

Executive Summary

Overview of planned public investments related to land-use in the Central Highlands region of Viet Nam, 2016-2020

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Vietnam has an ambitious legal framework aimed at halting deforestation and forest degradation, and national forest cover has increased over the past 20 years. The country's Nationally Determined Contribution (NDC) under the Paris Agreement indicates it is working towards an 8 percent greenhouse gas emissions reduction target compared to business as usual by 2030, with the possibility of increasing this target to 25 percent conditional on international support. Vietnam's NDC also emphasises adaptation measures in the forest sector, recognising the role of forests in reducing disaster risk and strengthening the resilience of ecosystems and people. Vietnam's National REDD+ Action Programme (NRAP) 2016-2020 was adopted in 2017, and efforts are underway to finalise the NRAP Mid-Term Implementation Plan (MTIP) 2018-2020.

Despite this legal framework, deforestation and forest degradation continue to dramatically threaten Vietnam's environment. This is particularly the case in Central Highlands, where forest cover decrease between 1976 and 2016 represented 22 percent of national emissions from forestry and land-use change.

Since spending from sub-national governments accounts for approximately 70 percent of total public spending in Vietnam, it constitutes a key level for examining land-use finance spending and its impact. At this provincial level, the Central Highlands region provides an interesting case study for various reasons.

First, because of its economic and environmental context. While the region's forests represent 22.3 percent of the national cover, it is also considered a hotspot of deforestation. Central Highlands is also one of the least economically productive region of Vietnam, with an economy dominated by agriculture and the often unsustainable exploitation of natural resources. In the large areas covered by forests, poverty incidence is also high. Secondly, the region's Master Plan is scheduled to be updated by the Ministry of Planning and Investment (MPI), and significant targeted REDD+ support is planned in the region.

This study provides the first of its kind analysis of public investments related to land use in the five provinces of Central Highlands. It was conducted by the Central Institute for Economic Management of the MPI and the EU REDD Facility of the European Forest Institute, in partnership with the Vietnam REDD Office and the UN-REDD Programme. It aims at supporting the implementation of the NRAP in Central Highlands and the integration of sustainable land-use objectives into provincial socioeconomic development.

The Central Highlands context

The main direct drivers of deforestation and forest degradation in Central Highlands are, in order of importance: legal and illegal unsustainable logging; forest conversion for agriculture; forest conversion for infrastructure, especially hydropower installations; and population increase, mostly because of migration. The main REDD+-relevant policies implemented in Central Highlands are: a logging ban on natural forests of 1993, reinforced in 2003 and 2014; an offset replantation scheme imposing on operators the obligation to compensate for forest loss due to infrastructure development; and a policy on payment for forest environment services (PFES) that applies to forest environmental service users such as water supply companies, hydropower plants and tourism companies.

One should note that Central Highlands presents specific challenges in terms of the population's welfare, in particular among ethnic minority groups. Unplanned migration has led to conversion of forests to develop agriculture production and environmental degradation. A Prime Minister decision of 2006 on a settlement programme for unplanned migrants has led to a reduction of the number of migrants.

Methodology

The approach taken to conduct this study is similar to that of a budget review. It built on the lessons learnt from the application of the methodology of the Climate Public Expenditure and Investment Review (CPEIR) of the United Nations Development Programme and the World Bank. However, since the CPEIR typology is insufficiently developed in relation to forest-related activity types, this study developed its own typology, specific to the scope of the NRAP and aligned with the typology developed as part of the NRAP Mid-Term Implementation Plan (MTIP) 2018-2020 and Resource Mobilisation Framework.

This study analysed planned international, national and provincial public investments for the period 2016-2020 in five provinces of Central Highlands (Kon Tum, Gia Lai, Dak Lak, Dak Nong and Lam Dong) that have a potential impact on forest cover. It considered public finance related to both the revenue and expenditure of public authorities. The definition of revenue used in this study includes revenues collected from private entities and redistributed to public entities, such as the PFES scheme. The analysis focused mostly on national and provincial ministries and bilateral and multilateral donors. While public enterprises and funds were integrated to the extent possible, private investments were not covered.

