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

CIEM Central Institute for Economic Management
CPEIR Climate Public Expenditure and Investment Review
DPI Department of Planning and Investment
EFI European Forest Institute
EU European Union
FLEGT Forest Law Enforcement, Governance and Trade
GIZ German International Cooperation Agency
GSO General Statistical Office
HHD Household
MARD Ministry of Agriculture and Rural Development
MONRE Ministry of Natural Resources and Environment
MPI Ministry of Planning and Investment
MTPIP Medium-Term Public Investment Plan
NIF National Institute for Finance
NDC National Determined Contribution
NRAP National REDD+ Action Plan
ODA Official Development Assistance
PFES Payment for Forest Environmental Services
PRAP Provincial REDD+ Action Plan
REDD+ Reducing Emissions from Deforestation and forest Degradation in developing countries, and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries
SEDP Socio-Economic Development Plan
USD US dollar
VBSP Vietnam Bank for Social Policies
VND Vietnam dong
VNFOREST Vietnam Administration of Forest
Executive summary

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

**Sources and Intermediaries**
- National Budget: 6,930
- Provincial Budget: 2,543
- State Bonds: 2,886
- ODA Grants: 1,162
- ODA Loans: 5,469
- Offset Plantation: 403
- PEES: 3,360
- Other: 671

**Program Types**
- National Target Program: 7,000
- Target Program: 2036
- Logging Ban Policy: 442
- Provincial Program: 981
- Donor Program: 6,631
- Other: 6,337

**Target Sectors**
- Agriculture and Rural Development: 10,329
- Forest Protection and Environment: 4,607
- Forest Development: 961
- Social Policies: 3,051
- Infrastructure: 4,478

**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.

**NRAP**: National REDD+ Action Plan
**ODA**: Official Development Assistance
**PEES**: 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.
1. Introduction

Vietnam has an ambitious legal framework aimed at halting deforestation and forest degradation, and national forest cover has increased over the past 20 years. Nonetheless, deforestation and forest degradation continue to dramatically threaten Vietnam’s environment, especially in biodiversity hotspots such as the Central Highland region. Pressures on land and forests in Central Highlands are greater than in other regions of the country. Between 1976 and 2016, forest cover decreased from 67 % to 46 % in Central Highlands, representing 22 % of national emissions from forestry and land-use change.1

Figure 1: Change in forest area in Central Highlands from 2011-2017

Vietnam ratified the Paris Agreement on climate change in 2016. Its Nationally Determined Contribution (NDC) under the Agreement indicates that the country is working towards an 8 % greenhouse gas emissions reduction target compared to business as usual by 2030, with the possibility of increasing this target to 25 % 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 endorsed by the Prime Minister on 5 April 2017 (Decision 419), along with Directive 13 of the Central Committee of the Communist Party on Forest Protection and Development. Efforts are currently focusing on developing the NRAP Mid-Term Implementation Plan (MTIP) 2018-2020. The MTIP will be backed by a Resource Mobilisation Framework that will identify existing and potential sources and opportunities of financing of the NRAP’s policies and measures at the national level.

In Vietnam, spending from sub-national governments accounts for the majority (an estimated 70 % of investments) of total capital spending by the government. Investigating the landscape

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of land-use finance at sub-national level is therefore key to understanding the impact of local financing in delivering sustainable land-use objectives and their contribution to national policies.

The Central Highlands region provides an interesting case study. The scheduled update of the region’s Master Plan by the Ministry of Planning and Investment (MPI) and future targeted REDD+ support planned in the region to address some of the most important drivers of deforestation provide various opportunities. These include: assessing the current land-use investment trends and identifying main opportunities to promote inter-sectoral planning; mainstreaming REDD+ objectives in sub-national planning and budgeting; better capturing environmental issues in policy and decision-making processes; filling existing knowledge and finance gaps; and reinforcing coherence between national and sub-national policy implementation.

This study was conducted by the Central Institute for Economic Management (CIEM) of the MPI and the EU REDD Facility of the European Forest Institute (EFI), in partnership with the National Institute for Finance (NIF) of the MOF, 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.

**Objectives of the study**

This study’s objectives are to identify and quantify relevant planned public investments (2016-2020) in land-use sectors in the Central Highlands’ five provinces in order to:

- Identify the main sources of finance and spending patterns related to land use and forests
- Quantify the contribution of public investment spending to the achievement of REDD+ objectives and identify the main gaps in the implementation of the NRAP
- Understand the role of investments from central and provincial levels in potentially driving land-use change and forest loss in Central Highlands.

This study can help also identify opportunities to integrate NRAP objectives into provincial socioeconomic development plans (SEDPs) up to 2020 in Central Highlands and inform donors of potential gaps and opportunities for the implementation of provincial REDD+ activities in Central Highlands, in complement of the national Resource Mobilisation Framework.

This forward-looking study is based on planned investment data and limited qualitative information about public programs. It can therefore not inform on the future impact of financial flows examined but only assess those according to their planned objectives.

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Vietnam’s climate and REDD+ commitments

Viet Nam is one of the first countries that engaged in REDD+. Readiness activities, which started in 2008, included the development of a NRAP 2011-2020 and selected provincial REDD+ Action Plans (PRAPs). The NRAP was updated in April 2017, for the period 2017-2020, with perspectives towards 2030. It encompasses policies and measures to support more integrated and inter-sectoral land-use planning, and improved understanding of financial flows and mechanisms to better integrate forests and environment into national development objectives and planning processes. This document is complemented by a MTIP 2018-2020, costing and identifying adequate financial resources needed to implement the NRAP’s policies and measures. The MTIP is backed by a Resource Mobilisation Framework that identifies secured funding for NRAP implementation at national level.

Vietnam’s REDD+ actions are inscribed within the country’s climate change policy. However, the overall legal framework in Vietnam addressing climate change and REDD+ issues is highly complex, with various overlapping instruments that are not necessarily coherent or consistent. Vietnam’s commitment to sustainable development and the fight against climate change is embedded in a series of strategic documents, such as Vietnam’s Sustainable Development Strategy 2011-2020, a National Climate Change Strategy and a Green Growth Strategy, with corresponding action plans (2012-2020).

The forest and land-use agendas are key pillars of Vietnam’s commitment to the international community on climate mitigation and resilience. Vietnam’s unconditional contribution under the Paris Agreement includes the goal of increasing forest cover to 45% by 2030, from 41% levels in 2016. It envisages achieving its mitigation targets through various measures, including: the management and development of sustainable forests; the enhancement of carbon sequestration and environmental services; and the conservation of biodiversity associated with livelihood development and income generation for communities and forest-dependent people.

In addition, in May 2017, Vietnam was the second country in Asia, and the seventh in the world, to sign a Voluntary Partnership Agreement with the European Union under the Forest Law Enforcement, Governance and Trade (FLEGT) scheme, opening the way for improved control and effective removal of illegal timber from Vietnam’s timber industry. The same month, Vietnam saw its national reference level formally acknowledged under the United Nations Framework Convention on Climate Change.

Planning at national and sub-national level

Vietnam’s international commitments on forest have also been translated into forest sector strategies, decisions and specific target programmes.

Planning in Vietnam is fairly decentralised. As in most countries, Vietnamese budgets are separated into recurrent and investment budgets. Recurrent budgets are the responsibility of the Ministry of Finance and its provincial Departments of Finance. Investment budgets are the responsibility of the MPI and its provincial Departments of Planning and Investment (DPI). The
average share of the investment budget is currently 18 % nation-wide, with less wealthy provinces to even undercut 18 %.\(^3\)

Investment budgets, which are the main focus of this study, are the result of the annual budget planning process at national but also at sub-national level, namely at the level of provinces, districts and communes. This planning process takes a nested approach in which the lower budgetary levels are components of the upper budgetary level.\(^4\)

Planning at provincial level in Vietnam is carried out within the framework of national strategies and orientations. Five-year SEDP and Medium-Term Development Plans have been the pillars of Vietnam’s strategic planning architecture for years. The latter have been replaced, since 2016, by Medium-Term Public Investment Plans (MTPIP). SEDPs are strategic plans describing overall objectives while MTPIP focus on outlining financial resources secured for the given objectives. These plans are developed at the national and provincial level. MPI has the primary role in coordinating and ultimately producing the national plan. The current MTPIP for 2016-2020 was adopted in November 2016.

At provincial level, the DPI takes the lead role. Each level of local government (communes, districts, provinces) submits proposals to the upper level where they are screened, consolidated and passed on up eventually to MPI. Once a MTPIP is approved, it becomes the basis for the annual budget proposals from ministries and local governments.

Within the framework of the five-year SEDPs and MTPIP, provinces also develop annual plans. These are mainly quantitative and translate goals and strategies included in the five-year plans into concrete activities. These annual plans aim to enable the province to adjust to changing socioeconomic circumstances. In practice, however, there is little or no difference between the MTPIP and the annual plans.

In 2009, the Ministry of Natural Resources and Environment (MONRE) developed guidelines for the development of climate action plans of provinces. However, the actual process of developing climate action plans solely depends upon provincial governments, which are under no obligation to submit their climate action plans to MONRE. Since then, provincial governments have also been encouraged to develop green growth action plans. In 2013, MPI approved a decision requiring the integration of climate change considerations into SEDPs at all levels. Several provinces, including two in Central Highlands, have also piloted the development of PRAPs. The coherence and integration of these different plans is questionable, and participation of civil society and the private sector is limited. Budget allocation for implementing action plans still heavily relies on the state budget, and not all provinces propose a budget estimation in their action plans.

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\(^3\) Ministry of Planning and Investment. 2015. Financing Vietnam’s Response to Climate Change – Climate Public Expenditure Review, Hanoi.

Central Highlands context

Economic and environmental context

Central Highlands hosts 22.3% of the national forests. Four of the five Central Highlands provinces are among the top 10 most forested provinces in Vietnam, yet the region is considered a hotspot of deforestation. Central Highlands is also one of the most sensitive regions to El Niño effect, which often leads to serious drought during the dry season. In addition to containing significant carbon stocks, the forests of the region also play a crucial role in watershed protection and biodiversity conservation.

Central Highlands is one of the least economically productive region of Vietnam. Annual average economic growth amounted to 6.7% over the period 2011-2015, but was slower than previous years, when average economic growth had amounted to 8.9% per year over 2006-2010. Agriculture and the exploitation of natural resources dominate the economy of the region, but are often carried out in an unsustainable manner. The main driver of economic growth is the agricultural sector, in particular coffee, rubber and pepper production, which are vulnerable to climate change impacts.

In the large areas covered by forests, poverty incidence is also high. As a result, the livelihoods of the poor are often at the frontline of conservation–development conflicts. This also suggests that poverty reduction strategies can help to address deforestation and degradation, and vice versa. This social vulnerability is exacerbated by the fact that the region hosts a large number of ethnic minorities and migrants, as detailed below.

Drivers of deforestation

Between 2011 and 2017, about 387 thousand hectares of natural forests were lost in Central Highlands due to a variety of drivers. As of 31 December 2017, the region had a total 2,22 million hectares of natural forests. In 1995-2010, emissions were 199 million tons of carbon dioxide (Mt CO₂), of which 85 Mt CO₂ was from deforestation and 114 Mt CO₂ from forest degradation.

The main direct drivers of deforestation and forest degradation are:

1. Legal and illegal unsustainable logging
2. Forest conversion for agriculture, including high-value perennial crops and plantations
3. Forest conversion for infrastructure, especially hydropower installations
4. Population increase, mostly because of migration

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5 Calculation from statistical data of CH provinces.
7 Another calculation on drivers of deforestation based on data from Monre: Between 2010-2015, 323 thousand hectares of forest were lost, of which 98% from production forest. In terms of land use, 96% of lost forest area was converted for agricultural production such as coffee, rubber, pepper or annual cash crops, while only about 4% was converted for non-agricultural land use.
Table 1: Forest loss in the Central Highlands from 2010-2014

<table>
<thead>
<tr>
<th>Causes of deforestation in the Central Highlands</th>
<th>Forest loss (hectares)</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unsustainable logging</td>
<td>122,900</td>
<td>45</td>
</tr>
<tr>
<td>Land conversion for agriculture</td>
<td>110,000</td>
<td>40.3</td>
</tr>
<tr>
<td>Forest conversion for infrastructure, especially hydropower installations, roads…</td>
<td>37,800</td>
<td>13.8</td>
</tr>
<tr>
<td>Other causes: fire and forest degradation</td>
<td>2,300</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: Ministry of Agriculture and Rural Development (2015)

1. Legal and illegal unsustainable logging

Unsustainable logging, both legal and illegal, is the main driver of deforestation and forest degradation in Central Highlands. Legal logging is the harvesting of plantations for timber export, paper production and mining construction by government-licensed, large-scale commercial logging operations. Informal logging usually consists of smaller-scale exploitation that occurs without Government permission or licence and is therefore illegal. In Central Highlands, illegal logging is often driven by timber demand for permanent houses of indigenous peoples and larger timber demand from traders.

