
Session3 Designing effective national financing systems for forest conservation and sustainable forest management: Lessons from payment mechanism for environmental services (PES)

Q&A Session

(Q1: FRIM, Mr. Harun) Thank you also to the three speakers for sharing your experience on how the local community has been amalgamated into forest management. I would like to touch a little bit on sustainability of the project. You already have a good project, you are a good starter, but my worry is the sustainability of the project in the long run, especially in ensuring the project as self-sustaining. I think this is quite important. In the future, we cannot expect any more dollars, any more aid from outside. The question is how can we ensure the sustainability of the project?

(Q2: Forestry and Forest Product Research Institute, Dr. Morita) In the long term, to sustain REDD+ in forest conservation activities, I think not only mobilizing international funds, but also it is important to mobilize domestic finance. I think the PES of Costa Rica and Vietnamese PFES is a good model to mobilize domestic finance and also involve a lot of private sectors in your countries. My question is that, if your country is already discussing about how to link this PES model to a REDD+ scheme, I would like to know how do you link these two schemes to utilize to the REDD+ scheme?

(Q3: Malaysia, Mr. Ismail) My question is related to the previous question, because now Malaysia is learning and trying to adopt PES. It is good thing that Costa Rica and Vietnam are doing very well. There are two questions. The first one is to my best friend, actually, Mr. Arce. It is good to know that Costa Rica now is depending on the internal funding. How is the Costa Rican government encouraging the private sector or the internal funding to invest in PES?

The second one is on Vietnam. We found it quite difficult actually to get the involvement of the local people. It is quite impressive to know that more than 200,000 local people are involved in your PES activities. Can you just discuss what activities in which the local people are involved?

(Q4: Forestry Agency, Mr. Hori) I have a question to those gentlemen who talked about the payment for environment Services. Actually, our government, or probably I would be able to say Forestry Agency, tried in past to put some kind of tax on the water saying that this is a water tax, which is kind of environment service on forest and we failed. The main reason is many people are against it because they are paying money for what? Especially industry are saying, "We do not want to pay such kind of money because we are not receiving this service very much anyway." My question is, when you are introducing this kind of new system, did you not have any kind of people who are against that? If you

faced it, how did you persuade those people to agree with this system?

(Mr. Arce) I would like to refer to the first question about the sustainability of the Payment for Environmental Services. In my opinion, we are talking about rural development, and maybe payment for environmental services program is just a piece of the cake, and we have to complement with another activities in order to develop the rural landscape. We need to look at more than the forest. For that, in my presentation, I just talked a little about the landscape approach and coordination in the agendas from the minister of agriculture and the minister of environment and other institutions related with the land use. If it does not happen, maybe in our country like Costa Rica, maybe the project would not be able to be sustainable in a very, very long time. Maybe we can go again to high rates of deforestation. We have to be very smart in order to address this situation.

About the second and how to mobilize finance from the private sector, I have to say that the government of Costa Rica has a commitment to become a carbon-neutral economy by 2021. It is very difficult. The Costa Rican authorities at a higher level are trying to create an internal carbon market. We have created the Costa Rican Carbon Unit. There are many companies now that are taking this commitment and are buying this carbon unit through my organization. Funds are going to forest activities. We are paying for forest activities, protection of forest, sustainable management of forests, agro-forest projects, and reforestation or forest plantations. Right now, this mobilization of finance has just started and it is a kind of an internal voluntary market. I think I answered the second and third.

(Mr. Supriyanto) There are three questions related to my presentation. One is from Dr. Harun in terms of sustainability. I explained before that the readiness project of the REDD+ normally having very short period of three to five years. That is why when we are making about the time series, PDD and also the REL and MRV, we have to include the multi-stakeholder involvement. Part of my recommendation is how to create the institution in terms of REDD+ over there. Especially to deal about their commitment for the future low-emission reduction activities, and also if there is a benefit in terms of direct benefit like payment of the product, premium price can be managed also directly to the stakeholder. Generally, we can say that benefit is one of the words to ensure the institutional sustainability in term of PES and in term of REDD+ in the future.