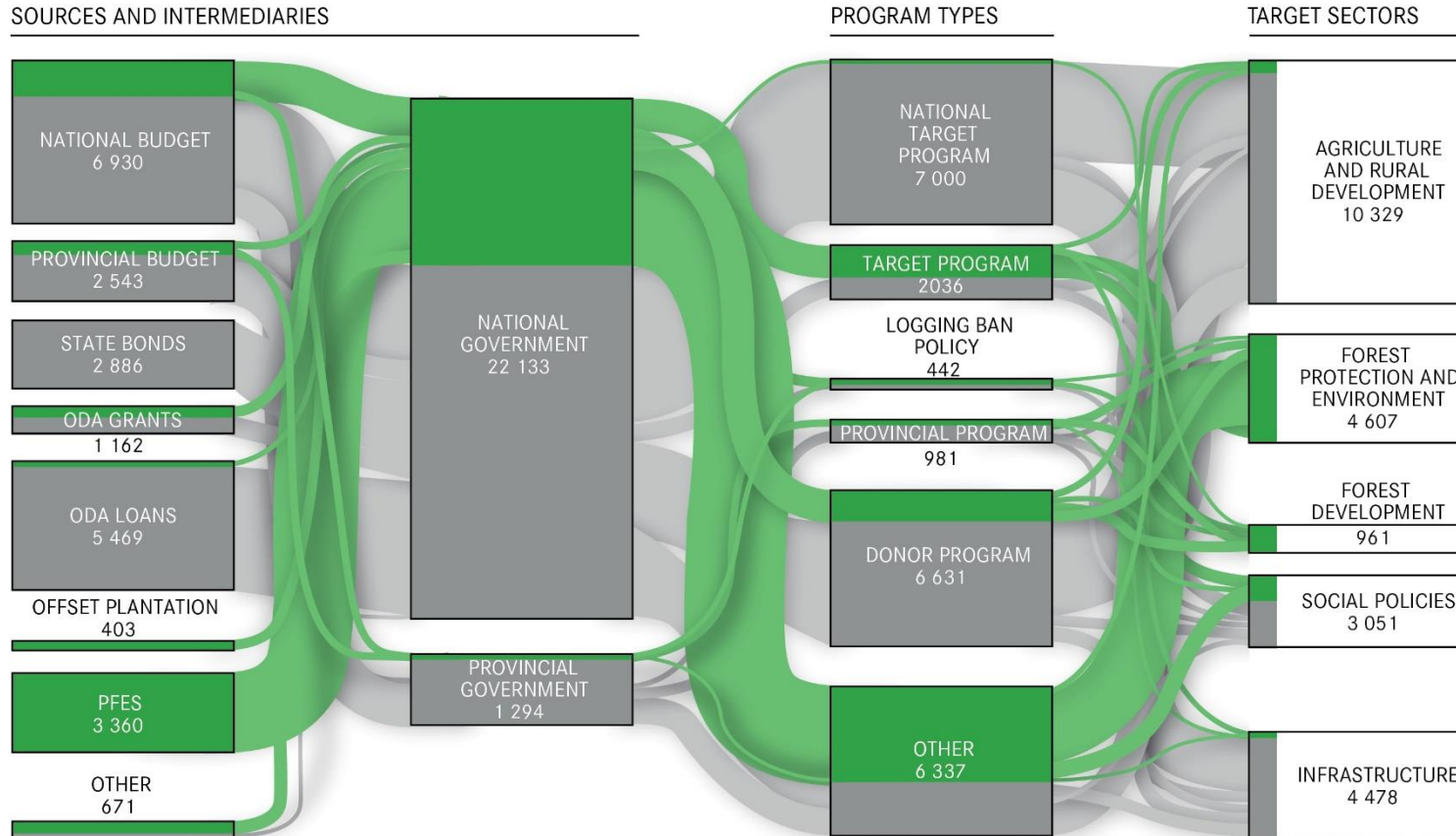
Research activities included a literature review and consultation of REDD+ and land-use stakeholders to identify most relevant actors and data sources. This was followed by developing a definition of land-use finance by identifying relevant policy areas for land use and building a typology for different types of land-use activities, based on NRAP policies and measures. The study team then collected qualitative and quantitative data on domestic and international public investments in Central Highlands. This data was aggregated in a database and coded according to the typology, before it was analysed and interpreted to formulate conclusions.

