



Payments for forest environmental services in Portugal

The case of the Permanent Forest Fund

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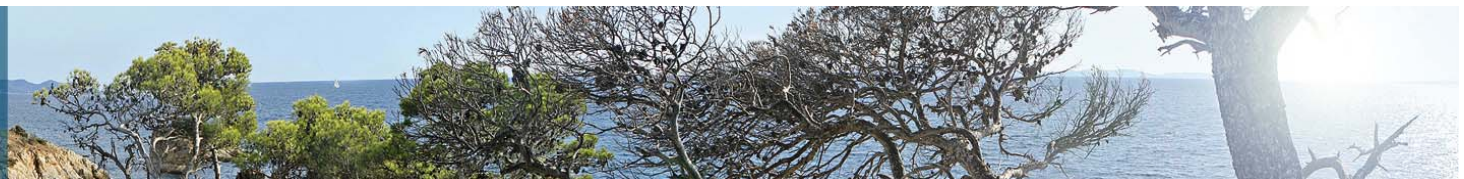




Problem description

- **Permanent Forest Fund**

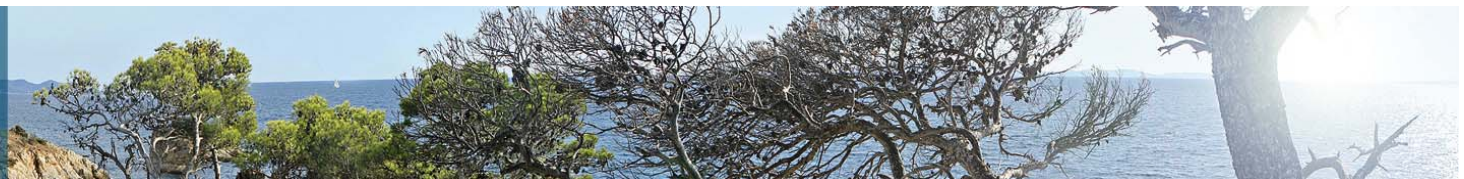
- Public fund
- Grants (non reimbursable incentives)
- Sources of funds: State budget, earmarking of part of the tax on fuels
- National level
- All kinds of forests (private / communal / public)
- Top down priority setting





Problem description

- **Legal context**
 - **Forest Policy Frame Law**
 - Approved by unanimity in August 1996
 - Article 18: Permanent Forest Fund
 - Application decrees should have been approved on year later:
 - Command an control instruments: yes
 - Permanent Forest Fund: no





Problem description

- **Forest management context**

- Forest fires in 2003:
 - 28605 5ha of forest burnt (8,5% of total forest area)
 - 139671 ha of shrublands
 - Affected all types of forests and the whole country





Mechanism description

- **Legal basis**

- Forest Policy Frame Law (17 August 1996)
- Resolution of the Council of Ministers 178/2003 (17 November 2003)
- Decree 63/2004 (22 March 2004)

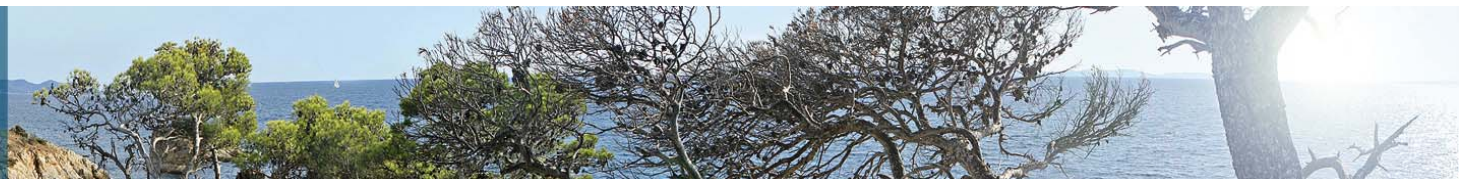




Mechanism description

- **Target activities**

- forest fire prevention:
 - Forest sapers
 - Forest offices in the municipalities
- improvements in forest management :
 - “Forest intervention zones” (ZIFs)
- forest research
- provision of forest public goods (ecological, social and cultural services)
- Monitoring of forest health conditions, biotic risks





Mechanism description

- **Allocation of funds (planned)**

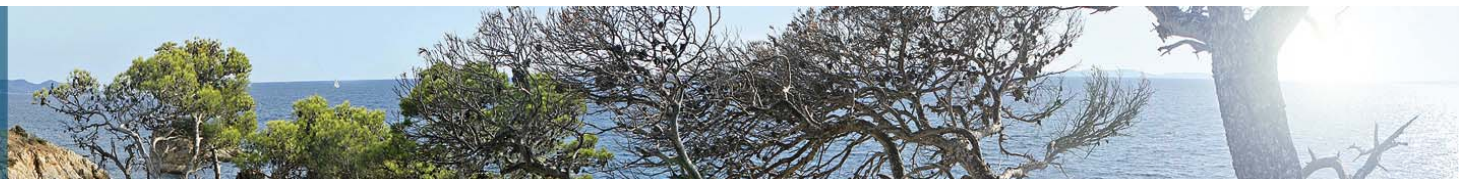
	2004	2005/06	2007/08	2009/12
Fire prevention	45%	60%	73%	25%
Improvements in forest management	12%	30%	17%	30%
Reducing landownership fragmentation	33%	3%		
Provision of forest public goods, monitoring of forest health, biotic risks			10%	20%
Forest research	4%	5%		10%
Forest certification	4%	2%		
Information and communication				15%
Other	2%			