In the first nine months of 2017, out of the 1,697 cases of illegal logging reported nationally, 757 of them, close to 50 %, happened in Central Highlands, a 13 % increase compared to the same period in 2016. Most of illegal logging occurs at a small scale, but is often driven by medium to large timber-trading companies, despite the logging ban in force since 2016.

2. Land conversion for agriculture, including high-value perennial crops

Land conversion is one of the main drivers of deforestation in both natural forests and plantations in Vietnam. The country’s economy heavily depends on agricultural products and natural resource exports. It is one of the world’s largest exporters of coffee, rubber and pepper. Coffee is one of the major agricultural exports and Vietnam has become the world’s second largest exporter of coffee and the biggest Robusta coffee producer. Central Highlands hosts more than 450.000 hectares of coffee plantations, accounting for nearly 90 % of the country’s coffee planting area.

Central Highlands accounted for 26 % of national rubber production in 2015. Production in Central Highlands is expected to increase by 30 % by 2020, exceeding the planted area goal set in the Government’s Rubber Development Strategy.

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9 Decision No. 750/QD-TTg of the Prime Minister on rubber development to 2015 and vision to 2020
In addition, natural forests in Central Highlands have also been cleared for other commercial high value plantations such as pepper, cashew and some fast-growing trees.

3. Forest conversion for infrastructure, especially hydropower installations

Over the past few decades, road building and hydropower construction have led to the conversion of large areas of forests in Central Highlands. Hydropower plays an important role in electricity generation in Vietnam. In order to meet the rapidly growing demand, the power industry has substantially expanded dam constructions, leading to large-scale deforestation. The impact of dam construction on deforestation is not limited to the power plant itself, but includes indirect impacts on the forest areas from land expropriation, migration and resettlement of people. In the Central Highlands, as of 2015, more than 15,792 hectares of natural forest were destroyed in the construction of hydroelectric systems and other infrastructure projects, in which 5,755 hectares of forest land have been converted to hydropower, despite environment impact assessment being a compulsory requirement since 1993.

The strict enforcement of the logging ban since 2016 in all provinces has made conversion of forests for road infrastructure very difficult (the permission from the Prime Minister is needed, see following section).

4. Population increase

The Central Highlands region is home to nearly 5.7 million people, 36.5 % of whom are from ethnic minority groups. It is the second poorest region of Vietnam. Population growth is a key underlying cause of forest clearing in Vietnam’s mountainous regions. Due to population growth and the lack of suitable areas for paddy cultivation, local communities need increasing amounts of land for crop cultivation to sustain their livelihoods. Since 2014, overall population has grown consistently by 3.03 % and population density by 2.97 %. This increasing population pressure has significant impact on forest cover. In 2015, 88,603 hectares of forests were cut illegally by ethnic minorities and migrants in the region for farming and agricultural production or to use forest resources. According to the Central Highlands Steering Committee, from 2005 to 2017, the total number of migrants moving to the region reached approximately 25,732 households, with 91,703 people, mainly ethnic minorities in the North.

11 Article 17 and 18 of the Law on Environmental Protection on 27 December 1993, Decree No 175/CP on guidelines on the implementation of Law on Environmental Protection; and Law No. 52/2005/ QH11 on Environmental Protection dated 29 November 2005.
12 Results of the survey on socioeconomic situation 53 nations in 2015.
13 Rademaekers et al., 2010; JIPFRO, 2014
14 http://dangcongsan.vn/preview/newid/300383.html
Main relevant policies and measures

The following policies and measures implemented in Central Highlands have strong implications for the implementation of REDD+ objectives in the region.

The logging ban and forest protection

In September 1993, Vietnamese Prime Minister Vo Van Kiet promulgated a logging ban on natural forest in response to the drastic decline in national forest coverage, which had dropped to only 27.8% in the early 1990s. The logging ban closed protected forests, special-use forests, forests on rocky mountains and degraded forests. While the exploitation of production forests was allowed, it was strictly regulated in terms of timber and non-timber species and volumes.

In May 2003, in light of the continuing widespread deforestation and hunting of wildlife, Prime Minister Phan Van Khai adopted another ‘Instruction’ aimed at enhancing urgent measures to protect and develop forests. This Instruction includes requests to local authorities to ‘control and force all free migrants out of primeval forests, special-use forests, and watershed protection forests’. A further Instruction was adopted in 2006, with similar measures aimed at preventing deforestation, fire-forest and illegal exploitation.

In 2014, the Prime Minister approved a scheme aimed at strengthening the management of exploitation of timber of natural forest for the period 2014–2020 through the strict control of the exploitation of natural forests and the restriction of illegal timber exploitation. To achieve this objective, the decision effectively ‘closes the forest gate’ and prohibits all logging in natural forests nationwide, except for two areas with approved sustainable forest management plans controlled by the Đăk To Forestry company in Kon Tum and Long Dai company in Quang Binh; and the production areas assigned by the State to households, individuals and village residents.

In 2016, the Government adopted an ‘Announcement’ further to a conference held by the Prime Minister on measures to restore sustainable forests in Central Highlands to deal with climate change in the period 2016–2020. This announcement requires Central Highland provinces to strictly implement the guideline to halt logging of natural forests; conserve the 2.25 million hectares of remaining natural forest, and refrain from converting degraded natural forests to industrial plantation forests.

Vietnam is currently revising its legal framework. The draft Law of Forest Protection and Development includes reference to the closure of natural forests.

Offset replantation scheme

In application of the Law on forest protection and development of 2004, the Vietnamese Government adopted a Decree in 2006 setting out the obligation for operators to compensate...
for forest loss due to infrastructure development (hydropower construction, roads, etc…). Operators can choose between two options:

Replant according to a replantation plan, approved by a competent authority, within an area equal to at least the size of the forest area used for other purpose. If the operator carries out the replanting, it has to do so in non-forested lands allocated by the Government. After replanting, the operator continues to manage, protect, develop and use the forest, in compliance with the legal framework regulating special-use forests, protection forests and production forests.

Contribute to an afforestation fund managed by the Vietnam Forest Protection and Development Fund (VNFF). The provinces are in charge of investing revenues from this scheme in forest plantation. In practice, however, provinces often face challenges in finding available land, in particular in Central Highlands where the majority of land is managed by private owners. In that case, funds are channelled back to VNFF for reallocation elsewhere. In 2016, more than VND 163 billion was collected under this scheme in Central Highlands.

Payment for forest environmental services

After a two-year pilot phase, in 2010, the Government of Vietnam became the first country in Asia to institutionalise a nationwide policy on payment for forest environmental services (PFES). Mandated through Government Decree No.99, the PFES policy requires users of forest environmental services to make payments to suppliers of these services. Vietnam’s PFES policy is administered by VNFF and a network of 41 provincial Forest Protection and Development Funds to distribute PFES funds.

The policy applies to forest environmental service users, which include water supply companies, hydropower plants and tourism companies. Operators of hydropower plants have been paying VND 20/kWh, and their contributions account for 97 % of all PFES funds. The national average of PFES payment rates per hectare of forest is VND 210,000 (2016 data), but this varies vastly between watersheds (with a range from VND 2000 to 1,300,000) depending on hydropower production and watershed forest area. The policy will soon be piloted to include industrial facilities, which could potentially generate another USD 3 million per year, as well as selected emitters of greenhouse gases.

The funds are distributed to the forest owners of these areas, including over 500,000 households, Forest Management Boards, State-owned enterprises and the army, which hold forested land titles. Forest owners receive PFES in return for committing to forest protection activities. In addition, the PFES policy aims to improve recipients’ livelihoods and reduce rural poverty. However, household payment rates vary vastly, even within a watershed or a village, as local authorities may apply different modalities for payment distribution. In many cases, these payments do not match the high opportunity costs of forest land conversion to agricultural crops.

In 2016, national PFES revenue was USD 60 million and could reach USD 80 million in 2018, mostly due to an increase in the payment rate. Revenues for Central Highlands totalled USD

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18.4 million in 2016 and could reach USD 30 million within the next few years. At this stage, the socioeconomic and environmental impact of PFES is unknown. To date, PFES has not provided any incentive for forest owners to adopt additional forest management practices that would enhance the provision of watershed services or lead to emission reductions.

**Poverty reduction and basic services**

Vietnam has achieved remarkable poverty reduction results over the past two decades. During the 1990’s, further to land and market reforms, as well as widespread improvements in access to basic education and health services, the country saw sustained and broad-based economic growth. Reform momentum continued into the 2000’s and growth rates remained consistently high. In addition, it is worth noting that in 2004, a budget law facilitated rapid decentralisation. At present, 53 % of public spending decisions are made at provincial and lower levels. Equalisation grants were put in place (with provincial poverty rates included in the allocation formulas) to ensure adequate funding for capital and recurrent costs in less well-off provinces. For some of the poorest provinces, equalisation grants from the central budget represent more than 90 % of the overall provincial budget.

However, in the past decade, poverty gaps between urban and rural areas have increased. Moreover, there is a stark difference in well-being between the Kinh/Hoa majority and the country’s ethnic minorities. Ethnic minorities also have much lower education levels than the Kinh/Hoa majority and most members of their households work in agriculture or unskilled labour.

The Central Highlands region presents some specific challenges in terms of the population’s welfare, in particular among ethnic minority groups. The poverty gap in the region, which is one of the poorest and where ethnic minorities predominate, stands at 11.5 % compared to a national average of 5.9 %. Central Highlands also rank at the top in terms of income inequality and the region has the lowest rate of primary school enrolment. Over 73 % of the minorities in the region live below the Government Statistics Office-World Bank poverty line.

**Ethnic minorities and migration**

Vietnam has 54 ethnic groups. The Government of Vietnam has paid much attention to the welfare of ethnic minority groups, by issuing various policies on ethnic minorities and migration and economic development. The Committee for Ethnic Minority and Mountainous Area Affairs is a ministerial-level Government body in charge of management functions for ethnic minorities and mountainous areas.

The Central Highlands region is currently home to 46 of the 54 existing ethnic groups in Vietnam. Further to a massive influx of migrants from remote Northern provinces to Central Highlands, the population of ethnic minorities increased significantly over the past decades, rising from 18 ethnic groups in 1976. The region is an attractive destination for migrants because of its favourable weather and agricultural conditions.

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24 Calculation based on the State budget final account figures 2015 disclosed on the website mof.gov.vn
25 Data from the Vietnamese Ministry of Labour, Invalids and Social Affairs (MOLISA).
27 The new poverty line has been set at VND 400,000 (US$20) per person per month for rural households and VND 500,000 (US$25) per person per month for urban households.
28 Source: http://tapchidantoc.ubdt.gov.vn/2013-06-21/e4ae75004011b41c93c0bb3da27dd78c-cema.htm
Similarly to the ethnic minority groups in other parts of Vietnam, minorities in the Central Highlands face structural disadvantages, including limited or reduced market access, mobility, access to financial services, levels of education, productivity, and access to land or high-quality land. Minorities are also confronted with stereotyping and other cultural barriers.

Consequences of unplanned migration include conversion to develop agriculture production and environmental degradation. To address this issue, a decision of the Prime Minister of 2006 approved a settlement programme for unplanned migrants.\(^{29}\) The implementation of this programme and the engagement of local authorities over the past years in the Central Highlands have led to a reduction of the number of migrants.