For the second question of how to link REDD+ with the PES, in my opinion, even by definition, PES is on a voluntary basis. However, in my opinion, it can be obligatory as part of the negotiations for the compliant market, G2G, for those countries that emitted the emission showed support the countries that absorb the emissions. That is why REDD+ payment is part of PES at the global level. This is my perspective

Last but not least, about the tax of the water, this is very important. I had many critics when the

government of Indonesia gave tax on water because water belongs to the public resources. However, this is compensation about how to maintain quality and quantity in terms of production. That is why the government regulates the policy in terms of water. Water can be used if there is like a forest inventory about the potential of water availability and then water debit. If the water is not sufficient enough, the first priority is given only for the forest management inside, and also for the community, but after becoming sufficient, the proportion can be delivered for the commercial basis. The proportion according to our regulation is 50:30:20. 20 is for the commercial basis. Then the tax ranges between 2% and 4% times the unit of the price per cubic meter of the water delivered to the customer.

(Mr. Luong) Regarding the question how to link PFES with REDD+, from my point of view, the legal framework is very, very necessary to integrate PFES into REDD+ or REDD+ into PFES. That is a strong commitment from Vietnam. In 2012, we issued a decree by the prime minister. It emphasized that REDD+ will be a part of VNFF, meaning the Vietnam Forest Protection and Development Fund. It allows us to mobilize other sources to ensure the rate of payment for households and forest owners because, if we just buy on the PFES, that means we can only cover for watershed instead of whole forest area. With the REDD+ money, we can cover for others. We can harmonize to ensure other stakeholders, other forest households. They can receive money. That is our idea.

Relating to how local people involve in our process, I mentioned in my presentation that local people, especially minority people are living around the protected area. Our policy allows them to sign a contract with the protected area to protect the forest. After receiving money, of course they spend that money for partial protection of forest. At the end of the year then we evaluate by on-reserve protection.

The third question related how to persuade and convince the private companies, for example, hydropower plant and water supplier to pay, of course, before we issued policy, we consulted with many stakeholders through many events, workshops, training, and awareness raising campaign. We also conducted some research. For example, are they willing to pay? For example, in Ho Chi Minh City, people willing to pay with the very, very high rate. At the end we submit on the input of scientific. We submit it to our prime minister, but our prime minister, who has to balance because finally the end user, for example, we use electricity and we pay for that. At the beginning, we convince companies to prove their responsibility. It is very difficult, as our colleague said. If we create the voluntary mechanism, it is very, very difficult. Therefore, by reserve we convince them and we allow them to add in their cost and end user actually they pay for that. They help us to pay for forest owners. That is what our policy emphasizes.

(Q5: WWF, Ms. Awano) My question is to Mr. Arce. In the last slide of your presentation, you pointed out the fundamental and challenging feature of REDD+, because REDD+ will be beneficial

for these countries who have higher deforestation rates, and not so favorable for countries like yours who have been implementing tremendous effort. We know that problem, but at same time, your country is one of the most advanced countries because you are the first country in the FCPF Carbon Fund pipeline. How did you succeed to be the first candidate of the Carbon Fund, despite of the fact that you have been implementing, so you have a little bit better ratio of the forest cover for years. That means that your case illustrates that it can be possible for these countries like yours to have support from international society for more conservation and maintaining your forest. Your case would be illustrating well, probably. So, I would like to have your view and opinion on that.

(Q6: Okayama University, Dr. Ubukata) My question is to Mr. Arce and Mr. Luong about the link between PES, PFES, and REDD+. So far, these two schemes have a lot of similar components, such as inventory or monitoring system and so on. Are there any attempts to coordinate or link these two schemes in institutional building? Or, do you have to create systems independently with no link between or share the system?

(Mr. Arce) I will begin with the easiest question, the last one. In our readiness program, the REDD+ strategy is based on the payment for environmental services program. Both program are dealing with FONAFIFO. Therefore, for us, REDD+ is synonymous to the PES program.

The first question, like every member Costa Rica also led the Kyoto Protocol and we did not have benefits from the CDM Project. Now we are very concerned about the situation again because we are receiving money in the readiness phase, the first phase. Like I heard from the World Bank authorities about one or two months ago, they said we have to look for the investment for piloting or for the first investment. Therefore, if we do not change these, maybe again the same history will happen that we would not receive money from international sources. I have to point out that we are upper middle income country and we are not able to receive finance international cooperation, so we have to deal with that. We have to deal with that. I do not have the complete answer because it is a kind of difficult.

(Mr. Luong) At the end of my presentation, I emphasized the M&E system. It is quite different with the REDD+, which we normally call measure, report, and verification (MRV). It has the same meaning, but with a different word. In our country now we are implementing the National Forest Inventory Project. It allows us to get reserve to apply the whole, not only PFES but also REDD+. That is our approach to ensure that PFES implementation as well as REDD+ implementation.