



PARC Project

FOREST PROTECTION DEPARTMENT (FPD),
MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT (MARD)

FINANCING STUDY

Covering the costs of Viet Nam's protected areas: Summary of lessons learned

PARC Project VIE/95/G31&031
Creating Protected Areas for Resource Conservation
using Landscape Ecology (PARC)

Ha Noi, May 2003

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Acronyms

FPD	Forest Protection Department
GEF	Global Environment Facility
IUCN	The World Conservation Union
MARD	Ministry of Agriculture and Rural Development
MPI	Ministry of Planning and Investment
PARC	Creating Protected Areas for Resource Conservation Using Landscape Ecology Project
SFS	Sustainable Financing Strategy
UNDP	United Nations Development Programme
VND	Vietnamese Dong (<i>VND15,500 = US\$1 at time of study</i>)

All values in this report are expressed at constant 2001 prices, unless otherwise indicated. One billion is taken to denote one thousand million (1,000,000,000).

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1. Summary of Lessons

On the current financial system for protected area management in Viet Nam:

1. Overall, national funding to protected areas is relatively high and stable compared to many other countries in the world. The bulk of financial resources for protected areas come from domestic public budgets. Donor funding can be important, but is focused on very few protected areas and varies greatly over time.
2. Protected areas do however face a number of serious financial constraints. These extend beyond just the quantity of funding allocated. They concern the way in which conservation costs are conceived, budgets are planned, and funds are generated, allocated, and used for protected area conservation. Of particular importance is that in many cases there are inadequate funds for biodiversity conservation activities, and that core (conservation) and buffer (development) budgets remain uncoordinated and sometimes at variance with each other.
3. Viet Nam's national legal, policy, and institutional frameworks provide strong support to improving the diversity, sustainability, and effectiveness of protected area funding sources. Yet many of these provisions and potentials remain untapped, even though they show that more innovative protected area funding arrangements are permissible and even encouraged within national policy and law.
4. The government has already tested new and additional financing mechanisms in a number of environmental sectors. These experiences set important precedents for developing and implementing such systems for protected areas in other sites and at the national level.

On funding alternatives, innovative funding mechanisms, and trust fund options for PARC sites:

1. Although funding to Ba Be, Na Hang, and Yok Don has been relatively stable over recent years, and has been sufficient to meet staffing and capital needs specified in investment plans, they have faced many of the financial constraints that are evident nation-wide. Additional financial resources will be required in the future to cover the costs of implementing the operational plans and village resource use plans developed under the PARC Project.
2. A variety of additional sources of income could be generated for each project site, including supplementary revenue streams and trust funds. These mechanisms have the potential to increase protected area operational budgets in a sustainable way and to address some of the financial constraints that the protected areas face.
3. Sustainable financing strategies should be integrated with protected area operational plans. In doing so they would provide a mechanism for planning for and implementing these financing strategies in practice. It is essential that these plans and budgets be integrated with those of the local authorities who are responsible for development activities in and around protected areas.

On carrying out a protected area financing study:

1. The financing study achieved its objective of reviewing protected area financial status and identifying sustainable finance mechanisms for the PARC Project sites.
2. Although not an objective of the study, it had been envisaged that it would be possible to actually implement new financing mechanisms in PARC protected areas.

This proved to be over-ambitious, and would require additional time, funding, and commitment by both donors and government.

3. Feedback and consultation from central and local level partners was critically important for reviewing the financial status of the three PARC protected areas, and in identifying and selecting potential innovative financing mechanisms for them.
4. Implementation of new and additional financing mechanisms for protected areas will require a number of actions at central and local levels. A commitment is required on the part of the Government of Viet Nam, and the donors and partners involved in the PARC Project, to invest in the implementation of innovative financing mechanisms for protected areas. The development and implementation of protected area operational plans will also need to integrate financial concerns much more closely.

2. Introduction to the report

This document summarises the main findings, lessons learned and feedback gathered from central and local government partners during the course of the PARC Project Financing Study. This study was carried out for the PARC Project between July 2001 and May 2003 and deals with the establishment of a mechanism to provide long-term funding for biodiversity conservation and community development in the target areas.

This document brings together key findings and lessons from the two objectives of the Financing Study, and from the process of carrying it out.

- **Section I** evaluates the current financial system for protected area management in Viet Nam with reference to the PARC Project target sites in accordance with the first objective of the study. It deals with the status of protected area funding, financial constraints to protected area management, the links between national regulatory frameworks and protected area finance, and other experiences of innovative environmental finance.
- **Section II** identifies options to improve financial efficiency, explore funding alternatives, and develop innovative funding mechanisms to enable the PARC Project to establish long-term financial support for protected areas management, with priorities based upon biodiversity conservation and recognition of local community development needs in the target areas". Specifically it deals with financing needs and opportunities for the PARC Project sites, options for establishing trust funds, and integrating financial concerns into operational plans for the protected areas.
- **Section III** draws findings and lessons learned from the process of carrying out the study. It evaluates the extent to which the study met its intended objectives, how partners' concerns were integrated into the study, and additional needs to implement the study recommendations.

These findings and lessons learned are targeted at the PARC Project itself, central and local government partners, and IUCN and other conservation agencies involved in protected area finance in Viet Nam.

This is the final report of the PARC Financing Study and builds on the following reports, which have also been produced during the course of the PARC Financing Study:

- **A Synthesis Report** on needs and opportunities for the establishment of sustainable financing mechanisms for Ba Be National Park and Na Hang Nature Reserve;
- **Sustainable Financing Strategies** for Ba Be National Park, Na Hang Nature Reserve and Yok Don National Park;
- **Working Papers** on;
 - Strengthening central and provincial budget support: the case of Ba Be National Park and Na Hang Nature Reserve,
 - Potential for ecotourism to contribute to long-term financing of Ba Be National Park and Na Hang Nature Reserve,
 - Options for the establishment of trust funds for Ba Be National Park and Na Hang Nature Reserve;
- **Mission Reports** on Phases I, II and III of the study.