**Sustainable crop production**

The Government of Vietnam introduced several policies encouraging the socioeconomic development of the region, but with limited focus on sustainable agricultural production. Since 2009, individuals and households in agricultural and forestry have been exempt from the payment of irrigation service fee.\(^{30}\) The socioeconomic development programme for ethnic minorities and mountainous areas (known as programme 135) is the largest and most important programme focusing on infrastructure development and agricultural extension. It supports agricultural production, capacity building and improved livelihood. There are also credit policies for farmers by ‘trustable mortgage’ through non-profit Vietnam Bank for Social Policies (VBSP). These policies provided accessible financial services and low interest loans to people living in remote areas and members of ethnic minority groups. An insurance programme for agriculture sector was also introduced in 2011 to deal with risks faced by agriculture producers. Vietnam introduced also policies to develop research and development activities in agriculture to modernise the sector.\(^{31}\)

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2. Methodology

This study provides the first of its kind analysis of public investments related to land use in five provinces of Central Highlands in Vietnam. The approach taken to conduct this study is similar to that of a budget review, with the difference that it is forward-looking. It built on the lessons learnt and approaches developed in the context of similar work at national and sub-national levels.

In 2015, Vietnam performed a qualitative and quantitative analysis of the country’s public expenditures and how they relate to climate change for the period 2010-2013, following the methodology of the Climate Public Expenditure and Investment Review (CPEIR) supported by the United Nations Development Programme and the World Bank. The CPEIR methodology was also applied on 2015 data at sub-national level in the Mekong Delta region by a GIZ study. This experience provided valuable insight to the study team in terms of data sources and data collection approaches. The United Nations Development Programme, the World Bank and MPI are currently working towards developing a system to track expenditures contributing to climate change and green growth objectives.

This CPEIR typology served as an initial basis for discussion around the scope of the land-use finance analysis, yet the framework is still insufficiently developed when it comes to forest-related activity types. In particular, it does not integrate policies and measures set out in Vietnam’s NDC and the NRAP. At the time of writing, the World Bank and MPI were in the process of updating the CPEIR typology. As a result, 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 entities (National and local government, State enterprises, State funds,…). 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. Public enterprises and funds were integrated to the extent possible. Private investment is not covered by this analysis.

Overview of research activities

The approach consisted in six steps:

1. Scoping: Literature review and consultation of REDD+ and land-use stakeholders to identify most relevant actors and data sources
2. Definition of land-use finance: Identification of relevant policy areas for land use
3. Development of the typology: categorisation of clusters of activities aligned with the NRAP for each policy area
4. Data collection: Collection of qualitative and quantitative data on domestic and international public investments in Central Highlands
5. Data analysis: Aggregation of the data in a database and coding according to the typology
6. Data interpretation: Analysis and interpretation of results to formulate recommendations
**Definition of land-use finance**

In the context of this study, land-use investments refer to all investments potentially impacting forests, in particular drivers of deforestation. The study team therefore focused on activities potentially reducing or driving conversion of forests and degradation. The table below outlines the linkages perceived between most relevant policy areas and potential drivers of deforestation, as well as climate change risks that are directly related to forest loss. This scoping supported the identification of project information to be collected as a first step.

**Table 2: Relevant land-use policy areas**

<table>
<thead>
<tr>
<th>Policy area linked to land use</th>
<th>Drivers of deforestation</th>
<th>Climate change risk</th>
<th>Project information to be collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and rural development</td>
<td>Agriculture intensification and extension, and slash and burn agriculture</td>
<td>Soil depletion and erosion, leading to the need for more land conversion and droughts</td>
<td>All</td>
</tr>
<tr>
<td>Forest development</td>
<td>Illegal logging, unsustainable forest management and poor forest governance</td>
<td>Increased risks of forest fires, mostly in production and plantation forests and risk of droughts</td>
<td>All</td>
</tr>
<tr>
<td>Forest protection</td>
<td>Poor forest governance and illegal logging</td>
<td>-</td>
<td>All</td>
</tr>
<tr>
<td>Social Policies</td>
<td>Poverty, migration, lack of livelihood opportunities, exclusion of minorities, tenure insecurity and lack of access to land, etc…</td>
<td>-</td>
<td>All related to livelihood of forest dependent communities</td>
</tr>
<tr>
<td>Land management</td>
<td>Lack of, or weak land-use planning and land tenure security</td>
<td>-</td>
<td>All related to non-urban areas</td>
</tr>
<tr>
<td>Energy</td>
<td>Hydro power plant construction</td>
<td>-</td>
<td>Only related to new hydropower plant construction if possible</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Road construction</td>
<td>-</td>
<td>Only related to new road construction if possible</td>
</tr>
</tbody>
</table>
Development of the typology

The study examined all investments relevant to land use in Central Highlands with the aim of providing an overview of planned investments affecting forests, potentially negatively. The study also aimed at giving more detailed information on planned investments that will contribute to the implementation of the NRAP policies and measures. For that purpose, a detailed typology was developed to classify investments according to NRAP objectives. Classifying investments according to policies and measures was not deemed feasible given their high number and the very limited available information on detailed activities to be pursued. In that context, an ad hoc typology was developed, in as much as possible in coherence with the national Resource Mobilisation Framework, building on thematic clusters of policies and measures. The table below details the typology and provides some examples of activities included in the different categories. All planned investments examined in this study has been codified according to one of these categories only, depending on the main objective pursued by the program or activity.

Table 3: Typology of public investments aligned to NRAP objectives

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
<th>Examples of activities (not exhaustive)</th>
<th>Link to NRAP policies and measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable forest management</td>
<td>Activities aimed at enhancing carbon stocks in plantation forests</td>
<td>Reduced impact logging</td>
<td>1.3; 2.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Management of encroachment</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Community forest management</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Extension of exploitation rotation periods</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Improved productivity and quality of forest products</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Training for improving forestry technique</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Afforestation/reforestation in plantation forest</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Improved management of plantations</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Certification</td>
<td></td>
</tr>
<tr>
<td>Natural forest protection and</td>
<td>Activities aimed at conserving and protecting forest</td>
<td>Conservation</td>
<td>2.2</td>
</tr>
<tr>
<td>enhancement</td>
<td></td>
<td>Biodiversity protection</td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>Description</td>
<td>Examples</td>
<td>Page</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Carbon stocks of natural forests</td>
<td>Community forest management</td>
<td>Management of encroachment</td>
<td>1.2</td>
</tr>
<tr>
<td>Community forest management</td>
<td>Management of encroachment</td>
<td>Sustainable management of natural production forests</td>
<td></td>
</tr>
<tr>
<td>Forest fire prevention</td>
<td>Building of corridors</td>
<td>Hydrology management improvements</td>
<td></td>
</tr>
<tr>
<td>Livelihood support to reduce forest encroachment</td>
<td>Support to communities to develop alternatives to forest encroachment and securing land tenure, and clarification of the rights of communities and ethnic minorities</td>
<td>Definition and defence of community rights</td>
<td></td>
</tr>
<tr>
<td>Sustainable agriculture (other or unspecified)</td>
<td>Activities aimed at decoupling agriculture development from deforestation, except for coffee and rubber</td>
<td>Agroforestry</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Improved value added from raw agricultural products</td>
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<tr>
<td></td>
<td></td>
<td>Certification of zero deforestation agriculture</td>
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<tr>
<td></td>
<td></td>
<td>Industry dialogue on zero-deforestation policy</td>
<td></td>
</tr>
</tbody>
</table>

25
<table>
<thead>
<tr>
<th>Sustainable production</th>
<th>coffee</th>
<th>Activities aimed at decoupling coffee production from deforestation</th>
<th>Organisation of producers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Agroforestry</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Improved value added from raw agricultural products</td>
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<td></td>
<td></td>
<td>Training farming techniques (VietGAP, GlobalGAP)</td>
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<td></td>
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<td>Certification of zero deforestation agriculture</td>
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<td>Industry dialogue on zero-deforestation policy</td>
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<td></td>
<td></td>
<td>Organisation of producers</td>
<td>1.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sustainable production</th>
<th>rubber</th>
<th>Activities aimed at decoupling rubber production from deforestation</th>
<th>Organisation of producers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Agroforestry</td>
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<tr>
<td></td>
<td></td>
<td>Improved value added from raw agricultural products</td>
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<td></td>
<td>Training farming techniques (VietGAP, GlobalGAP)</td>
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<td></td>
<td>Certification of zero deforestation agriculture</td>
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<td></td>
<td></td>
<td>Industry dialogue on zero-deforestation policy</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Organisation of producers</td>
<td>1.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sustainable management</th>
<th>land</th>
<th>Activities aimed at integrating deforestation risks into land use and development planning</th>
<th>Organisation of producers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Integrated land-use planning</td>
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<td></td>
<td></td>
<td>Provincial land-use planning</td>
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<td></td>
<td></td>
<td>Social and environmental impact assessment of development projects</td>
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<td></td>
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<td>Participation of stakeholders in social and environmental impact assessment for land-use planning</td>
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<tr>
<td></td>
<td></td>
<td>Organisation of producers</td>
<td>1.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FLEGt</th>
<th></th>
<th>Activities aimed at supporting the enforcement of forest law, reducing illegal logging and implementing the FLEGt–Voluntary Partnership</th>
<th>Organisation of producers</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>FLEGt</td>
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<td></td>
<td></td>
<td>Multi-stakeholder engagement in forest management</td>
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<tr>
<td></td>
<td></td>
<td>Chain of custody controls</td>
<td>1.4</td>
</tr>
</tbody>
</table>

32 According to MARD (Decision 2855/QD-BNN-KHCN dated 17/9/2008), rubber tree is a multi-purposed tree, which can be used for both agriculture and forest purposes. This study used the classification proposed by the NRAP, which considers rubber plantation as an agricultural activity.
| Agreement between the EU and Vietnam | Timber traceability  
Reduction of illegal logging  
Monitoring and control of forest law enforcement  
Capacity and equipment for forest law enforcement  
Compliance support |
|--------------------------------------|---------------------------------------------------------------|
| REDD+ readiness and planning         | Activities aimed at developing tools and mechanisms to achieve REDD+ objectives and integrating them into planning  
Development of green financing incentives and mechanisms  
REDD+ instruments  
Monitoring, reporting and verification, forest cover monitoring  
Reporting to the United Nations Framework Convention on Climate Change  
REDD+ safeguards  
Sharing lessons and cooperation with other countries  
Monitoring of REDD+ implementation |
| Research and development             | Activities fostering research and capacity development for sustainable forest management and zero deforestation agriculture  
Research on new timber varieties  
Demand for food and forest products and solution  
Forest and agriculture research  
Data base development of land use |
|                                      | 2.3; 3.1; 3.2; 3.3; 3.4; 2.2 |

**Data collection**

The study focused only on investment data, not on recurrent budgets. Although the latter represent the biggest share of Government spending, consultations with stakeholders confirmed that the classification of recurrent budget (cost norms) hinders the categorisation and allocation to specific policy objectives. In addition, budget management in Vietnam is
divided between the MPI (in charge of investments) and the Ministry of Finance (in charge of recurrent budgets). However, MPI has been and is currently engaged in a number of budget review efforts. It is also at the initiative of this study and was therefore a natural partner.

There is no centralised source of detailed information on planned expenditures in Vietnam. As a result, this study adopted a bottom-up approach, collecting information from different sources at provincial and national level. It then cross-referenced collected data to fill gaps and avoid double counting.

The study also considered approved projects and programmes. It used four main data sets:

**Provincial investment data** was the central dataset used. Detailed data is available at provincial level through the DPIs, on the entire scope of sources for provincial investments (provincial budget, national programmes, credits and loans, ODA, State bonds and lottery). However, data is reported in different formats from one province to the other, and data is often only paper-based. The main sources of data used were: decisions related to five-year and annual SEDPs of provinces; medium-term public investment capital plans for 2016-2020; medium-term budgetary finance plans; and resolutions of the Provincial People's Committees and People's Councils related to the implementation of land-use projects.

In the five Central Highlands provinces, the team collected data from the DPI, as well as more detailed project data from the Department of Agriculture and Rural Development, the Department of Finance, the Department of Natural Resources and Environment, the Department of Industry and Trade, the Department of Transport and the Department of Communication.

**National investment data** was collected on the national target programmes and national programmes led by relevant departments of various national ministries. These included: the Ministry of Agriculture and Rural Development (MARD) and its relevant departments, including Departments under the Directorate of Forestry; the Departments of Agricultural Economics, of Science, Education, Natural Resources and Environment, and of General Economic Affairs under the MPI; and the Institute of Labour Science and Social Affairs and the National Coordination Office for Sustainable Poverty Reduction Programme under the Ministry of Labour, Invalids and Social Affairs.