Mechanism description

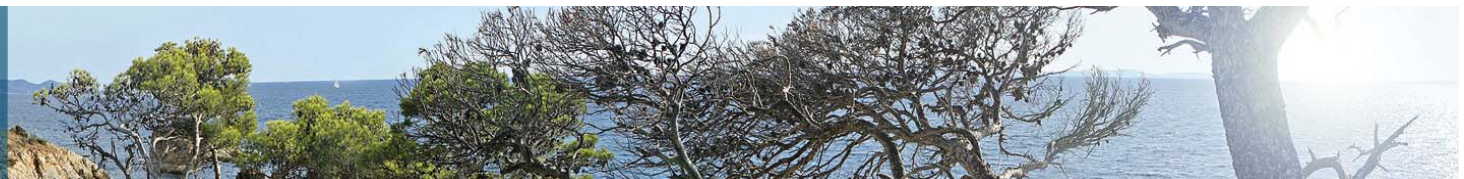
- **Beneficiaries**
 - Forest owners' associations
 - Municipalities
 - Public Forest Services





Mechanism description

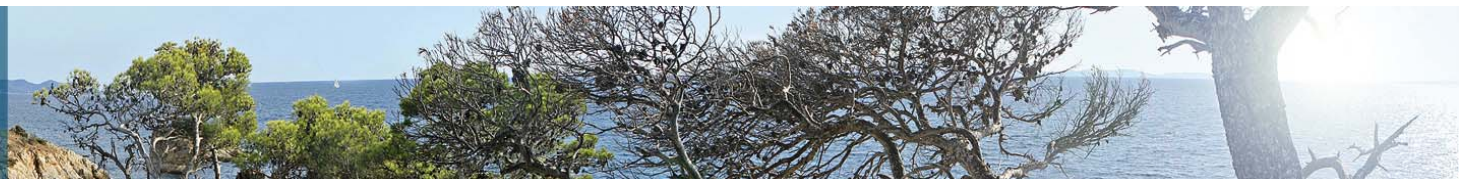
- **Forest policy concepts behind the priorities**
 - **Two bad ones, about 200 years old:**
 - Forest fires and other problems in forestry exist because of “traditional”, “absentee” small forest owners. We should get rid of them: land **ownership** concentration (1/3 of the funds)
 - **Public** sector, now with the municipalities: main driving force of forest development





Mechanism description

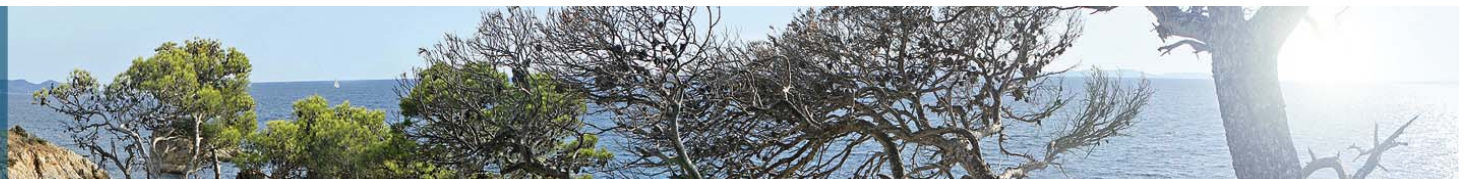
- **Forest policy concepts behind the priorities**
 - **A good one, but as a side effect of the bad ones:**
 - Forest ownership concentration should lead to forest **management** concentration: support for grouped forest management (“Forest Intervention Zones” – ZIFs)





Mechanism description

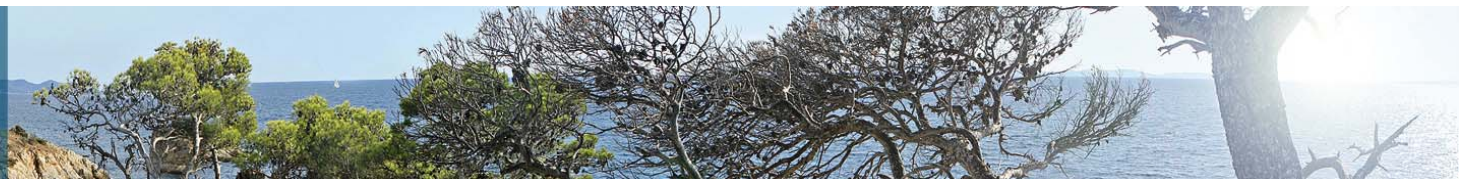
- **Payment mechanism (for FOAs)**
 - Competitive grants
 - Potential beneficiaries have to submit an application within established deadlines
 - Cost sharing (usually 85%) with caps
 - Not all expenditures are eligible for funding
 - Grants are paid after expenditures take place and after verification of the corresponding documents