This report updates this series of report on the basis of more recent data and information, and according to comments made at central and provincial levels. Some of these reports have been translated into Vietnamese, and are available from the PARC Project website <http://www.undp.org.vn/projects/parc>.

Section One: Lessons Learned on the Current Financial System for Protected Area Management in Viet Nam

Summary of lessons learned:

1. Overall, national funding to protected areas is relatively high and stable compared to many other countries in the world. The bulk of financial resources for protected areas come from domestic public budgets. Donor funding can be important, but is focused on very few protected areas and varies greatly over time.
 2. Protected areas do however face a number of serious financial constraints. These extend beyond just the quantity of funding allocated. They concern the way in which conservation costs are conceived, budgets are planned, and funds are generated, allocated, and used for protected area conservation. Of particular importance is that in many cases there are inadequate funds for biodiversity conservation activities, and that core (conservation) and buffer (development) budgets remain uncoordinated and sometimes at variance with each other.
 3. Viet Nam's national legal, policy, and institutional frameworks provide strong support to improving the diversity, sustainability, and effectiveness of protected area funding sources. Yet many of these provisions and potentials remain untapped, even though they show that more innovative protected area funding arrangements are permissible and even encouraged within national policy and law.
 4. The government has already tested new and additional financing mechanisms in a number of environmental sectors. These experiences set important precedents for developing and implementing such systems for protected areas in other sites and at the national level.
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3. What is the status of protected area funding?

Both centrally and provincially managed protected areas are financed from the same basic sources; public funds that are channelled through the budgets of the agencies responsible for their management. Those agencies are the Ministry of Agriculture and Rural Development (MARD) or Provincial People's Committees (PPCs). The bulk of funding comes from domestic sources and donor-assisted projects through regular state budgets. Capital budgets are allocated on the basis of annual investment plans, prepared from the five or ten year investment plan which has been approved for a particular protected area. Recurrent budgets are provided in accordance with the protected area's annual recurrent budget plan, and are based on standard norms applied to the number of staff employed. Additional funding is available for supplementary construction and infrastructure, scientific research through loans for revenue-generating investments, and from national programmes (mainly the Five Million Hectares Reforestation (661) Programme). Some protected areas

also earn revenues from tourism and related sources. Activities in buffer zones are funded through state budgets to relevant provinces, districts, and communes and are considered separately from budgets and management plans for protected areas.

At the start of the study it was assumed that the major financing issue for Viet Nam's protected areas was that the overall amount of funds allocated was low and unreliable.

A review of the financial status of protected areas however revealed that this is not always the case.

The study found that at the national level protected area funding has remained relatively stable in both absolute and relative terms over recent years and has sometimes even increased. Since 1997, central funding to protected areas has averaged 0.13 percent of GDP, i.e. 0.5 percent of total government budget, and has varied only slightly between VND 45-52 billion a year. Meanwhile, provincial funding for protected areas has more than doubled since 1999 and is now worth more than VND 67 billion in the 28 provinces for which data are available.

In absolute terms, Viet Nam allocates a substantial level of funding to protected areas.

An average of just over US\$1,200/km²/year is spent by government on centrally managed protected areas, and US\$652 on provincially managed protected areas. Viet Nam's public budgets to centrally managed protected areas therefore compares extremely favourably to other parts of the world. Average government spending in developed countries is US\$2,000/km², US\$150/km² in developing countries, and US\$497/km² for South and Southeast Asian countries. Spending on provincially-managed protected areas is only just over half as much as for MARD, but is greater than many other Asian countries and European countries in transition.

Donor funding can in some cases provide an important supplement to domestic protected area budgets, but varies considerably. There are currently about 45 internationally supported biodiversity conservation projects in Viet Nam, worth almost US\$200 million in total. These contribute an average of US\$4 million a year to centrally managed protected areas, which is roughly equivalent to domestic allocations from government. For the 28 provincial protected areas where data were available, donor budgets however made a negligible contribution: less than US\$50,000 in total over the last four years, or under 0.5 percent of all financial flows.

4. What are the financial constraints to protected area management?

Despite the relatively high and stable level of funding that they receive, Viet Nam's protected areas face a number of financial problems, which in turn translate into management constraints. Financial concerns however extend beyond the absolute amount of funds that are allocated to protected areas, and are far more complex than an issue of quantity alone. Rather, protected area financing constraints are to do with the way in which conservation costs are conceived, budgets are planned, and funds are generated, allocated and used for protected area conservation.

Even though overall allocations to the national protected area system are high, there is great variation in the level of funding received by individual national parks and nature reserves. Although these differences are most pronounced between centrally and provincially managed protected areas, there are variations across the board. Per protected area, funding ranges from a low of US\$2,500 to a high of several hundred thousand dollars, i.e. between less than US\$100/km² to several thousand dollars. Many protected areas (especially those managed by provinces) simply do not have enough funds to meet basic requirements for effective protected area management.

Provincially managed protected areas generally face greater budget constraints than centrally managed protected areas. In the past, responsibilities for protected areas were moved from local to central level because of the difficulties that local governments were having in providing adequate financial support. With the recent trend for decentralising development planning and budgeting, protected areas are being transferred back to the provinces, many of which face pressing budget constraints and deficits. Capital funding for provincial protected areas does not depend wholly on their investment plans but on general and capital plans for the province.

There has been a change in the composition of protected area funding over recent years. Whereas in 1997 almost three quarters of total spending was allocated to capital costs, this proportion has been steadily decreasing over time, and by 2001 less than 60 percent of total funding was earmarked for investment. Recurrent expenditures are consuming a progressively greater proportion of protected area budgets.

Protected area budgets are not necessarily used to support conservation activities. Recurrent budgets allow for little more than salary payments, and much investment spending is on heavy infrastructure such as roads, bridges and other construction. Little funding is available for routine maintenance, essential equipment, or for the activities that are fundamental to basic park management.