Secondary data was collected at the General Statistics Office, and statistical data was gathered from the Statistical Yearbook (both at the national and provincial level) and other sources.

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33 The national target programme is a public investment programme aimed at achieving the socioeconomic objectives of each specific period in the whole country. In Vietnam, there are only two National Target Programme for the period 2016 – 2020, namely the National Target Programme on new rural development and the National Target Programme on poverty reduction. These National Target Programmes relate directly and indirectly to REDD+.

34 Target programmes are public investment programmes that aim to achieve one or several objectives in each sector, in certain territories in specific periods. There are 21 target programmes in Vietnam in the period of 2016 – 2020 (Resolution No. 73/NQ-CP of the Government dated 26 August 2016). Among the 21 target programmes, seven target programmes could be MARD-related and thus potentially relevant for REDD+, namely: the target programme on sustainable economic development of fisheries; the target programme on restructuring agricultural economy and natural disaster prevention and mitigation, stabilising people's life; the target programme to respond to climate change and green growth; the target programme on vocational education, employment and labor safety for the 2016-2020 period; the target programme on education in mountainous areas, ethnic minority areas, disadvantaged areas; the target programme socioeconomic development of regions in the period 2016-2020, and the target programme on cultural development for 2016-2020.
statistical publications. However, detailed information, in particular regarding the geographical allocations of national programmes as well as detailed information of programme components, was only available for one national target programme. The study built on the data that had been made available for the elaboration of the NRAP Resource Mobilisation Framework.

**International development partners' data** was obtained from a database of donors and projects in the green sector in Vietnam managed by the Vietnam REDD+ Office, as well as from online data. This information was double checked by surveying eight donors or technical partners active in Central Highlands. In general, detailed information on approved donor projects was difficult to gather, apart for those projects already ongoing in 2016-2017. The study might therefore underestimate the amount of future support to the Central Highlands provinces up to 2020.

**Other sources of data** included the Vietnam Forest Fund for data on the PFES, and data from State-owned enterprises. Secondary data was collected at the General Statistics Office, and statistical data gathered from the Statistical Yearbook (both at the national and provincial level) and other statistical publications. Information on policies was collected through Government and ministerial websites and during working sessions with staff from departments of relevant ministries.

A detailed list of data sources is available in annex 2.

**Data classification**

Budget lines, projects and programmes related to the identified policy areas were first checked for double-counting and aggregated into a database. Information was broken down to project level where possible and coded according to the nature of the funding, involved ministries and related policies. The study team categorised and coded the information following the key questions and steps outlined below.

**Figure 2: Data collection process**
Following initial coding, consultations with technical ministries and development partners were conducted to improve the understanding of planned activities and inform data interpretation where possible.

The analysis took a simple approach to apportioning individual budget lines. Many investments have multiple sub-components, not all of which are related to the NRAP. In these cases, and where data was available, the study distinguished between sub-activities and only included a corresponding amount of the overall financial flow in the final analysis. Equally, when detailed information on yearly planned spending was unavailable, the analysis distributed equally between all years of the project duration.

Considerable effort was applied to avoid double counting between the main data sources. All national and international projects were individually and manually cross-checked against data in the provincial budget for additionality.

**Stakeholder engagement**

The study team coordinated closely throughout the study with the main data providers at national level (MPI, MARD, the Vietnam REDD Office and the UN-REDD Programme), including to provide relevant contacts at provincial level. The team also collaborated with the UN-REDD Programme experts in charge of drafting the NRAP investment plan.

The bulk of data was collected during a three-week field mission to Central Highlands, where all five provinces were visited. The main contact points in provinces were the DPIs. Workshops were organised in each province to introduce the study and data needs, as well as discuss local context and challenges. The team then spent significant time collecting data, often paper-based, from the DPIs and representatives of other departments, including departments of the
Forest Protection and Development Fund, and agroforestry and other enterprises. MPI support was key to access provincial contact points and data.

At national level, three workshops were held with technical ministries and international partners, including one at the launch of the study. This first workshop focused on the scoping of the research and sources of data. The second presented preliminary results, and the final workshop presented draft final results. Further meetings were held with independent technical experts and key public and private organisations relevant to the study. Finally, the final report was subject to expert review which helped refine the clarity and relevance of data interpretation and conclusions.

**Limitations**

Challenges are many when it comes to budget reviews in Vietnam. This study faced the following limitations:

- Reconciling national level and provincial level data is complex. Apart from the National Target Programme on sustainable forest development, no detailed information was available regarding national programmes, which made it impossible to assess their potential implementation in Central Highlands.
- At provincial level, aggregated data is more readily available, therefore this source of information was prioritised. In Vietnam, the 2016-2020 medium – term public investment plan (MTPIP) was approved and the fund for the implementation is provided every year. In general, this fund is secured meeting the demand of the planned projects. However, in fact, the fund disbursement may be not punctual due to possible changes in the list of priority projects (by the central or local government); or the limitation of the state budget. The demand beyond MTPIP is relatively difficult to be fulfilled by the state budget. Therefore, the study provides the overview of planned investments from the provinces' perspective.
- Generally speaking, data was limited as far as breakdowns per component of programmes, year or geographical focus.
- There is very limited information available on disbursement channels and implementing agencies as well as beneficiaries of the planned programmes, which limits the analysis of actors involved in the life cycle of land-use investments.
- There is very limited qualitative information on project available. Information focuses on the general objectives of projects and programmes. In various cases, these are purposely kept broad to accommodate changes depending on local priorities. These circumstances and the forward looking nature of the study made it challenging to tag budget lines according to the typology.
- Cross-checking of information was challenging as multiple and overlapping sources of funding might be mobilised for one single activity.
- The study lacks a comprehensive overview of planned donor funding for several reasons: provincial budgets reflect poorly planned donor support, some donor funding might not yet be approved, and only half of the donors surveyed for the study provided answers.
- The average share of the investment budget is at an average of 18 % nation-wide, so the bulk of financing is not covered by this study. In particular, certain planned funding related to the enabling environment for sustainable development (forest
control, research, etc…) is likely to be underestimated in the study as they are usually accounted for in the country’s recurrent budget.

- Planned financial data on private investment is very challenging to access and has not been covered by this study.
- Stakeholder engagement was limited to relevant departments in MPI, the Ministry of Finance and MARD.

Data couldn’t find: Private investment on land use projects; credit fund for land use finance
3. Findings for the Central Highlands region

Total planned public domestic and international investments in land-use sectors in Central Highlands for the period 2016-2020 amount to about **VND 23.4 trillion** or USD 1.03 billion, or **VND 4.69 trillion per year by 2020**. Land-use investments represent more than half of total public investments in the region (VND 41.2 trillion or USD 1.81 billion for the region over that period). **About 31% (VND 7.2 trillion or USD 316 million over the five-year period) of these investments seem to be aligned with the objectives of the NRAP**, according to this study. The other two-thirds of planned investments in land-use activities (VND 16.2 trillion or USD 711 million over five years) are not linked to activities aimed at reducing pressure on forests and/or do not explicitly take deforestation risks into account. It can be argued that part of these investments could potentially drive deforestation in the future.

Figure 3 provides the overview of aligned (green) and non-aligned (grey) flows of planned public investments in land-use sectors in Central Highlands for the period 2016-2020.
Figure 3: 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

SOURCES AND INTERMEDIARIES

- NATIONAL BUDGET 6,930
- PROVINCIAL BUDGET 2,543
- STATE BONDS 2,886
- ODA GRANTS 1,162
- ODA LOANS 5,469
- OFFSET PLANTATION 403
- PFES 3,360
- OTHER 671

PROGRAM TYPES

- NATIONAL TARGET PROGRAM 7,000
- TARGET PROGRAM 2,036
- LOGGING BAN POLICY 442
- PROVINCIAL PROGRAM 981
- DONOR PROGRAM 6,631
- OTHER 6,337

TARGET SECTORS

- AGRICULTURE AND RURAL DEVELOPMENT 10,329
- FOREST PROTECTION AND ENVIRONMENT 4,607
- FOREST DEVELOPMENT 961
- SOCIAL POLICIES 3,051
- INFRASTRUCTURE 4,478

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.
Main sources of finance for land-use investments

This study identified the main sources of public investment planned for 2016-2020 potentially impacting forests, referred to as land-use investments. These are investments in agriculture and rural development, forest development, forest protection, non-urban land management, and to a certain extent, social policies, hydropower construction and road construction (see chapter 2 for details on the methodological scope).

Out of all planned investments in land-use in Central Highlands, 28 % come from international sources and 72 % from domestic sources. Most domestic finance comes from the central Government (national budget and State bonds), accounting for an average of 41.9 % of total planned (international and domestic) investment. This is the case for all Central Highlands provinces, except Lam Dong, which attracts three times more international funding than other provinces, representing half of total planned contributions to land-use investments for 2016-2020.

Figure 4: Source of planned land–use investments in Central Highlands

More than a third of planned domestic land-use investments in Central Highlands investments are aligned to NRAP objectives (VND 6.5 trillion). Yet out of the planned VND 6.6 trillion land-use investments from international sources over the period 2016-2020, less than 10 % are aligned with NRAP objectives. Large ODA loans for poverty reduction and rural development make the bulk of planned investments that do not seem to be aligned with NRAP objectives.

35 Planned ODA might be underestimated in this study, which only reflects approved planned ODA programmes registered in the provinces’ five-year mid-term public investment plans.
Figure 5: Vietnamese and international planned public investments in land-use in Central Highlands

![Diagram showing Vietnamese and international planned public investment in land-use, 2016-2020 (VND million)]

**National target programmes and target programmes**

This study collected information on financial mechanisms used to channel land-use investments, in particular from domestic sources of finance. About 40% of land-use investments are planned to be channelled through central level programmes (target programmes or national target programmes), to which national, provincial and ODA sources contribute. The table below describes main national level programmes related to land-use sectors. For some programmes, this study only considered selected components when they were related to the land-use policy areas define in Chapter 2.

**Table 4: Major planned target and national target programmes related to land-use in Central Highlands**

<table>
<thead>
<tr>
<th>Name of programme</th>
<th>Relevant components of the programme</th>
<th>General objectives</th>
<th>Implementation period and total domestic budget</th>
</tr>
</thead>
</table>
| National target programme: New rural development (Decision 1600/QD-TTg dated 16 August 2016) | 11 components, including: - Socioeconomic development - Development of production associated with the restructuring of the agricultural sector, restructuring of the rural economy, and improvement of incomes for people - poverty reduction and social security | To build new rural areas to raise the material and spiritual life of people; have appropriate socioeconomic infrastructure, economic structure and rational production forms; link agricultural development with industry and services; attach rural development to urban areas; promote a democratic rural society, | 2016-2020  
|                                                        |                                      |                                                                                                                                                                                                                  | a) Central budget: VND 63,155.6 billion  
|                                                        |                                      |                                                                                                                                                                                                                  | b) Local budget: VND 130,000 billion         |

0 2 000 000 4 000 000 6 000 000 8 000 000 10 000 000 12 000 000 14 000 000 16 000 000 18 000 000

