forest patrolling, and the leader of VFPT records their working days. The remaining amount (70%) should be paid to the households who really participate in forest protection (patrolling, forest fire fight...). The household who committed any forest violation can no longer receive PFES money. These rules has been applied from 1 June 2019.

The interviews of key officials of Muong Phang Forest Management Board and Pa Khoang CPC relating to PFES implementation in Pa Khoang commune figured out the following limitations/difficulties:

- Some organizations had a difficulty to manage PFES money for forest protection adequately. In case of military guesthouse and political-social organizations, the plan to use PFES money is not clear. Therefore, Muong Phang Forest Management Board decided not to continue the forest protection contract with Pa Khoang youth union and military guesthouse.
- Some villages which received big amount of PFES money keep that amount in village head's house. It's not safe for them. It's better if FPDF can pay them via bank account from the next payment.

## III. Conclusions

In Pa Khoang commune, the PFES could contribute to forest management and encourage villagers on forest protection. It also contributes as effective funding source for PRAP implementation in Dien Bien province.

In 2019, the unit price of PFES per hectare has increased, and the Dien Bien PPC issued a decision # 274 / QD-UBND dated 02 April, 2019 on the allocation of 1,311.92 ha (499.63ha in Pa Khoang commune) to Muong Phang Forest Management Board for forest protection contract with the community in SUF. The increase in forest area to be subjected to the PFES will encourage more villagers in forest protection and development.

The new regulations on the proper use of PFES fund has been agreed by the villagers, but Pa Khoang CPC and Muong Phang Forest Management Board need to closely monitor and follow up village forest patrolling to ensure efficient use of the PFES to village forest management.