Budgeting processes are cumbersome and subject to delays. Although annual budget plans are generally prepared and submitted in October of the previous year, figures are adjusted several times and funds may only be received and spent towards the end of the financial year. At the same time the five to ten year investment plans originally prepared when a protected area is established tend to be followed very strictly, making it difficult to adapt to meet changing needs and circumstances.

There exists a multiplicity of management jurisdictions, planning and budgeting processes and conservation/development goals and activities in protected area core and buffer zones. There is little coordination between (core zone) conservation and (buffer zone) development planning and budgeting, or between the different government agencies that have jurisdiction over them. At worst, this can result in contradictory or conflicting activities being carried out.

Protected areas rely on a narrow, and possibly uncertain, funding base. Should the two main sources of funding – government budgets and donor projects – diminish or fail, protected areas will face a situation where their financial base is eroded. There has been limited effort to diversify the protected area funding base or to make protected areas at least partly financially self-sustaining. This means that individual protected areas have little responsibility or accountability for covering their own costs. There are few incentives or opportunities to generate or retain supplementary revenues for conservation activities.

5. Do national regulatory and policy frameworks support sustainable financing for protected areas?

Elements of Viet Nam's national legal and policy frameworks provide strong support to overcoming these limitations and thereby improving the diversity, sustainability, and effectiveness of protected area funding sources. Yet many of these provisions and potentials remain untapped, even though they show that more innovative protected area funding arrangements are permissible and even encouraged within national policy and law.

Article 10 of Decision 08/2001 states that each Special-use Forest must have a long-term investment plan, in which the state must invest. **This strongly encourages continued government investment and budget security for protected areas.**

Regulations relevant to protected area financing

- Decree 178/2001/QD-TTg, 12 November 2001. Prime Minister decision on the duty and benefit of households and persons who are allocated forest and forest land by government.
- The Order 32 of President of, September 2001 on Fee and Charge System in Vietnam applying to all activities.
- The Decision 08/2001/QD-TTg, issued by Prime Minister on January 11, 2001. Regulation on management of Special-use Forest, Protection Forest and Production Forests which are Natural Forests.
- Decision 10/2002 – TTg, 16 January 2002; Prime Minister decision on Financial management for of revenue-generated economic public-service units.
- Decree No. 02-CP issued on 15 January 1994 by the Government. Concerning Allocation of forest land to organisations, households and individuals for long-term forestry purposes.
- Decree No. 29/1998/ND-CP of May 11, 1998. Promulgating the Regulation on the Exercise of Democracy in Communes.
- Determination 202-TTg of 2 May 1994 of the Prime Minister. Stipulating requirements for contracts for forest protection, natural regeneration and reforestation.
- Decision No. 187/1999/QD-TTg on SFEs renovation. Which has been strengthened through Resolution No 28-NQ/TW of June 2003.
- Decree 182/2001-TTg, on State Budget

There are various sources of support for additional income generation and retention at the protected area level. Article 11 of Decision 08/2001 sets in place a provision to establish protected area management boards as revenue-generating public service units. Article 16 of Decision 10/2002 specifies that these units have the capacity to generate part or all of their recurrent budgets from revenues raised, and Article 11 encourages them to increase revenues.

Detailed guidance is provided about potentials for raising revenues from protected area goods and services. Decree 175-CP/1994 introduces the concept of fees and charges as a means of generating revenues for environmental management. Order 32/2001 identifies 12 categories of fees as cost-recovery mechanisms and five types of surcharges on administrative services, several of which have relevance for protected areas (e.g. charges for fish protection, land allocation, water transport, parking, tourism and recreation, and environmental protection). The Natural Resource Tax Ordinance further allows for the possibility of raising fiscal revenues from the commercial and industrial use of natural resources including minerals, forest products, and water. Article 16 of Decision 08/2001 allows protected area management boards to organise, lease out or contract the provision of ecotourism services and facilities to organisations, households, and individuals and specifies that the majority of these earnings should be reinvested in protected area management and development.

Opportunities for allocating and using protected area revenues at the local level are provided through the Budget Law of 1996, which enables revenues from various taxes and charges to be shared between provinces, districts, and communes. Article 30.3 allows Provincial People’s Committees to define the way in which particular taxes are shared.

Better coordination of activities and planning processes in the wider protected area landscape is established in Decision 08/2001, which calls for all new protected areas

established by local government to include buffer zones, and the requirement that conservation and socio-economic development activities are integrated. Decision 178 2001 formally endorses the use of conservation incentives and partnerships for local communities by detailing mechanisms through which households and individuals can be allocated, leased, or contracted to manage or protect forest land.

A number of moves are underway to streamline and strengthen protected area budgeting and financial planning processes. A recent government decision allows the utilisation of budgets until March the following year. MARD has recently proposed that there should be a separate budget line for Special-use Forests in the annual budget proposals that are submitted by provinces to the Ministry of Planning and Investment (MPI) for approval. At the same time Decision 182/2001 requires public disclosure of state budget allocation and utilisation from all levels of government. A new financial mechanism is being planned for protected areas under Decree 10/2001 and Circular 25/2001 which guarantees a stable budget for the first three years of their establishment, and encourages raising revenues and income from additional sources thereafter. Although this reflects a strong commitment for protected area funding, a lack of financial and human resource capacity has in some cases constrained actions to follow up these decisions.

6. Is there prior experience of using innovative environmental financing mechanisms?

The government has already tested new and additional financing mechanisms in a number of environmental sectors. These experiences set an important precedent for developing and implementing such systems at the national level and for protected areas where they have not previously been tested. Yet, while various new and innovative financing measures have been piloted, these are few, and are yet to be institutionalised for the country as a whole.

Various experiences exist in raising and retaining protected area revenues from tourism including park entry fees and charges for guides, boat trips, camping or hiking; for example in Ba Be, Bach Ma, Cat Tien, Cuc Phuong and Yok Don National Parks.