ODA Domestic

not aligned to NRAP aligned to NRAP
<table>
<thead>
<tr>
<th>Name of programme</th>
<th>Relevant components of the programme</th>
<th>General objectives</th>
<th>Implementation period and total domestic budget</th>
</tr>
</thead>
</table>
| National target programme on sustainable poverty reduction (Decision 1722/QD-TTg dated 2 September 2016) | Five projects, including one relevant to land-use in Central Highlands: Programme 135, Sub-project 2: Support for production development, livelihood diversification and replication of poverty reduction models in extremely difficult communes, border communes, communes in areas with special difficulties. | To achieve the objective of sustainable poverty reduction, contributing to the achievement of economic growth, ensuring social security, improving living standards and increasing incomes of people, especially in poor areas, creating conditions for the poor and poor households to access basic social services (health, education, housing, water and sanitation, information), contributing to the reduction of poor households in the period 2016-2020 | • Sub-project 2: Central budget: VND 3,742 trillion (recurrent budget)  
• Local budget: VND 145 billion (recurrent budget)  
• Sub-project 3: Central budget: VND 579 billion (recurrent budget)  
• Local budget: VND 40 billion (recurrent budget) |
| Target programme: sustainable forestry development (Decision 886/QD-TTg dated 16 June 2017) | 273 projects, all relevant to Central Highlands | Improve productivity, quality and promote the value of each type of forest; increase the value of production forests per unit area; contribute to meeting the requirements of natural disaster mitigation, ecological environment protection, response to climate change and sea-level rise; create jobs, increase | 2016-2020: The total VND 59,600 billion, of which:  
• Central Budget: VND 14,575 billion (development investment: VND 9,460 billion, recurrent |
<table>
<thead>
<tr>
<th>Name of programme</th>
<th>Relevant components of the programme</th>
<th>General objectives</th>
<th>Implementation period and total domestic budget</th>
</tr>
</thead>
</table>
| Target programme: Restructuring agricultural economy and natural disaster prevention and mitigation, stabilising people’s life | Three projects, including to support the restructuring of agricultural economy and support to communities in special forest areas | To support the modernisation of the cultivation and husbandry sectors, increasing high added value and sustainability, contributing to achieving the annual growth rate of production value of 2.5 - 3 %, and of husbandry from 4-5 %; to actively prevent and reduce natural disasters and stabilise the life of rural people. | 2016 – 2020 The total VND 306,660 billion, of which:  
- The central budget: VND 22,460 billion, including investment capital of VND 21,900 billion, recurrent budget VND 560 billion.  
- ODA: VND 14,200 billion  
- Others: VND 270,000 billion |
| Programme to Respond to Climate Change and Green Growth. (Decision 1670/QD-TTg dated 31 October 2017) | Two components (Climate Change and Green Growth); including on drought prevention, climate change and green growth planning, environmental monitoring and research to improve irrigation, and | - Adapt to the impacts of climate change and reduce greenhouse gas emissions; strengthen the capacity of people and natural systems to adapt to climate change; achieve green growth, progress towards a low-carbon economy. - Restructure economic | 2016-2020: Central budget: VND 15,866 billion  
The development investment capital: VND 15,470 billion (ODA: VND 15,000 billion; Domestic capital: VND 470 billion) |
<table>
<thead>
<tr>
<th>Name of programme</th>
<th>Relevant components of the programme</th>
<th>General objectives</th>
<th>Implementation period and total domestic budget</th>
</tr>
</thead>
</table>
| Target programme for socioeconomic development in regions (Prime Minister Decision 1256/QD-TTg dated 21 August 2017) | reducing the environmental impact of mining. | institutions, encourage ‘greening’ and economic development using energy efficiently.  
- Actively implementing international and national climate commitments.  
- Reducing greenhouse gas emissions, implementing commitments to reduce greenhouse gas emissions after 2020 (enshrined in the Paris Agreement and Vietnam’s NDC) | Recurrent budget: VND 396 billion  
Local Budget and others: Mobilisation by local authorities |
| Target programme for tourism infrastructure development (Decision 1861/QD-TTg) | The infrastructure structures being supported by this programme includes roads, waste treatment systems, dredging or dredging | To promote and create conditions for linkages among and within regions in order to bring into play the potentials and strengths of each region or locality; create space for development in the region and the whole country, thereby promoting socioeconomic development, and ensuring national defence and security | 2016-2020: The total VND 189,337 billion, of which:  
- The investment capital from Central Budget: VND 101,841 billion  
- The investment capital from Local Budget: 61,000 billion  
- ODA: VND 26,496 billion |
| Target programme for socioeconomic development in regions (Prime Minister Decision 1256/QD-TTg dated 21 August 2017) | - Support for investment in big and key projects with inter-regional and spill-over effects, thus boosting the socioeconomic development of localities.  
- Major traffic projects, inter-provincial and inter-regional connection projects;  
- Irrigation projects have large scale, wide spread effects  
- Important infrastructure projects of newly split provinces and districts | To develop a comprehensive and modern tourist infrastructure, ensuring technical conditions, thus contributing to creating favourable conditions for | 2016-2020: The total VND 30,664.6 billion, of which:  
- Central budget: VND |
<table>
<thead>
<tr>
<th>Name of programme</th>
<th>Relevant components of the programme</th>
<th>General objectives</th>
<th>Implementation period and total domestic budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>dated 23 November 2017</td>
<td>reservoirs to protect and embellish tourist resources at tourist resorts and spots and key areas for tourist development</td>
<td>tourists, as well as attracting domestic and foreign investment in national tourist resorts, especially in localities. It has the potential to develop tourism in remote areas and support the development of regional and world-class tourist resorts with high competitiveness, contributing to making tourism an economic branch.</td>
<td>3,802.6 billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Local budget: VND 1,000 billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- ODA: VND 3,662 billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Others: VND 22,200 billion</td>
</tr>
<tr>
<td>Target programme for urgency against drought Directive 04/CT-TTg dated 4 February 2016 on the implementation of the urgent measures to prevent drought, salt intrusion</td>
<td>- Projects related to water reservoirs, upgrade of irrigation system - Introduce new crop varieties that can adapt to drought</td>
<td>Provide support to urgent projects that fight drought and salt intrusion</td>
<td>The local authorities take the initiative of allocating local budget for implementation of urgent solutions for the prevention of drought and salt intrusion. MARD, the Ministry of Finance and MPI shall, based on their assigned functions and tasks, summarise anti-drought support provided to localities, report to the Prime Minister for decision.</td>
</tr>
</tbody>
</table>
**Additional programmes**

This study only considered approved planned investments. There are a number of programmes in the pipeline relevant to or focusing on Central Highlands, which might further support NRAP objectives by 2020:

**Table 5: Potential funds for land–use in Central Highlands**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Description</th>
<th>Proponent</th>
<th>Planned budget and timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protection, restoration and sustainable forest development in the Central</td>
<td>To stop forest degradation, with a focus on gradual restoration and development of forests in line with the characteristics and natural conditions of the region. Includes the target to increase forest area to 2.76 million hectares and increase the forest cover to 49.6% by 2025. To manage, protect, develop and rationally use forest resources, contribute to socioeconomic development, ecological environment protection, biodiversity conservation, environmental services, hunger eradication, poverty alleviation, improvement of living standards for people and contributing to maintaining security, defence, social order and safety of the Central Highlands.</td>
<td>MARD</td>
<td>Estimated investment demand up to VND 19,856,800 million, of which: VND 7,346,100 million from State budget; VND 3,339,000 million from ODA; and VND 9,171,700 million outside state budget sources (VND 5,150,000 million from PFES and VND 4,021,700 million from other sources)</td>
</tr>
<tr>
<td>Highlands in the period 2016-2025</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programme on sustainable coffee development</td>
<td></td>
<td>MARD</td>
<td></td>
</tr>
<tr>
<td>Achieving emission reductions in the Central Highlands of Vietnam to</td>
<td></td>
<td>FAO</td>
<td>Proposal to the Green Climate Fund for up to USD 30 million</td>
</tr>
<tr>
<td>support NRAP goals</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ODA funding**

Planned ODA funding in land-use sectors in Central Highlands in 2016 - 2020 is estimated at about VND 7.3 trillion, with 19 projects identified (See Annex 3). This includes:
- VND 5,469,774 million of ODA loans (74.5 \%),
- VND 1,162,391 million of grants (15.8 \%),
- VND 694,325 million of counterpart funding, (including VND 129,185 million (1.8 \%) from national budget and VND 565,140 million (7.7 \%) from provincial budget)
- VND 12,243 million from other sources (0.2 \%).

Among donors, the World Bank, Japan and the Asian Development Bank are three biggest investors in Central Highlands.

Planned ODA funding for Central Highland is likely to be underestimated by this study, as most data was collected from provincial sources.

**PFES**

Another important source of financing for land use, in particular for forest protection objectives is the PFES (for a description of the policy, see chapter 1). In Central Highlands, more than 80 \% of planned investments in the forest sector target natural forest protection and enhancement (VND 4.5 trillion), out of which 75 \% (VND 3.36 trillion) are PFES. Given their high hydropower production and relatively low population density, Central Highland provinces benefit from important payments from this scheme. In Central Highlands, PFES represents up to 8 \% of total household income.

This study takes into account the foreseen increase in PFES from 2017 following the implementation of Decree 147, which projects an 80 \% increase in hydropower fees. A conservative projected 60 \% increase from 2017 is applied in this study to take into account projected decline in water supplies in Central Highlands.\(^36\)

The PFES scheme therefore represents a major source of finance for forest protection in the region. While PFES beneficiaries commit to forest protection, the environmental impact of the PFES scheme is unknown at this stage. To date, the PFES scheme has not provided any incentive for forest owners to adopt additional forest management practices that would enhance the provision of watershed services or lead to emission reductions.

**Offset replantation**

Offset replantation revenues do not represent an important source of investment for NRAP objectives in Central Highlands. Only VND 403 billion was collected by VNFF in 2016 for offset replantation in Central Highlands provinces. Due to limited land availability, an important share of revenues from this scheme is still unspent. In addition, the logging ban is expected to considerably reduce revenues collected for this scheme. The study therefore assumed that no new revenues would be collected after 2017, and that at best, unspent revenues would be invested.

\(^{36}\) After discussion with VNFF. This study also assumes that PFES disbursements equal 85\% of revenues when collected by provincial funds, and 84.5\% when collected by VNFF.
**Other incentive schemes**

This study has not captured other specific incentive schemes, apart from PFES and the offset replantation scheme, which could directly contribute to NRAP objectives in Central Highlands.

At national level, the Law on Corporate Income Tax applies a discounted tax rate of 10% (in comparison to the standard 17% tax rate since 2016) for enterprises and cooperatives investing in forest protection and sustainable agriculture, in particular in poorer areas.

**Banking sector**

This study does not cover private sector investment in land-use, due to the difficulty in collecting comprehensive data for Central Highlands. Nonetheless, one should note that Vietnam’s economic growth model relies heavily on credit expansion. As a result, barriers to financial access, which is still very low in Vietnam, might be overcome in the coming years. According to the International Finance Corporation, the informal financial sector is still largely serving poorer households: ‘there is a significant informal financial sector serving the poor. Despite not being very developed in Vietnam, microfinance institutions, such as the VBSP, could play an increasing role in financing sustainable land-use investments.’

VBSP currently has about 725 agencies in the Central Highlands. By the end of 2017, VBSP had implemented 20 policy credit programmes, and a number of programmes and projects targeting nearly 2.3 million poor households and ethnic minority amounting to VND 35,650 billion.38

**State-owned Enterprises and Forest Management Boards**

State-owned enterprises and Forest Management Boards play an important role in the agriculture and forestry sectors in Central Highlands. The total area of forests managed by agriculture and forest State-owned enterprises and Forest Management Boards amounted to 1,745,083 hectares in 2014, which accounted for 68.1% of total forest areas in Central Highlands. Yet the current restructuring process of agriculture and forest State-owned enterprises foresees the re-allocation of 306,837 hectares to localities.39

Although the exact number of State-owned enterprises in Central Highlands is unavailable, most are managed by local authorities, including forestry and agriculture companies, tea or/and coffee companies, urban environmental companies, water companies, lottery


38 Source: VBSP Annual Report, 2015

39 Of which, forest State-owned enterprises and Forest Management Boards will give back 283094 ha and agriculture SOE will give back 23743 ha to local governments.

40 Kon Tum has one forest company and six forestry development and service companies, owned by local authorities; Dak Lak has 15 forest companies and seven coffee companies; Dak Nong has 15 forest companies
companies, forestry companies, etc. Annually, a share of the local state budget is invested and allocated to State-owned enterprises to cover various expenses, including salary, procurement of equipment, facilities, repair and construction.

**Alignment of land-use investments with NRAP objectives**

This study carried out a detailed analysis of the contribution to land use of policy areas of planned investments in Central Highlands, according to the typology detailed in chapter 2.

In general, almost half of planned investments for 2016-2020 in land-use in Central Highlands are related to agriculture and rural development (VND 10.3 trillion), which underlines the importance of this sector for the economy of the region. 20 % of planned land-use investments target forest protection and the environment (VND 4.6 trillion).