About a third of total planned public domestic and international investments in land-use sectors in Central Highlands for the period 2016-2020 seem to be aligned with the objectives of the NRAP. Part of the remaining two-thirds of planned investments could potentially support NRAP objectives in the future if relevant safeguards and enabling measures were put in place.

Figure 1: Overview of planned public investments in land-use in Central Highlands, 2016-2020

OVERVIEW OF PLANNED PUBLIC INVESTMENTS IN LAND-USE IN THE CENTRAL HIGHLAND REGION, VIET NAM, 2016-2020

VND 7.2 Trillion
ALIGNED to NRAP objectives
 VND 16.2 Trillion NON ALIGNED



KEY

Aligned to NRAP

Planned activities which contribute to reducing deforestation drivers and to enhancing and protecting forests, in coherence with policies and measures promoted by the National REDD+ Action Plan (NRAP - Decision 419)

Non-aligned

Planned activities whose impact on the forest cover is unknown. These planned activities are not aligned with the objectives of the NRAP, but could be if certain enabling conditions were in place.

All figures in VND billion

NRAP: National REDD+ Action Plan

ODA: Official Development Assistance

PFES: Payments for Forest Environmental Services



Main findings and recommendations

General conclusions and recommendations

The Central Highlands region could increase public investments aimed at protecting forests by up to VND 3.2 trillion per year by safeguarding and aligning existing land-use investments to forest and climate objectives. This study of planned public investments in land-use activities in the five provinces of Central Highlands highlighted the importance of this sector for the region. Indeed, 57% of total planned public investments in the region for the period 2016-2020, or VND 23.4 trillion, are related to land use. They might therefore potentially impact the region's endangered forest cover. Two-thirds of these investments, or VND 16.2 trillion, are not aligned with NRAP objectives and could potentially drive deforestation in the future. Some of these investments could be greened by applying more rigorous safeguards in donor and domestic finance, enforcing forest protection measures and ensuring the effectiveness of existing incentives. In particular, about 90% of planned donor investments identified by this study are not aligned to NRAP objectives, calling for greater coordination between Vietnam and its partners.

The diversification of sources of finance for forest protection and development is key to the implementation of the NRAP in Central Highlands. Financial resources from the State budget are limited and resources requested to the national level by provinces, such as to support the implementation of the logging ban, are not necessarily considered budgetary priorities. Plans to expand the scope of PFES to additional environmental services are positive signals. Yet more efforts are needed to incentivise sustainable private investment in production forests and reduce the pressure on natural forests, as well as encourage joint ventures and public-private partnerships in afforestation/reforestation and forest protection.

Recommendations to the national government of Vietnam

Future national and provincial planning in Central Highlands should take into account deforestation risk in coherence with NRAP objectives. About a third of total planned public domestic and international investments in land-use sectors in Central Highlands for the period 2016-2020 seem to be aligned with the objectives of the NRAP. REDD+ strategic planning seems to be an effective way to increase the volume of resources targeting forest protection and attracting international support, as demonstrated in Lam Dong and Dak Nong. Yet REDD+ planning should not happen in silo and should take into account planned investments in all land-use sectors. For example, Lam Dong is the province with the largest planned investments contributing to NRAP objectives, but also with the largest planned investments not aligned with NRAP objectives. Ongoing planning reform at national level in Vietnam should ensure better mainstreaming of environmental and forest protection objectives, including in spatial planning. The integration of NRAP objectives in the National Target Programme and the Target Programme should be ensured from an early stage. **The implementation of the new Planning Law represents a unique opportunity to achieve these objectives.**

Payments for Forest Environmental Services (PFES) could play a crucial role in NRAP implementation in Central Highlands if the additionality and effectiveness of the scheme

were enhanced. In the region, 75% of planned investments in the forest sector come from PFES, which is the main source of finance for forest protection, amounting to VND 3.36 trillion over the period 2016-2020. In Central Highlands, PFES represents up to 8% of total household income, which indicates the potential important socioeconomic outcomes of the scheme. However, at present, these outcomes are undocumented. The importance of this scheme for forest protection in Central Highlands calls for ensuring that it provides the right incentives for forest owners and communities to adopt sound forest management practices and for monitoring its impacts. Adequate frameworks and safeguards need to be put in place to ensure the realisation of the PFES's environmental objectives, as well as the fair and effective distribution of benefits to forest-dependent stakeholders.