Several methods are being deployed to provide communities living in buffer zones with incentives for protected area conservation. Integrated conservation and development projects operate in many protected areas, and have invested in alternative income generating activities among buffer zone communes. Forest protection contracts currently cover about 1.6 million ha and involve more than 250,000 households, and for Ba Be, Mu Cang Chai and Pu Mat protected area authorities are also considering a revision of social forestry contracts.

To a limited extent, private sector finance has been made available for protected areas. The UK-based multi-national petroleum and energy company, BP, has provided grants for conservation research in Bach Ma National Park, Cuc Phuong National Park, and Na Hang Nature Reserve. Since 1996, BP and the Norwegian oil and gas company, Statoil, have funded a conservation project in Cuc Phuong National Park that involves community-based awareness, visitor education, socio-economic and biological research, and monitoring.

A debt-for-nature swap worth DM 76 million was first negotiated between Viet Nam and Germany in 1994. This has released funding for a number of poverty alleviation and environmental conservation activities, including wastewater treatment for Vinh City, solid waste treatment for Viet Tri City, equipment for Hanoi Urban Environmental Company, and reforestation of the Da Watershed.

Several protected areas are in the process of setting up trust funds, to be capitalised through government and donor contributions, including Cat Tien National Park.

Environmental trust funds have also been established for Thuong Dinh Industrial Zone and for minimising pollution in Ho Chi Minh City, and a National Environmental Protection Fund has recently been approved and is now under operation.

In addition to the PARC Project, a range of other national-level projects are underway which address protected area financing issues. The recently concluded FPD-WWF-Danida project Strengthening Protected Area Management in Viet Nam prepared a draft management strategy for a protected area system in Viet Nam 2002-2010 which includes an investment programme and objectives to improve financial management (currently awaiting government approval). The proposed MARD-World Bank Forest Sector Development Project plans to establish a sinking fund for meeting the operational management costs of provincially managed protected areas. This, together with the proposed technical assistance fund sponsored by the Royal Netherlands Embassy, is expected to evolve into a multi-donor trust fund mechanism for conservation finance in Viet Nam.

Section Two: Lessons Learned on Funding Alternatives, Innovative Funding Mechanisms and Trust Fund Options for PARC sites

Summary of lessons learned:

1. Although funding to Ba Be, Na Hang and Yok Don has been relatively stable over recent years, and has been sufficient to meet staffing and capital needs specified in investment plans, they have faced many of the financial constraints that are evident nationwide. Additional financial resources will be required in the future to cover the costs of implementing the operational plans and village resource use plans developed under the PARC Project.
 2. A variety of additional sources of income could be generated for each project site, including supplementary revenue streams and trust funds. These mechanisms have the potential to increase protected area operational budgets in a sustainable way and to address some of the financial constraints that the protected areas face.
 3. Sustainable financing strategies should be integrated with protected area operational plans. In doing so they would provide a mechanism for planning for and implementing these financing strategies in practice. It is essential that these plans and budgets be integrated with those of the local authorities who are responsible for development activities in and around protected areas.
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7. What financing needs and opportunities exist for Ba Be, Na Hang and Yok Don?

Various investment plans, detailing capital budgets and staffing needs, have been produced for Ba Be and Yok Don National Parks. For the period 1999-2003 they propose annual expenditures of between VND 0.4 and 3.7 billion for Ba Be, and VND 5-10 billion a year for Yok Don. In both cases, actual capital budget allocations to date have been approximately equal to, or greater than these requirements. Over the same period, capital and recurrent budgets to Na Hang Nature Reserve have ranged from VND 0.5 to 0.7 billion a year. A new investment plan for 2002-2010 with a capital budget of VND 141,918 million has recently been approved for Yok Don.

State budgets (including the PARC Project, as donor funding which passes through the government budget) provide the main source of funding to Ba Be, Na Hang and Yok Don. Small amounts of government revenues are also generated from tourism, amounting in 2001 to VND 200 million for the Ba Be National Park Management Board, VND 160 million for Na Hang District and VND 76 million for the Yok Don National Park Management Board. Funding for conservation and development activities in communes of core and buffer zones are also met almost entirely through state budgets, including some donor projects.

Operational plans have recently been prepared for Ba Be, Na Hang and Yok Don, for the period 2001-2005. These specify total funding needs of VND 79.3 billion for Ba Be and VND 17.4 billion for Na Hang. Village resource use plans have also been developed for Ba Be and Na Hang, at an estimated implementation cost of VND 511 million per year for Ba Be and VND 2,944 million for Na Hang. If these funding needs are to be met, it will be necessary to increase budget allocations beyond their existing levels over this period. Current budgets are sufficient to meet 37 percent of the costs of implementing the operational plan in BBNP and ten percent in Na Hang. Operational plan budgets for Yok Don are not yet available.

Sustainable financing strategies were developed through this study for Ba Be, Na Hang and Yok Don. They proposed additional sources of revenue and funding that could be used to meet protected area conservation needs and are administered through government budgets. These strategies aim to at least meet projected expenditures for operational and village resource use plans. They are targeted at overcoming current financial constraints and bottlenecks (including low budgets to conservation activities, insufficient recurrent budgets, dislocation between core and buffer zone activities and funding, a narrow funding base and limited revenue generation or retention), as well as at generating additional funding.

The following proposed additional sources of finance, have generated positive feedback from provincial and central government stakeholders and are supported by existing regulations and policies (see chapter 6):

- In Ba Be and Na Hang, undertaking ecotourism activities in collaboration with local communities, the private sector and a variety of other government agencies at central and provincial levels.
- Rationalising existing entry fees and charges for tourism services at all three sites, and ensuring that a proportion of these revenues are returned to protected area management activities.
- For the planned Gam River Dam in Na Hang, using part of the proceeds of the Natural Resource Tax levied on the use of water for hydropower to fund protected area conservation.
- Marketing under a protected area brand or eco-labelling key buffer zone crops or products at all three sites as a mechanism for contributing export or commercial revenues to park management and providing incentives for buffer zone conservation.