As detailed at the beginning of this chapter, about a third of land-use investments are related to policies and measures outlined in the NRAP and are considered by this study as contributing to the REDD+ objectives in Central Highlands. Amongst NRAP policy objectives, forest protection and the enhancement of forest resources seems to be a priority of planned programmes in Central Highlands. Indeed, VN 4.5 trillion, or two-thirds of planned investments aligned to NRAP objectives, target forest protection.

However, this study revealed significant financing gaps to achieve NRAP objectives in Central Highlands. There is barely (less than one % of total NRAP-related planned investment) any investment planned in land management, research and development, and REDD+ readiness. In addition, very limited financing is planned to address sustainable agriculture production, forest fire prevention, sustainable forest management and forest law enforcement.41

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41 This study only considers investment budgets and not planned recurrent expenditures, which might encompass the functioning of State services and the forest administration.
The volume of planned land-use investments by province doubles from Dak Nong to Lam Dong. Lam Dong is the biggest province in terms of total investment in land-use and investments aligned to NRAP objectives. Despite significant differences in terms of total planned land-use investment volumes, these two provinces share similar scales of planned funding aligned to NRAP objectives (VND 1.7 trillion for Lam Dong and VND 1.4 trillion for Dak Nong), likely due to the fact that these two provinces are PRAP pilot provinces and more advanced in terms of REDD+ planning and resource mobilisation, in particular from international sources.

Interestingly, Dak Lak has the second largest amount of investments aligned to NRAP objectives and the second highest proportion of REDD+-related investment in comparison to total investments at 40.4%.
The rest of this section details some of this study's main findings related to planned investments in key land-use policy areas.

**Forestry-related planned investments**

In Central Highlands, planned investments in the forest sector amount to VND 5.6 trillion for 2016-2020, or VND 1.11 trillion per year. This study considered this full amount as aligned to the forest development and forest protection objectives of the NRAP. Out of this total, more than 80% of forestry-related planned investments target natural forest protection and enhancement (VND 4.5 trillion), out of which 75% (VND 3.36 trillion) come from PFES sources.

Forest protection is predominantly funded by domestic resources, as illustrated in figure 7.

**Figure 7: Planned investments in land-use 2016-2020 per province in Central Highlands (VND million)**

![Graph showing planned investments per province in Central Highlands](image)

**Figure 8: Planned sources of investments for the forest sector in Central Highlands**
The reliance on PFES as the main mechanism and source of funding for forest protection in Central Highlands underlines the importance of ensuring that this scheme provides the right incentives for forest owners to adopt sound forest management practices and that its impacts are monitored. This study assumed that planned PFES would be contributing to NRAP implementation in Central Highlands, yet the necessary safeguards need to be put in place to ensure the realisation of the PFES's environmental objectives.

Taking PFES into account, planned investments in the protection of forests (special use and protection forests) in Central Highlands ranges between VND 610 000 to 2 460 000/hectares/year depending on the provinces.

**Table 6: Planned investment in forest protection**

*Unit: VND/hectares/year*

<table>
<thead>
<tr>
<th>Central Highlands average</th>
<th>914 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dak Lak</td>
<td>762 000</td>
</tr>
<tr>
<td>Dak Nong</td>
<td>610 000</td>
</tr>
<tr>
<td>Gia Lai</td>
<td>572 000</td>
</tr>
<tr>
<td>Kon Tum</td>
<td>2 460 000</td>
</tr>
<tr>
<td>Lam Dong</td>
<td>1 248 000</td>
</tr>
</tbody>
</table>

High levels of planned investments in Kon Tum and Lam Dong can be explained by the high PFES revenues expected in these two provinces in the coming years (PFES represents 20 % of these provinces' land-use investment budgets). On average, the amount of investment per
hectares of forest planned in the region is much higher than the amount paid on contract for
the management and protection the forest currently applied by State policies.\textsuperscript{42}

Planned public investment for the development of plantation forests in Central Highlands is
limited and ranges from VND 73,000 to 168,000/hectares/year depending on each province.
However, the bulk of planned investment is likely to come from the private sector and is
therefore not captured by this study.

During 2016-2020, VND 442 billion is being requested by three provinces (Dak Nong, Gia Lai
and Lam Dong – data was unavailable for other provinces) to support the implementation of
the logging ban, through compensation payments to forest organisations and communities. In
practice, the enforcement of the logging ban is challenging because resources requested to
the national level are not necessarily granted and might not be considered a budgetary priority.

\textbf{Agriculture-related investments}

Planned investments in the agriculture and rural development sector in Central Highlands
amounts to VND 10.3 trillion over 2016-2020, or about 2 trillion per year. Only 5.3 % (VND 543
billion) of planned agricultural investments are aligned with NRAP objectives.

Public sources of finance for agricultural investments are diverse and include a significant part
of State bonds and loans from international development partners.

\textsuperscript{42} Decision 2242/QD-TTg dated 11/12/2014 on strengthening management to exploit wood from natural forests in
the 2014-2020 period, provides support from State budget to enterprises to protect natural forest areas and
temporally to stop exploiting forest, to be supported VND 200 thousand/ha/year.

Decision 38/2016/QD-TTg dated 14/9/2016 on promulgated policies on forest protection and development and
investment in supporting infrastructure, assigning public tasks to agro-forestry enterprises, provides support for the
management and protection of forest and special use forests at an average of VND 300 thousand/ha/year.

Decree 75/2015/ND-CP dated 9/9/2015 on mechanism, policies protection and development of forests, to link with
policies on rapid and sustainable poverty reduction, to support ethnic minorities in period 2015-2020, provides
support to forest protection at VND 400 thousand/ha/year.
Figure 9: Planned sources of investments for the agriculture and rural development sector in Central Highlands

The bulk of agricultural and rural development planned investments focuses on regional economic development, rural infrastructure and drought prevention, mainly through the financing of irrigation infrastructure, but do not match specific NRAP objectives.

Lam Dong has the largest planned agricultural investment amount, at VND 4.25 trillion for five years, while investment in this sector in Dak Lak only reaches one third of that amount. This contrasts with the fact that Dak Lak is an important province in terms of agricultural land and a leading coffee producer.

The limited amount of planned investments targeting sustainable agriculture in Central Highlands comes from donor funding. VND 317 billion of planned investment targets sustainable agriculture in general, while VND 315 billion focuses on coffee. There is barely any funding planned for sustainable rubber development.

Lam Dong is the province with most planned investments in sustainable agriculture with 56.8%, followed by Dak Nong at 29.4%, likely due to their early involvement in REDD+.

At present, no specific Government programme targets sustainable agro-commodities in planned budgets in Central Highlands. There is very limited co-financing by the Government of specific large donor programmes (mainly the World Bank sustainable agriculture transformation project). The potential to ‘green’ part of the VND 9.8 trillion of funding to be invested in agriculture and rural development in 2016-2020 and its uncertain impact on forests should be explored.

Livelihood-related investments

This study accounted for planned investments in social policies when they relate to poverty alleviation of forest-dependent communities in Central Highlands and migration, given the
importance of this indirect driver of deforestation in the region. This study identified a total of about VND 3 trillion of planned investments in social policy relevant to land-uses in Central Highlands, of which about a third can be linked to NRAP objectives, although this classification is complex and limited by the information available on planned projects and beneficiaries. Most planned investments relate to the resettlement of unplanned migrants and livelihood opportunities for ethnic minorities.

**Figure 10: Planned sources of investments for the social policy sector in Central Highlands**

Domestic funding provides more than half of planned investments for social policy and livelihood support, with the national budget playing a more significant part than in other sectors. Most of the support focuses on employment creation, training and economic production.

Livelihood support objective accounts for a quarter of total investments at the regional level. In all the provinces, this share of total investments ranges from 25 % to 35 %, except for Lam Dong where this share only reaches 11 %. Lam Dong has the lowest level of investment in social policy in both relative and absolute numbers. This is in line with the fact that Lam Dong has the second smallest number of migrant households of the region. In relative terms, the total number of migrants in the province is quite small considering that Lam Dong is among the most populated provinces of Central Highlands. This might be explained in part by the fact that it is the only province that does not share a border with Cambodia.

Most of social policy investments are carried out in Dak Lak and Dak Nong. A large portion of investment in this sector relates to addressing the problem of unplanned migrants.
Enabling environment investments

Aligning investments to REDD+ objectives involves developing the necessary safeguards and tools to ensure that forest protection objectives can be integrated in relevant land-use policies and that forest cover can be monitored.

This study found very limited planned investments in building the necessary enabling environment for NRAP implementation in Central Highlands. UN-REDD planned funding in Lam Dong (VND 23 billion) is the only planned support related to REDD+ readiness and sustainable development planning registered in the five-year plans of the Central Highlands’ provinces.

In addition, the only main planned source of funding that can be considered supporting forest law enforcement are compensation payments to State-owned enterprises in the context of the logging ban policy, which State-owned enterprises are meant to invest in providing public services, including forest management. These resources are requested by provinces to the national level, but in practice, they are not necessarily secured. Research and development is barely planned to be funded either (VND 10 billion planned on environmental monitoring).

Additional resources for forest law enforcement and other key enabling measures such as land-use planning might come from the recurrent budget of the Vietnamese State, which is not covered by the scope of this study.
4. Findings by Central Highlands provinces

Lam Dong

The Lam Dong province is located South of Central Highlands. It is the only province in the region that does not share its western border with Cambodia. It is the second most densely populated province of Central Highlands after Dak Lak. It also has the highest %age of urban population among the region’s provinces. Its territory amounts to 977,219.6 hectares, including 601,477 hectares of forest, covering 53.1 % of the province’s area, the second largest in Central Highlands.43

Among the five Central Highlands provinces, Lam Dong has the largest amount of planned land-use investments (VND 6.5 trillion, out of a total public investment of VND 12.08 trillion for the region over that period, equivalent to 53.8 %, or VND 1.3 trillion per year by 2020), double that of Dak Nong (VND 3.1 trillion). However, in Lam Dong only 26.8 % of these planned investments are aligned with NRAP objectives.

Lam Dong is the third province of Central Highlands in terms of agricultural land area (0.97 million hectares). Its economy is largely based on agriculture, with tea, coffee and vegetables being the main agricultural products. Together with the provinces of Dak Lak and Dak Nong, Lam Dong is Vietnam’s leading coffee producer. As for the other provinces of the region, investments in agriculture and research and development take the lion’s share in Lam Dong, with two thirds of the total investment.

Figure 11: Planned land-use investments in Lam Dong (VND million)

Forest protection and environment represents the second largest share of investments, at 22.6 %. From 2002-2011, natural forest area decreased by 45,088 hectares, but plantations

increased. The pressure on forest resources came mainly from population growth, with increased demand for residential land and land for production. Over the same period, income from agricultural production and industrial crops increased.

In 2006-2007, in order to reverse this deforestation trend and protect the ecosystem services forests provide, Lam Dong province developed its first Biodiversity Conservation Action Plan. The Plan was the first in Vietnam to be fully coordinated with a province’s socioeconomic development plan. It established landscape-level management objectives to be reached, and potential strategic biodiversity corridor targets to be met by 2020.

While the province has seen some positive changes over the past decade in terms of social development and poverty reduction, unplanned migration still occurs, particularly of Muong ethnic people in the Northwest mountainous districts. This puts high pressure on environmental management and protection. Yet there is barely any investment targeting this issue in Lam Dong, nor targeting agricultural drivers of deforestation.

In 2007, a pilot policy for PFES was developed for Vietnam, and implemented in two pilot areas through to December 2010 (Lam Dong province in the south and Son La province in the north). The successful implementation of the pilot PFES policy in the Lam Dong province during its two-year trial led to the adoption of a National PFES Decree.

Together with Dak Nong, Lam Dong is one of the pilot provinces for REDD+ and has developed a provincial REDD+ Action Plan. The province’s REDD+ Action Plan (PRAP) aims to reduce greenhouse gas emissions by 27 % compared to 2010 levels by 2020.

The fund for implementation of the PRAP in the 2016-2020 period is about VND 1.749 billion. Of this amount, VND 400 billion come from ODA programmes and REDD+ projects.