Resources need to be made available to provinces to effectively ensure the implementation of the logging ban, reduce illegal logging and recover forests. Organizations and communities which rely on natural forests should be provided the right incentives to help protection efforts, while strict law enforcement is ensured. Innovative solutions are also needed to increase the efficiency of the existing offset plantation mechanism. In 2016, only 44% of funds collected were invested in afforestation efforts. Support for robust project formulation, monitoring and land management is needed. Engaging communities in offset plantation projects could provide additional livelihood opportunities while reducing risks of encroachment.

Recommendations to the governments of Central Highland provinces

Stronger safeguards should be applied in rural development and broad-based economic support programmes. Poverty and migration are important indirect drivers of deforestation. Social policies can therefore play an important role in reducing deforestation in Central Highlands. Most planned social investments in the region relate to the resettlement of unplanned migrants and livelihood opportunities for ethnic minorities. Yet given the inherent trade-offs between rural development and forest conservation, stakeholders providing support to livelihoods-support activities and economic development should conduct additional assessments to minimise and control unwanted deforestation impacts. This could consist in a number of approaches, including improving design of donor programmes to specifically screen for environmental impacts, or carrying out targeted, individual environmental impact assessments when disbursing finance. The current portfolio of donor projects should be initially screened, beginning with major bilateral donors, to develop a system of assessment for future projects and programmes.

Increased transparency and periodic tracking of resources invested in land-use activities in Central Highlands can contribute to mobilise additional resources for integrated sustainable planning in the region. Challenges are many when it comes to drawing a complete picture of land-use investments at sub-national level in Vietnam. Data is fragmented, the assessment of overlaps among various plans and programmes is complex, and information about investment objectives and impacts is limited. This study constitutes a first step in attempting to map public actors and flows related to land-use investments. It also offers a methodological approach that provinces and their partners can build on and improve, when developing specific sub-national REDD+ investment plans.

Greater clarity on the coherence of public investment programmes with environmental objectives and entry points for additional support are needed to attract co-investment from donors and the private sector in sustainable land-use activities. Developing provincial strategies to attract sustainable private investment entails clarifying frameworks and criteria related to zero-deforestation agriculture and development in Central Highlands. A thorough review of projects identified by this study as not aligned to NRAP objectives could help redirect some planned public investments to activities with positive impacts for forests. Publicly listing forest and agriculture development investment projects could be a first step to enhance the transparency and accountability of land-use operators.

Recommendations to donors and technical partners of Central Highland provinces

Additional finance, in particular donor support, will be needed to support Central Highlands' transition to sustainable commodity production and align planned investments with forest protection objectives. Almost half of planned land use investments for 2016-2020 in Central Highlands are related to agriculture and rural development, underlining the importance of this sector for the region's economy. All provincial socio-economic plans for the period focus on further developing the agricultural sector. However, only 5.3 % of planned agricultural investments are consistent with NRAP objectives. At present, no specific Government programme targets sustainable agro-commodities in planned budgets in the region, and there is very limited planned investments targeting sustainable agriculture coming from donor funding. For NRAP objectives to be achieved in Central Highlands, dedicated policies and measures need to be implemented to ensure that deforestation is decoupled from the region's economic and agricultural development.

Dedicated resources are needed to support the enabling environment for NRAP implementation. These resources are needed to support provinces in improving provincial REDD+ planning. They would also support provincial capacity to ensure robust land management and spatial planning, forest law enforcement, the implementation of the logging ban and forest fire prevention. Provinces need to be capacitated to develop integrated sustainable development strategies based on sound data and multistakeholder engagement. This study only identified planned REDD+ planning support in one province (Lam Dong) for the 2016-2020 period. NRAP implementation in Central Highlands should focus on ensuring that the means for the ban's implementation are available.

About the EU REDD Facility

The EU REDD Facility supports partner countries in improving land use governance as part of their effort to slow, halt and reverse deforestation. The Facility also supports the overall EU effort to reduce its impact on deforestation in developing countries. The Facility is hosted by the European Forest Institute (EFI), and was established in 2010.

Disclaimer

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