8. What are the options for establishing trust funds?

The establishment of trust funds has good potential as a mechanism for supplementing existing annual budget allocations to Ba Be, Na Hang and Yok Don. There are three main categories of trust fund:

1. **endowment funds** only allocate income while maintaining (and preferably adding to) the capital investment;
2. **sinking funds** spend an assigned amount of money within a specified period of time; and,
3. **revolving funds** are replenished regularly and act as holding facilities for various sources of funds.

Of these only the first, the endowment fund, is a truly long-term or sustainable financing mechanism, and for this reason is the recommended option for PARC Project sites.

Trust funds would supplement existing state budgets, not replace them. Annual capital and recurrent budgets will continue to provide the basis of funding for PARC protected areas. Trust funds will make available additional funding to enhance the implementation of operational plans and village resource use plans, and support integration between core zone conservation and buffer zone development activities.

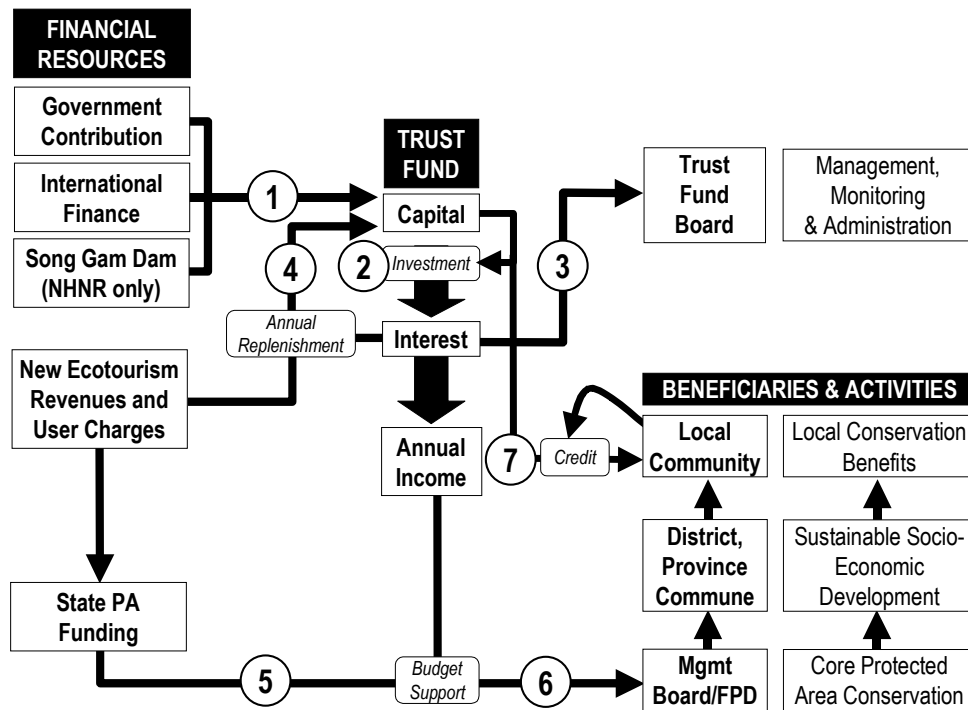
Trust funds could be capitalised from a combination of domestic and foreign funds and, for Na Hang Nature Reserve from the proposed Gam River Dam. The latter is in line with World Commission on Dams recommendations that trusts should be established to receive payments from hydropower schemes for environmental management and local community development. Various other possibilities exist for raising a one-off starter payment from donor sources, including debt-for-nature swap, private funding or endowments and conventional bilateral and multilateral sources (such as the GEF).

Trust funds would have the status of state financial institutions, with the function of mobilising and receiving extra-budgetary funds to finance activities for conservation in the core and buffer zones of the three PARC protected areas. They would be legal entities and have their own capital and statement of account, either as protected area-specific trust funds or as sub-components of a national fund. They would be administered by protected area management boards or Provincial People's Committees and managed through advisory and control boards, and operations units. Although there is currently no regulatory framework in Viet Nam specifically for trust funds, it is important to note that the presence of a number of environmental trust funds in the country establishes the fact that a broader enabling legal and policy framework is not lacking.

Interest from the investment of trust capital will provide a source of income. A portion of this income will be used to cover trust fund running costs. It is proposed that the remainder will be channelled through state protected area budgets to cover operational plan and village resource use plan implementation costs. This fund will be allocated directly to protected area buffer and core communes as a revolving credit facility for conservation-related activities, and used to supplement trust capital on an annual basis.

Financial models have been developed for Ba Be and Na Hang trust funds which indicate the capital and income required to cover the costs of implementing operational plans and village resource use plans. It will be possible to develop a similar model for Yok Don once the budgets for the operational and village resource use plans are finalised. It is estimated that initial trust capital of VND 5 billion for Ba Be and VND 95 billion for Na Hang would, together with existing state budgets and additional sources of finance specified, provide a sustainable flow of finance, which is adequate to cover these costs. A capital contribution is proposed from government, which is approximately half of the annual budget allocated to Ba Be and Na Hang. In addition to a payment of one percent of the capital costs of the proposed Gam River Dam for Na Hang, the remainder, VND 2.5 billion for Ba Be and VND 19.5 billion for Na Hang, could be raised from international sources.

Figure 1: Operation of the pilot trust fund



1. It is proposed that the two pilot trust funds are **capitalised** from state and international sources, and for the case of Na Hang Nature Reserve from the proposed Song Gam Dam. This will form a one-off payment.
2. It is proposed that the capital of the pilot trust funds be **invested** in interest-bearing accounts, such as government bonds, yielding an annual income flow to be used for protected area conservation and community sustainable development.
3. The pilot trust funds will cover their own **management and running costs** from annual interest earned, including costs of administering and operating the community revolving credit facility (see below).
4. A proportion of annual interest, together with a fixed proportion of additional financial resources generated from ecotourism fees, hydropower transfers and water charges, will be **reinvested** in the pilot trust funds in order to replenish and add to the capital amount.
5. Annual state capital and recurrent budgets, and the major proportion of additional financial resources, will continue to flow and be allocated through normal MARD and provincial budgetary channels.
6. Income from the pilot trust funds (less annual replenishment and management costs) will flow through existing government protected area budget channels, joining annual state budgets. Additional income raised from ecotourism fees, hydropower transfers and water charges to be allocated through MARD and provincial budgets to the **implementation of operational plans and village resource use plans** by protected area management authorities, local authorities and other relevant government agencies.
7. It is also proposed that a small portion of initial trust capital is used to establish funding for a community **credit facility**, for core and buffer zone communes. This facility would provide revolving credit, and annual costs of management,

administration and default would be covered as part of village resource use plan implementation costs and pilot trust fund running.