Given the province’s international exposure, ODA loans and grants represent the main source of finance for land-use investments in Lam Dong, followed by PFES and provincial budget with 19.3 and 11.9 % respectively.
Dak Lak

Dak Lak is the most densely populated province of the Central Highlands. It ranks first out of the region's provinces in terms of total population, and second in terms of total area. The province’s population consists of 47 ethnic groups, 30 % of which are ethnic minorities, who come from the Northern and Central provinces in search for jobs. In recent years, the population pressure in the province has increased, leading to socioeconomic and environmental challenges. The poverty rate is at 9.65 % (2016). In response to this pressure, the province’s social investments, which are largely destined to unplanned migrants, represent one of the largest in the region.

Land constitutes the strength and potential of Dak Lak, which is the second province of the region in terms of agricultural land area (1.2 million hectares), behind Gia Lai. The province boasts over 360,000 hectares of basaltic soils, suitable for seasonal and perennial cash crops, especially coffee and rubber. Dak Lak and Gia Lai host approximately 50 % of the perennial crop areas of the region. Together with the Dak Nong and Lam Dong provinces, Dak Lak is Vietnam’s leading coffee producing province. In line with this sector’s importance for the province’s economy, investments in agriculture and rural development represent the largest share of all planned land-use investments.

Figure 13: Planned land-use investments in Dak Lak (VND million)

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44 Of which 49.7% are women and 75.6% lives in rural area. The population growth rate was about 1.1% annually in the 2010-2016 period.
45 48.1% of the total land area in Dak Lak is agricultural production land, and 39.9% is forest land. Out of the forest land, productive forests represent 46.1%, protective forests 12.5%, and special use forests 41.4%.
The province has 629 thousand hectares of forests, which represent 39.3 % of forest cover. Deforestation in Dak Lak is very serious. Between 2011 and 2015, a total of 57 thousand hectares of forest were lost (accounting for 9.5 % of the province’s forest cover). Most of the lost forest (97 %) was converted to agricultural production.

In just five years (from 2009 to 2014), local authorities handled over 10,000 breaches of the Law on Forest Protection and Development, and collected over 19,000 m$^3$ of timber. No unused land was converted to forest land over that period. Planned investments in forest protection and environment represent the second largest share of total land-use investments, at 23.3 %. Planned public investment in forest development accounts for only 6.5 %, which might insufficient to compensate for the important forest loss challenge.

The provincial economic growth rate was approximately 5.7 % per annum in the 2013-2016 period. In 2016, the agricultural, forestry and fishery sector contributed up to 45 % of the province’s economy. Efforts are underway to shift the economic structure towards greater industrialisation of the province. In 2017, the province ranked first in the region in terms of renewable energy projects, with four projects worth US$3.3 billion.47

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46 Figure for the end of 2017.
https://daklak.gov.vn/documents/10181/942801/148CVA_1_to.compressed.pdf/7c237978-7873-46a2-a834-9f1be5482eca
The national budget represents the largest financial sources for planned land-use investments at 31.4%, followed by ODA-loans at 20%.

40.4% of total planned land-use investments in Dak Lak are relevant to the NRAP. Natural forest protection and livelihood support are the two main NRAP-related policy objectives supported by planned investments for 2016-2020.

The province does not have a PRAP yet but has developed a draft. The province’s draft outline and cost estimates for the development of a REDD+ action plan for 2018-2020 includes the objectives to contribute to the protection and improvement of the area and quality of natural forests, and expand and improve the quality of plantation forests. Specific 2020 targets include increasing forest cover to 40.1%, conserving biodiversity, and diversifying and improving the livelihoods of forest owners and people.

**Gia Lai**

Gia Lai is situated in the Northern part of the Central Highlands. With 15,500 km² in area, it is the second-largest province of Vietnam and the largest in the Central Highlands region. The province lies in a key international position in the triangle of Vietnam, Laos and Cambodia. It ranks second in terms of total population (1.417 million people in 2016) among Central Highland provinces. Gia Lai is the province of Central Highlands with the largest number of migrants in terms of total number of people, and second in terms of number of households.

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The population of Gia Lai consists of 34 ethnic groups. 70% of the population lives in rural area.
Gia Lai has 625,862 hectares of forest. Although the province has the largest forest area in absolute terms, it is one of the smallest in relative terms, with a forest coverage rate of 40.2% (in 2016). The amount of wood harvested on average in a year in natural and man-grown forests is 160,000-180,000m³, which meets the demand for wood and laminated MDF wood processing at large scale with high quality. The province further has a large tract of land for forest cultivation and trees grown for pulp for the paper industry and developing rubber trees. The importance of the timber industry is reflected in higher planned investments into forest law enforcement.

Gai Lai is also the province with the largest agricultural production land area (801.7 thousand hectares). More than half of the cultivated lands are used for perennial crops, such as rubber, coffee, black pepper and cashew. The province appears to have been the most affected by severe drought in past years and important planned investments concentrate on irrigation infrastructure.

The province’s draft action plan to implement the NRAP for 2017-2020 aims to reduce greenhouse gas emissions from forests; reduce the risk of deforestation and forest degradation; conserve biodiversity; manage and protect existing forest areas; increase forest cover and price; and improve the livelihoods of people living near forests.

Figure 15: Land use investment by source in Gia Lai

![Diagram showing land use investment by source in Gia Lai]

Figure 16: Planned land-use investments in Gia Lai (VND million)
Agriculture and RD represents the largest share of total investments, with 37.5 %, followed by forest protection and environment, with 15.3 %.

The national budget represents the largest share of financial sources with 37.5 %, followed by state bonds and ODA-loans with 19.5 % and 15.9 % respectively. The other sources of finance, such as provincial budget and PFES account for 14.8 % and 9 % respectively.

Only 24.6 % of total planned public investments in Gia Lai can be identified as aligned to the NRAP. Amongst them, Gia Lai is planning on investing significant funds to livelihood support and sustainable coffee production in the period 2016-2020.

**Dak Nong**

Dak Nong Province was formed in 2004 when former Dak Lak province split into two new provinces – Dak Lak and Dak Nong.

In 2016, the population of the province amounted to 609.6 thousand people, a 5.87 % increase from 2011. The province covers a natural area of 6,509.356 km², which makes it the smallest province of Central Highlands in terms of territory.

Dak Nong has the lowest share of urban population (about 15.2 % in 2016) of the region’s provinces. About 360 thousand hectares of agricultural land or 55 % of total land area, is cultivated mainly for long-term industrial crops. Together with the provinces of Dak Lak and Lam Dong, Dak Nong is Vietnam’s leading coffee producer. Agriculture and rural development attracts almost half of planned public investments for the period 2016-2020, mostly for irrigation and market development. However, no further conversion of forest land to agricultural land is planned for the 2016-2020 period.

In 2016, Dak Nong's forestry land acreage was 256116 hectares, accounting for 39.3 % of the natural land acreage.
Although Dak Nong boasts significant potential in agro-forestry, tourism and mineral resources, investment in the province has been relatively modest to date. To promote such investments, Dak Nong is focusing on implementing preferential policies and removing barriers to enterprises. Over the 2016 – 2020 period, the province will prioritise investment in approximately 17 projects, including four agricultural projects, eight industrial projects, and five trade and tourism projects. In the land-use sector, main projects are hydropower and agricultural projects, the latter targeting high-value crops for exports.

**Figure 17: Planned land-use investments in Dak Nong (VND million)**

Dak Nong is one of two Central Highlands provinces that has a PRAP, and about a third of planned land-use investments will be supported by donor funding. About 45 % of total investments can be identified as relevant to REDD+. The Dak Nong PRAP includes objectives to increase forest coverage of the province from 39,1 % in 2015 to 42 % by 2020 49 and improve the province’s readiness level to implement REDD+ projects. Total budget for implementation Dak Nong’s PRAP is VND 1.415.857 million, of which 40,5 % comes from State budget (26,66 % financed by the province’s budget), 10 % from ODA and 9,5 % from PFES.

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Dak Nong is the province with the highest share of investment in livelihood support and sustainable agriculture, in line with NRAP objectives.

Kon Tum

Kon Tum shares borders with Laos and Cambodia. This mountainous province is the least populated of the Central Highlands both in terms of total population and population density. Kon Tum has the highest number of migrant households (7,243) and the second largest number of total migrants (21,708 people). Forest cover was 617,680 hectares, or 62.2% in relative terms, the highest in the region.

After decades of deforestation and forest degradation caused by farming and illegal logging, plantation forests in Kon Tum are showing good signals since 1992, including with the implementation of the logging ban, which led to a reduction in annual quota of timber cutting.

Kon Tum has the largest hydropower potential in the country (2,790 MW), and therefore benefits from high PFES revenues, and attracts the interest of many investors who are surveying hydropower projects in the area. Hydropower plants are already using large forest areas (12226.14 hectares). The province could serve as an important power distribution centre for the whole country, as it disposes of a 500 KV power line. In addition, Kon Tum has an agricultural area of 264,646 hectares (accounting for 27.4% of the total natural area). The province produces coffee and rubber, among other crops.

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50 Viet Nam Administration of Forest, 2017
Infrastructure investments, in particular for rural infrastructure, get the highest share of planned investments in the province, followed by agriculture and rural development, and forest protection.

**Figure 19: Planned land-use investments in Kon Tum (VND million)**

The national budget represents the largest source of financial flows in Kon Tum, with 39.3 %, followed by PFES and ODA-loans with 20 % and 16.2 % respectively.
Only a quarter of total investments can be identified as aligned to NRAP objectives in Kom Tum and is directed mostly at forest protection. The draft NRAP for the province aims to contribute to greenhouse gas emissions reductions through REDD+ activities and increase forest coverage to 63.75% by 2020 and the area of forest types to over 617,700 hectares.
5. Conclusions 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.
6. Annexes