Mechanism description

- **Transaction costs**
 - Very long reimbursement delays
 - Criteria for approval of eligible expenditure not always clear and sufficiently known beforehand
 - Frequent changes in priorities for allocation of funds and in criteria

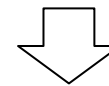




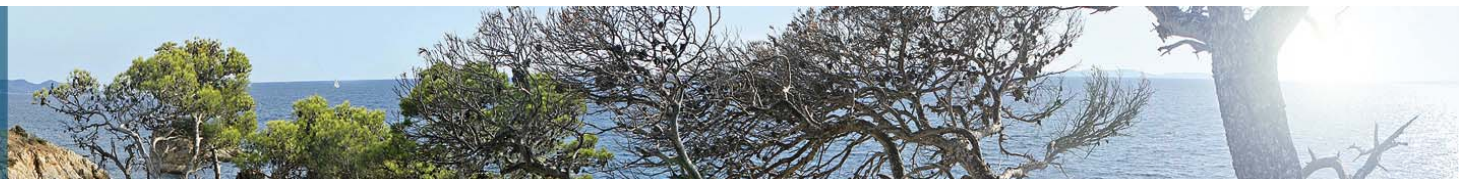
Mechanism evaluation

- **Successes**

- Support for forest owners' association development
- Support for grouped management of private forestry (ZIFs): almost 1000000 ha (=1/3 of total forest land)



- The most relevant **public good** supported by the PFF has been **collective organization** of private forest owners

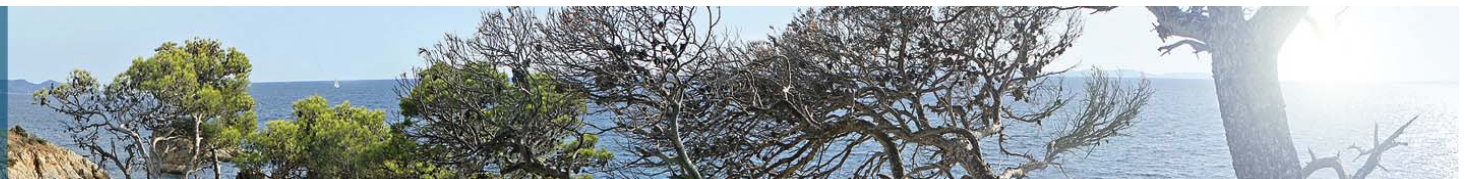




Mechanism evaluation

- **Failures**

- Dreams for large scale landownership concentration operations quickly vanish
- In the first years: capture by opportunistic FOAs
- Capture by municipalities / Crowding out local FOAs
- Insufficient monitoring and no performance evaluation of FOAs and municipalities
- Transaction costs too high due to long payment delays





Mechanism evaluation

- **Failures**

- Too much segmentation and lack of integration of target activities
- Priority setting: no participatory mechanisms, top down approach
- Insufficient predictability and transparency: frequent changes in priorities and not enough information on the criteria to evaluate applications
- Insufficient accountability





Mechanism evaluation

- **Proposals for change**
 - Permanent Forest Fund should be maintained, but its forest policy conceptual basis, its priorities, its target beneficiaries and its management should be improved
 - **Main beneficiaries and main target activities:** support for **grouped management of private** forests (ZIFs, FOAs): public forests are only 1,2% of total forest area





Mechanism evaluation

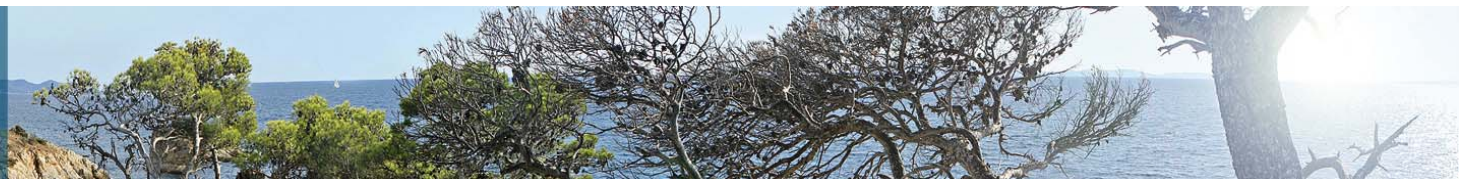
- **Proposals for change**
 - **Predictability:** 4 or 5 years contracts
 - **Bottom up approach:** strategic autonomy for the beneficiaries in priority setting
 - **Elegibility criteria:** based on past performance evaluation of the beneficiaries
 - **Integrated approach:** development plans covering and integrating the different areas of the organization and the different needs of its territory





Mechanism evaluation

- **Proposals for change**
 - **Lower transaction costs:**
 - Quick appraisal of the applications
 - Funding through a global envelope
 - Some cash in advance
 - **Transparency, accountability and evaluation:**
 - Public reporting on evaluation and implementation of the projects
 - Better monitoring of the projects
 - Evaluation





**Thank you very much
for your attention**

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