The operation and management of the pilot trust funds is outlined in detail in the accompanying report Working Paper 4 - Options for the Establishment of Trust Funds for Ba Be National Park and Na Hang Nature Reserve.

9. What are the links between sustainable financing strategies and operational plans?

With the assistance of the PARC Project, the government has prepared operational plans for Ba Be National Park, Na Hang nature Reserve and Yok Don National Park. Operational plans have been drafted for the three protected areas, and discussed with stakeholders at central and local levels. MARD has already approved the piloting of operational plans as a possible model for Viet Nam's national protected area network¹.

While operational plans are proving to be important tools for protected area management, and are extremely useful mechanisms for translating investment plans into the short to medium term actions that are required to run and manage protected areas, they must also consider financial aspects. Without dealing with financial considerations, including sustainable funding required for protected area operations, operational plans will remain incomplete and may be difficult to implement in practice. It is essential to identify management objectives and activities for the PARC protected areas, but it is equally important to ensure that the required funds are raised to carry out these plans in practice.

Sustainable Financing Strategies (SFSs), as proposed by the PARC Financing Study, need to be integrated into the operational planning process. They are designed to complement operational plans, both by assuring a sustainable source of finance for their operation as well as by addressing some of the financial constraints that currently hinder park management.

Closer integration of SFSs into operational plans would build support for formalising them, and help to better institutionalise the concept of sustainable finance for protected areas. While it is only after considerable effort and investment from the PARC Project that the operational plan process is starting to become institutionalised, there was little integration of the Financing Study and its resulting SFSs into this process. Feedback from district and provincial levels suggested that there is an expectation that technical and financial assistance will be forthcoming to implement the SFSs. If integrated with operational plans this support would be much easier to provide, as well as strengthening the on-the-ground links and synergies between management actions and financing strategies.

¹ Letter 4436/BNN-KL 2002

Section Three: Lessons Learned and Recommendations from carrying out the Protected Area Financing Study

Summary of lessons learned and recommendations:

1. The Financing Study achieved its objective of reviewing protected area financial status and identifying sustainable finance mechanisms for the PARC Project sites.
 2. Although not an objective of the study, it had been envisaged that it would be possible to actually implement new financing mechanisms in PARC protected areas. This proved to be over-ambitious, and would require additional time, funding and commitment by both donors and government.
 3. Feedback and consultation from central and local level partners was critically important for reviewing the financial status of the three PARC protected areas, and in identifying and selecting potential innovative financing mechanisms for them.
 4. Implementation of new and additional financing mechanisms for protected areas will require a number of actions at central and local levels. A commitment is required on the part of the Government of Viet Nam, and the donors and partners involved in the PARC Project, to invest in the implementation of innovative financing mechanisms for protected areas. The development and implementation of protected area operational plans will also need to integrate financial concerns much more closely.
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10. Did the study achieve its intended objective?

The main objectives of the Financing Study were to:

- *evaluate the current financial system for protected area management in Viet Nam with reference to the PARC Project target sites;*
- *identify options to improve financial efficiency; and,*
- *explore funding alternatives and develop innovative funding mechanisms in order to enable the PARC Project to establish long-term financial support for protected area management, with priorities based upon biodiversity conservation and recognition of local community development needs in the target areas.*

The study was carried out in three phases:

1. **Identification and economic valuation:** to investigate and clarify the financial situation of protected area management in Viet Nam, in the recent past and today.

2. **Implementation:** to identify measures and plans for the mobilisation of resources in order to implement the mechanisms identified by the study through developing finance plans for the three protected areas.
3. **Assessment and review:** to assess the novel and identified financial mechanisms implemented to date, and review lessons learned from the project.

Five success criteria were defined:

1. in-depth investigation of recent protected area financial trends and presentation of a report;
2. assessment of current financial mechanisms, assessment of financial efficiency for protected area management and identification of potential for innovative budgetary mechanisms;
3. development of innovative financial mechanisms and support their pilot implementation at project sites;
4. establishment of financial mechanisms at project sites; and,
5. long-term funds leveraged.

The Financing Study has carried out the majority of the activities that were specified, has largely managed to meet its basic objective, and has fulfilled success criteria 1, 2 and (partially) 3. The status of protected area financing and current financial mechanisms has been investigated and documented, and needs and niches for innovative financing at PARC Project sites have been identified and presented as sustainable financing strategies for each of the three project sites.

It was more difficult for the Financing Study to fulfil success criteria 4 or 5, or to carry out three specified activities. These related to establishing and piloting new and additional financing mechanisms at PARC Project sites, and leveraging long-term funds. In the event they proved to be over-ambitious, and beyond its scope and basic objective. In reality, to actually set in place innovative protected area financing mechanisms requires a much longer time frame, more comprehensive analysis of policy, legal and institutional factors, and greater political buy-in than was available within the scope of a single Financing Study. It would also require that a dedicated budget line be allocated to implementation the financing mechanisms themselves, in addition to their identification through the Financing Study. It should however be noted that operational plans are starting to take on board new financing mechanisms, and that this is an important first step towards full implementation of the recommendations.

The ultimate success and impact of the Financing Study can only be judged if new financing mechanisms for protected areas are actually set in place in practice. This will be a complex and lengthy undertaking that will require both commitment and investment on the part of the Government of Viet Nam, and the donors and partners involved in the PARC Project.