Annex 1: List of references

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### Annex 2: Data sources

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<th>Province</th>
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<tr>
<td>Kon Tum</td>
<td>Socio-economic development plan</td>
<td>DPI</td>
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<td></td>
<td>Decision on detailed allocation of medium-term investment plan for the period 2016-2020</td>
<td>MPI</td>
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<td></td>
<td>Statistical yearbook 2016</td>
<td>DPI</td>
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<td>Investment decision of projects that have conversion of land-use propose</td>
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<td></td>
<td>List of projects by sector management of DPI (16 projects include: 10 projects about hydroelectric, 5 projects about production, 1 project about forest protection)</td>
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<tr>
<td></td>
<td>Estimate on normal expenditure for forestry (management board, forestry company) and estimate on land management from 10% of land-use fee in 2016 and 2017</td>
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<td></td>
<td>Decisions of investment projects (projects that have decision is detailed in “List of projects by sector management” above)</td>
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<td>Resolution for public investment plan in 2017</td>
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<td>Gia Lai</td>
<td>Details of the capital plan for development investment from central budget in 2016 times 1</td>
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<tr>
<td></td>
<td>Details of the capital plan for development investment from central budget in 2016 times 2</td>
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<td>Decision on allocation of capital for local budget development investment phase 1,2,3,4 in 2016</td>
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<td>Review of the 5-year implementation of the policy on payment for forest environmental services</td>
<td>Forest Protection and Development Fund</td>
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<td>Decision on approval on Plan of receiving and spending forest environment service money in 2016</td>
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<td>Report on the implementation of the tasks for the period 2011-2015 and the socio-economic development plan for the 5-year security of the 2016-2020 period of gia lai province</td>
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<td>Implementation of some major indicators for the socio-economic development plan for 5 years 2011-2015</td>
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<td>Some major indicators for the socio-economic development plan for 5 years 2016-2020</td>
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<td>Report on the performance of work tasks in 2016, taking into taking tasks in 2017</td>
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<td>Document of The XV Congress of provincial Party</td>
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<td>Report about assessment on the mechanism and policy implementation of land use investment projects related to forestry development in Gia Lai province</td>
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<td>Report on restructuring, reform and development, enhancing efficiency of agricultural and farming</td>
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<td>agricultural companies and development solutions to 2020 of gia lai province. (11 forestry companies)</td>
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<td>Medium term investment plan from central budget (domestic capital) period 2016-2020 (4 projects)</td>
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<tr>
<td>List of investment projects from 2011 to 2015 (24 projects) (support from central budget)</td>
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<tr>
<td>List of investment projects from 2016 to present (23 projects transit from 2015 and 1 project in 2016) (support from central budget)</td>
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<td>Overall results of the implementation of forest development indicators in the period 2011-2015</td>
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<td>Status of forest in 2013(until 31/12/2013)</td>
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<td>Target for protection and development of forests from 2016 to 2020</td>
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<tr>
<td>Tasks for protecting and developing forest from 2016 to 2020</td>
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<tr>
<td>Capital needs for planning and development of forest protection period 2016-2020</td>
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<tr>
<td>Total area of converting land-use purpose to non-forest purposes in period 2011-2016 (in 2016, 5 projects include 1 project on irrigation, 1 project on hydroelectric, 3 other projects).</td>
<td>DARD</td>
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<tr>
<td>Total area of forest 2011-2016</td>
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<tr>
<td>Decision about promulgating on list of project planning in 2016 and in 2016-2020 in Gia Lai province</td>
<td>People’s Committee</td>
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<td>Decision of project: “Protection and general management of forest ecosystem in Quang Nam, Kon Tum, Gia Lai” using ODA capital of German Government.</td>
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<td>Decision about approving the investment policy: “The investment project for economic forest planting and development is linked to the rapid poverty reduction policy…”</td>
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<td>Decision on detailed allocation of medium-term investment plan for the period 2016-2020</td>
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<td>Dak Lăk</td>
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<td>Statistic yearbook in 2016</td>
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<td>Decision on detailed allocation of medium-term investment plan for the period 2016-2020</td>
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<td>Summary of some financial resources for investment development for forestry development of the forest company in dak lak province</td>
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<td>Demand and orientation for support to forest protection and development</td>
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<td>Target for protection and development of forests from 2016-2020</td>
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<td>List of investment projects using support capital budget in 2016 dong lak province</td>
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<td>REDD++ action plan in 2016-2020</td>
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<td>Plan of spending for special forest management board</td>
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<td>Reviewing and developing the Forest Protection and Development Plan 2016-2020.</td>
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<td>Solar power project related to forest land</td>
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<td>Decision 572/QD-BKHDT dated 20/4/2017 assign to deliver detailed mid-term public investment plan to the state budget for period 2016-2020</td>
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<td>Decision 100/QD-UBND dated 17/1/2017 on assign investment capital plan to the state budget in 2017</td>
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<td>Projects to re-settlement free migrants (4 finished projects and 10 on-going projects)</td>
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<td>Non-state budget Projects related to forest and forest land (22 projectss)</td>
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<td>PES 2016</td>
<td>DARD</td>
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<td>Lam Dong</td>
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<td>SEDP</td>
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<td>Decision 572/QD-BKHDT dated 20/4/2017 on detailed allocation the mid-term public investment plan to the state budget for period 2016-2020</td>
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<td>Overview report on situation of implementing projects that related to forest and drivers to deforestation</td>
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<td>Resolution of People Council on mid-term public investment plan 016-2020</td>
<td>PPC</td>
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<tr>
<td>21 projects having impacts on forest and forestland (water reservoir in village 4 Loc Bac commune; Sao Mai water reservoir; forest development project; Support public interest enterprise in forestry; forest allocation, take care and protection; Da R’sal Dam; Nam Ban Office of Protection forest Management Board; Phat Chi water reservoir; Water reservoir in village 3, Lam Ha; Tan Rai water reservoir; da dak water reservoir; Tu Nghia water reservoir; B’lao Sire water reservoir; Irrigation dam at Da Loan commune; Irrigation lake at Ro Men commune, Dam Rong district; water reservoir Da To Ton; Improving capacity of forest fire prevention; Project on development of protection, special and production forest.</td>
<td>DARD</td>
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<tr>
<td>Provincial state budget for Forest management boards</td>
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<td>Decisions for approval of investment projects on Hydro power in Lam Dong</td>
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<tr>
<td>PES</td>
<td>DARD</td>
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<td>Document</td>
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<tr>
<td>Statistical yearbook</td>
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<td>Decision 572/QD-BKHDT dated 20/4/2017 on detailed allocation the mid-term public investment plan</td>
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<td>PFES budget</td>
<td>VN Forest</td>
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<td>Report on Adjustment of Land use planning to 2020, land use plan of 2016-2020 period at national level</td>
<td>MONRE</td>
<td></td>
</tr>
<tr>
<td>Title</td>
<td>Author/Institution</td>
<td></td>
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<td>----------------------------------------------------------------------</td>
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<tr>
<td>Report on Adjustment the master plan for socio-economic development</td>
<td>MPI</td>
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<tr>
<td>in Central Highland region in adapting to climate change</td>
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<tr>
<td>Redd+ context in Vietnam: Cause, objects and institutions</td>
<td>CERDA, CIEM, CIFOR</td>
<td></td>
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<tr>
<td>Resolution 134/2016/QH13 of National Assembly dated 9/4/2016 on</td>
<td>MONRE</td>
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<tr>
<td>revision land use planning to 2020 and land use plan period 2016-</td>
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<td>2020 at national level</td>
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<td>Report on The distribution of powers and responsibilities affecting</td>
<td>CIFOR</td>
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<td>forests, land use and REED+ across level and sectors in Vietnam:</td>
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<td>A legal study</td>
<td></td>
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<td>Research paper: Analysis of drivers of deforestation, forest</td>
<td>Resource and</td>
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<td>degradation proposed the solutions of forest protection and</td>
<td>Environment</td>
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<td>development in Dak Nong Province</td>
<td>Management Review</td>
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<td>UN REDD Viet Nam phase II</td>
<td>UNDP</td>
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<td>PRAP Lam Dong &amp; Dak Nong</td>
<td>UN REDD PMU</td>
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<td>Decision 886 and ANNEX data (Target program for forest sustainable</td>
<td>MARD</td>
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<td>development)</td>
<td></td>
<td></td>
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<tr>
<td>Giz, ADB, KfW, JICA, WB Projects (related to REDD)</td>
<td>Donors</td>
<td></td>
</tr>
<tr>
<td>Overview donors and projects in the green sector in Vietnam</td>
<td>VRO</td>
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</tbody>
</table>
### Annex 3. ODA projects in Central Highlands, 2016 – 2020 (VND Million)

<table>
<thead>
<tr>
<th>No.</th>
<th>Project</th>
<th>Donor/implementor</th>
<th>Total Fund 2016-2020</th>
<th>ODA-loans</th>
<th>ODA-grant</th>
<th>National budget</th>
<th>Provincial budget</th>
<th>Others</th>
<th>Provinces</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rural infrastructure development for production in Central Highlands</td>
<td>ADB</td>
<td>538,246</td>
<td>-</td>
<td>459,777</td>
<td>18,262</td>
<td>60,207</td>
<td>-</td>
<td>Dak Nong, Gia Lai, Kontum, Lam Dong</td>
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<tr>
<td>2</td>
<td>Project on Flood and erosion mitigation for 04 provinces in South Central Coast and Central Highlands, Dak Nong subproject, AFD loans</td>
<td>ADF</td>
<td>71,591</td>
<td>60,628</td>
<td>-</td>
<td>-</td>
<td>10,963</td>
<td>-</td>
<td>Dak Nong</td>
</tr>
<tr>
<td>3</td>
<td>Forests for Livelihood Improvement in The Central Highlands (FLITCH)</td>
<td>ADB</td>
<td>17,100</td>
<td>17,100</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Gia Lai</td>
</tr>
<tr>
<td>4</td>
<td>Support for sustainable coffee development</td>
<td>GCP</td>
<td>146,049</td>
<td>-</td>
<td>146,049</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Central Highlandss (5 provinces)</td>
</tr>
<tr>
<td>5</td>
<td>Spices Sustainable Program</td>
<td>IDH</td>
<td>10,215</td>
<td>-</td>
<td>10,215</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Dak Lak</td>
</tr>
<tr>
<td>6</td>
<td>Initiative for Sustainale Landscape</td>
<td>IDH</td>
<td>102,301</td>
<td>-</td>
<td>102,301</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Central Highlandss (5 provinces)</td>
</tr>
<tr>
<td>7</td>
<td>Support agriculture, farmer and rural in province</td>
<td>IFAD</td>
<td>211,309</td>
<td>189,977</td>
<td>-</td>
<td>6,000</td>
<td>15,332</td>
<td>-</td>
<td>Central Highlandss (5 provinces)</td>
</tr>
<tr>
<td>8</td>
<td>Improving infrastructure for agriculture development in Lam Dong</td>
<td>Japan</td>
<td>2,767,331</td>
<td>2,500,331</td>
<td>-</td>
<td>-</td>
<td>267,000</td>
<td>-</td>
<td>Lam Dong</td>
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<tr>
<td>No.</td>
<td>Project</td>
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<td>Total Fund 2016 - 2020</td>
<td>ODA-loans</td>
<td>ODA-grant</td>
<td>National budget</td>
<td>Provincial budget</td>
<td>Others</td>
<td>Provinces</td>
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<td>9</td>
<td>Protection and integrated management of forest ecosystems in Quang Nam, Kon Tum and Gia Lai</td>
<td>KFW10</td>
<td>62,969</td>
<td>-</td>
<td>41,217</td>
<td>-</td>
<td>21,752</td>
<td>-</td>
<td>Gia Lai</td>
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<td>10</td>
<td>Project loan from Kuwait fund for agriculture's infrastructure</td>
<td>Kuwait Fund</td>
<td>82,727</td>
<td>78,856</td>
<td>-</td>
<td>2,710</td>
<td>1,161</td>
<td>-</td>
<td>Dak Lak</td>
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<tr>
<td>11</td>
<td>UN REDD Phase II in Lam Dong</td>
<td>Norway</td>
<td>23,507</td>
<td>-</td>
<td>23,187</td>
<td>-</td>
<td>320</td>
<td>-</td>
<td>Lam Dong</td>
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<tr>
<td>12</td>
<td>Poverty reduction project for Central Highlands</td>
<td>WB</td>
<td>2,052,928</td>
<td>1,951,911</td>
<td>-</td>
<td>46,191</td>
<td>54,826</td>
<td>-</td>
<td>Dak Lak, Dak Nong, Gia Lai, Kontum</td>
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<tr>
<td>13</td>
<td>Safety water reservoir and dam</td>
<td>WB</td>
<td>541,751</td>
<td>500,000</td>
<td>-</td>
<td>16,410</td>
<td>16,430</td>
<td>8,910</td>
<td>Dak Lak, Dak Nong, Gia Lai, Kontum</td>
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<tr>
<td>14</td>
<td>Program on sustainable development of Dak Rlap</td>
<td>WB</td>
<td>34,881</td>
<td>31,710</td>
<td>-</td>
<td>-</td>
<td>3,171</td>
<td>-</td>
<td>Dak Nong</td>
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<tr>
<td>15</td>
<td>Subproject for repairing and upgrading dam, reservoir (WB8)</td>
<td>WB</td>
<td>111,000</td>
<td>-</td>
<td>100,000</td>
<td>-</td>
<td>11,000</td>
<td>-</td>
<td>Lam Dong</td>
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<tr>
<td>16</td>
<td>Project for changing sustainable agriculture</td>
<td>WB/VnSAT</td>
<td>530,746</td>
<td>108,511</td>
<td>279,645</td>
<td>39,612</td>
<td>102,978</td>
<td>-</td>
<td>Dak Nong, Gia Lai, Kontum, Lam Dong</td>
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<tr>
<td>17</td>
<td>TP adaptation with CC and GG</td>
<td>WB</td>
<td>20,000</td>
<td>20,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Gia Lai</td>
</tr>
<tr>
<td>18</td>
<td>Progam to scope climate change</td>
<td>WB</td>
<td>13,333</td>
<td>10,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,333</td>
<td>Dak Lak</td>
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<tr>
<td>No.</td>
<td>Project</td>
<td>Donor/implementor</td>
<td>Total Fund 2016-2020</td>
<td>ODA-loans</td>
<td>ODA-grant</td>
<td>National budget</td>
<td>Provincial budget</td>
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<tr>
<td>19</td>
<td>TP for sustainable forestry development</td>
<td>ADB</td>
<td>750</td>
<td>750</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Lam Dong</td>
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<tr>
<td></td>
<td>TOTAL</td>
<td></td>
<td>7,338,734</td>
<td>5,469,774</td>
<td>1,162,391</td>
<td>129,185</td>
<td>565,140</td>
<td>12,243</td>
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<td>74.5%</td>
<td>15.8%</td>
<td>1.8%</td>
<td>7.7%</td>
<td>0.2%</td>
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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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