11. How were national, provincial, district and commune concerns reflected in the study?

Over the course of the study, various steps were taken to engage and seek advice from government agencies at central, provincial, district and commune levels and to share on-going findings with them. Regular debriefings with the PARC Project and UNDP staff were held at the start and end of each mission. As the study was being carried out and SFSs developed for the three PARC sites, consultations were held with a wide variety of

government agencies from all levels, and at all three project sites, in order to gather information and inputs. An awareness workshop on sustainable finance for protected areas was also convened and attended by national and provincial staff, representatives from PARC sites and other protected areas, and donors and NGOs engaged in protected area management.

Technical reports and Sustainable Financing Studies were translated into Vietnamese and shared with national and provincial agencies, the PARC protected areas and project staff. After these documents had been disseminated, visits were made by Financing Study National Experts to discuss and share the findings of these reports with Bac Kan, Tuyen Quang and Dak Lak Provincial People's Committees and with District People's Committees. Written comments on the reports were received from the PARC National Project Office, Yok Don National Park, the Department of Planning of MARD and Bac Kan Provincial People's Committee. A meeting was also held in Hanoi with staff from MARD (Forest Protection Department, Finance and Accounting Department, Planning and Projection Department) and MPI (Agriculture and Rural Development Department) where verbal comments were given.

Major comments and feedback received on the status review and draft Sustainable Financing Strategies from national, provincial and district stakeholders include:

- Factual corrections, additional data and updates.
- Appreciation and broad acceptance of draft reports and the need for sustainable finance for the PARC protected areas.
- Requests for further financial and technical support to implement the recommendations of the Financing Study, especially actions relating to generating additional funding and setting up trust funds.
- Support for setting up local protected area trust funds for Ba Be National Park, Na Hang Nature Reserve and Yok Don National Park: in Bac Kan and Tuyen Quang Provinces, provincial, district and commune agencies will be nominated as key contacts, and the Department of Agriculture and Rural Development was specified as the key contact in Dak Lak Province.
- Recommendation that local steering committees be set up to integrate conservation, tourism development and poverty alleviation through master development plans for both core and buffer zones, coordination of all budgets and formulation of recommendations on revenue sharing.
- In Bac Kan Province, a proposal has been drafted for Ba Be National Park to retain additional revenues collected from entry fees and that efforts will be made to provide a greater role for the National Park Management Board in managing and allocating protected area revenues. The idea of a voluntary conservation fee from tourists was not supported, as it was not consistent with current regulations, and it was thought better to increase park entry fees instead. Water user fees were also thought to be difficult to implement in practice, as most beneficiaries are either too poor to pay or lie outside provincial boundaries. It was noted that a trust fund could be implemented only after 2005, because currently the National Park Authority is focussing on the Don Den Reallocation Project.
- In Tuyen Quang Province, proposed ecotourism development, revenues from the proposed Gam River Dam, and water user fees were accepted as additional financing mechanisms for Na Hang Nature Reserve. It was pointed out that some of these mechanisms would take time to develop and implement, for example the Natural Resource Tax could only be collected once the proposed dam is operational, after 2005-06.

- In Dak Lak Province, it was proposed that as well as new funding mechanisms, central government should increase annual budget allocations to Yok Don National Park. Tourism development should be promoted as a mechanism for increasing revenues, and eco-labelling should be applied to cashew, pepper and coffee. It was noted that the development of a trust fund might be a long-term proposition.
- MARC pointed out that many efforts have recently been made to streamline state budget allocation processes and an update on ministry proposals relating to protected area funding in the future was provided. A question was raised as to whether it would be possible to allocate state funds to capitalise protected area trust funds, within the context of current regulations and practices. The synergies between PARC protected area financing strategies and other national processes, especially the Forest Sector Support Programme, were highlighted, as was the importance of integrating them.
- MPI was pointed out that it is important to consider the stability of the various sources of state budgets to protected areas, including recurrent and capital budgets, and funding from various national programmes. MPI and MARC are currently discussing investment to protected areas for the periods up to and after 2010, and the nature of government support. The importance of following proper regulations and laws when developing new financing mechanisms was also emphasised.
- PARC sub-Contractors and counterparts gave examples of on-going activities to market products from the buffer zone of Ba Be National Park under a Ba Be brand. This idea could be extended to other PARC sites. For example in Yok Don National Park, protected area brand labelling could be a first step towards a more comprehensive eco-labelling process. Also, since there is only limited potential for coffee production in the area directly around the national park, extending these ideas to other crops and products could be more appropriate. Many of the ideas generated during the Financing Study have been incorporated into operational plans for the PARC protected areas. Longer-term actions will be needed to build local capacity and awareness to implement financial mechanisms, and to overcome some of the bottlenecks in the current investment planning process. Of primary importance, at the protected area level, is to make adequate funding available for conservation activities and priorities, and to reflect these priorities in longer-term financial planning and budgeting processes.

These views and suggestions were much appreciated by the Financing Study team, and every effort has been made to incorporate them, as reflected in this revised document. With no exceptions, all partners at national, provincial and district levels have provided useful and important support and input to the Financing Study.

It should be emphasised that the translation of technical reports into Vietnamese and their discussion during face-to-face meetings with stakeholders provided the most effective means of gathering feedback and information. This was a very important mechanism for dialogue and information sharing. Had this approach been deployed much earlier in the Financing Study, as other consultative activities were undertaken as part of the project, it would have been possible to engage partners even more closely in the process.

Feedback received underlined that this engagement, consultation and support must be continued after the Financing Study. Identifying sources and mechanisms for sustainably financing the PARC protected areas is only a first step in improving their financial situation. Further financial support (through seed funds or development funds for establishing financial mechanisms) and technical assistance (in building capacity and facilitating joint planning for financial mechanisms) will be critical, especially at the local level. Luckily, both the PARC Project and national government are in a position to provide this support, through the implementation of protected area operational plans and associated activities in Ba Be National Park, Na Hang Nature Reserve and Yok Don National Park.

12. Recommendations on follow-up for implementing Sustainable Financing Strategies in PARC sites

- ✓ **The Financing Study has made a number of recommendations for simultaneously improving the funding base of Ba Be National Park, Na Hang Nature Reserve and Yok Don National Park and for overcoming some of the constraints in budgeting, financial planning and benefit distribution that act as constraints to biodiversity conservation. They will require further financial and technical support, and broader commitment, if they are to be implemented.** Perhaps the most critical determinant of their success will be the degree to which all stakeholders, from central to local levels, are willing and able to take on board the challenges that are required to move to a more integrated and innovative approach to protected area financing.

Actions:
MARD: Greater dissemination, capacity building and awareness of the Financing Study findings and approaches for central and provincial agencies, and taking the findings into a series of concrete actions.
PARC Project: Promotion of the concepts and practices of sustainable protected area financing among stakeholders at Ba Be National Park, Na Hang Nature Reserve and Yok Don National Park.
- ✓ **It is essential that concepts of sustainable protected area finance be linked closely to other planning and budgeting processes in and around the three PARK Project sites (including protected area management plans and investment plans, and provincial socio-economic development plans). In particular, Sustainable Finance Strategies must become an integral part of the operational plans which are being promoted and piloted under the PARC Project.** It is only after considerable effort and investment from the PARC Project that the operational/management planning process for protected areas is slowly being institutionalised, with MARD recently approving the piloting of the PARC operational plans. On the other hand, there is still no institutional ownership and commitment to implement the SFSs. Besides, the operational plans do not reflect any linkages to the financing strategies, nor do they make any mention of the sources from where the required funds would be obtained. MARD and provincial FPDs must ensure that in future these two planning efforts are undertaken in a more coordinated and collaborative manner.

Action
PARC Project and MARD: Greater integration of operational plan and SFS implementation processes at the site level.
- ✓ **Currently high levels of government commitment and support to protected area financing must continue.** One of the assumptions made was that where management responsibility is decentralised to local levels, the existing levels of funding would be maintained and increased where required. This assumption appears to have held in the case of Ba Be National Park which was transferred from MARD to Bac Kan Province after the Financing Study report had been submitted. MARD will reportedly continue to fund the capital investment for the current investment plan, while the provincial government will take on the responsibility for the recurrent costs. This should also be the case if in future other protected areas are transferred to provincial governments.

Action
MARD and Provincial People's Committees: Budgets committed to protected areas at all levels.

- ✓ **Decisions must be taken to apply the provisions of existing laws and regulations that support sustainable protected area financing.** The Financing Study has already drawn attention to the existence of various enabling laws and regulations that support the implementation of the recommended financing mechanisms. Therefore, necessary decisions to use them in support of implementing the financing mechanisms will have to be taken by the appropriate central and provincial government agencies.
Action
MARD and Provincial People's Committees: The development of appropriate decisions to utilise and pilot the provisions of relevant decisions and regulations for protected area financing at all levels.

- ✓ **Efforts to better integrate planning and management within the broader protected area landscape must be continued.** Decision 08/2001 mandates integrated planning and management of the core and buffer zones of protected areas. However, this is currently not being done because the drafting of a circular guiding the implementation of the Decision 08/2001 has not yet been finalised by MARD. The regulation would greatly enhance the ability of protected area management boards to influence the nature and scale of investments in buffer zones and ensure that they complement the conservation of the core zone.
Action
MARD: Expeditious finalisation of the relevant implementation regulations under Decision 08/2001.

- ✓ **There is a need to review and revise the guidelines for preparing investment plans.** The Forest Inventory and Planning Institute guidelines for preparing investment plans do not provide any guidance on carrying out conservation needs assessment of a particular protected area. The focus of the investment plan is thus mainly on 'constructing' the protected area and investment is mostly targeted at meeting infrastructure needs. Providing for conservation needs assessments could greatly help to re-orient the annual budget planning process. MARD should encourage the Forest Inventory and Planning Institute to review and revise these guidelines to enable identification of conservation needs during the investment plan preparation process. This is by far the most important issue that needs to be tackled, considering the fact that protected areas in Viet Nam are relatively well resourced, but this is not being reflected in conservation gains because the funding is not being allocated and used appropriately. BirdLife International Viet Nam has already developed revised guidelines for preparing investment plans and has provided them to the Forest Inventory and Planning Institute and MARD for consideration. Hence, the guidelines need to be finalised and adopted expeditiously to ensure long-term sustainable conservation financing for Viet Nam's protected areas.
Action
MARD and Provincial People's Committees: Development and use of revised guidelines for protected area investment plans.

- ✓ PARC Project and MARD should provide both financial and technical support to piloting sustainable financing mechanisms in Ba Be National Park, Na Hang Nature Reserve and Yok Don National Park. During discussions held recently in the three PARC Project provinces, local authorities indicate that they are expecting external technical and financial assistance to pilot the recommended mechanisms. In fact, additional financing mechanisms require some level of investment funding for their implementation. Technical support and training is also required, because they propose a range of new ideas and mechanisms, for which capacity and awareness is still undeveloped in Viet Nam. This could be done most effectively through the PARC Project (stakeholder comments on trust fund capitalisation included that initial capital should come from the PARC Project itself). The PARC Project, MARD and the relevant

central and provincial authorities should support implementation of financing strategies as a separate initiative.

Action

MARD and PARC Project: Seeking funding for future investments to implement SFSs.

- ✓ **The findings of the PARC Financing Study, particularly this summary report, should be translated into Vietnamese and disseminated as widely and as soon as possible in order to ensure that its findings reaches a wide audience. Also its recommendations should be integrated into operational plans and financial planning in the three PARC Project Sites.** Unless local language translations are made, and efforts are made to disseminate the findings of the study, there is a risk that the necessary consultation, awareness and buy-in will not be achieved and that the results of the Finance Study will be on paper only. If possible and if required, support should be provided to the PARC Project to review operational plans and make recommendations for integrating financing mechanisms as appropriate.

Action

MARD, PARC Project, UNDP and IUCN