



PARC Na Hang

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

FINANCING STUDY

Phase II: Sustainable Financing Strategy for Na Hang Nature Reserve, Tuyen Quang Province

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

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Acronyms

5 MHRP	Five Million Hectares Reforestation Project
BVND	Billion Viet Nam Dong
DPC	District Peoples Committee
DPI	Provincial Department of Planning and Investment
FPD	Forest Protection Department
GEF	Global Environment Facility
IUCN	The World Conservation Union
MARD	Ministry of Agriculture and Rural Development
MOSTE	Ministry of Science, Technology and Environment
MPI	Ministry of Planning and Investment
MVND	Million Viet Nam Dong
NGO	Non-Governmental Organisation
NHNR	Na Hang Nature Reserve
NTFP	Non-Timber Forest Products
ODA	Overseas Development Assistance
PARC	Creating Protected Areas for Resource Conservation Using Landscape Ecology
PPC	Provincial Peoples Committee
SFS	Sustainable Finance Strategy
SUF	Special Use Forest
SWOL	Strengths, Weaknesses, Opportunities, Limitations
TF	Trust Fund
VNAT	Viet Nam Administration for Tourism
VRUP	Village Resource Use Plan
WWF	World Wide Fund for Nature

List of accompanying reports

Sustainable Financing Strategy: Ba Be National Park, Bac Kan Province.

Sustainable Financing Strategy: Na Hang Nature Reserve, Tuyen Quang Province.

Working Paper 1: Strengthening Central and Provincial Budget Support: the Case of Ba Be National Park and Na Hang Nature Reserve.

Working Paper 2: Potential for Ecotourism to Contribute to Long-Term Financing of Ba Be National Park and Na Hang Nature Reserve.

Working Paper 3: Options for the Establishment of Trust Funds for Ba Be National Park and Na Hang Nature Reserve.

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1 Introduction

The project “Creating Protected Areas for Resource Conservation Using Landscape Ecology” (PARC: 1998 - 2003) aims to develop and pilot innovative methods for protecting Viet Nam’s unique and highly threatened species and habitats. The PARC project operates in three protected areas (PAs) – Ba Be National Park in the Northern Bac Kan Province, Na Hang Nature Reserve in the adjoining Tuyen Quang Province, and Yok Don National Park in the Central Highlands Province of Dak Lak.

A Financing Study is being undertaken over three discrete phases to generate Output 1.6 of the PARC project, which deals with “the establishment of a mechanism to provide long-term funding for biodiversity conservation and community development in the target areas”. As part of this study the current financial system for protected areas management in Viet Nam has been evaluated with particular reference to the PARC project sites. This has provided the basis for identifying ways to improve financial efficiency, exploring funding alternatives and developing innovative financing mechanisms, with priorities based upon biodiversity conservation and recognition of local community development needs in the target areas.

Building upon the findings of Phase I, which identified the overall scope of the financing study, Phase II is required to develop Sustainable Finance Strategies for each of the PARC project sites. This phase would then link up with Phase III, which would require operationalising of the recommended financing mechanisms in at least one of the sites, and drawing lessons learned for applying them to the other sites. Phase II of the Study has already resulted in the preparation of the following four separate reports:

1. Financing Study Phase II Synthesis Report: Needs and Opportunities for the Establishment of Sustainable Financing Mechanisms for Ba Be National Park and Na Hang Nature Reserve (IUCN, 2002a).
2. Strengthening Central and Provincial Budget Support: the Case of Ba Be National Park and Na Hang Nature Reserve (IUCN, 2002b).
3. Potential for Ecotourism to Contribute to Long-Term Financing of Ba Be National Park and Na Hang Nature Reserve (IUCN, 2002c).
4. Options for the Establishment of Trust Funds for Ba Be National Park and Na Hang Nature Reserve (IUCN, 2002d).

1.1 Structure of the report

The sustainable finance strategies for the PARC project areas are required to contain a detailed and itemised list of specific actions for implementing the recommendations of the financing study. Accordingly, this report outlines the financing strategy for the Na Hang Nature Reserve (NHNR) that aims to mobilise and allocate additional financial resources as well as use existing financial resources more effectively and efficiently. It relies on all the reports and information that have been generated as part of the study and seeks to provide practical and operational guidance to the NHNR Management Board for putting in place a financing strategy at the nature reserve level. The SFS targets both the core and buffer zones of the national park and in doing so acts as an integration point for bringing together different stakeholders and agencies in planning and managing the NHNR landscape.

The four reports (referred to above) provide a detailed analysis of the financial situation concerning protected areas in Viet Nam as well as a comprehensive profile of each PARC project site and its financial situation. These individual reports should be referred to for getting more details about the specific recommendations. In particular, the Synthesis Report provides a detailed analysis of the financial situation of each protected area, works out the

funding needs and estimates the potential resources that can be raised by each of the main recommended financing mechanisms. The other three reports contain detailed recommendations on the individual financing mechanisms. Therefore, the SFS should be read in conjunction with those four seminal reports.

Accordingly, this SFS only provides a brief summary of the background information relating to the financial situation of the NHNR and covers the other following issues more substantively:

- It identifies the financing target by reviewing the current levels of funding to the national park from all sources and comparing it with the desired levels of funding for implementing the operational plan and conservation linked community development activities;
- It discusses the various financing mechanisms that have been recommended to bridge this funding gap and undertakes a SWOL (Strengths, Weaknesses, Opportunities, and Limitations) analysis of these mechanisms;
- It outlines the specific concrete measures required to implement the financing mechanisms, as well as for managing and allocating resources particularly at the local levels, and also defines a road map for future; and
- Lastly, it provides a cash-flow projection model based on the resources that are likely to be raised as a result of the suggested financing mechanisms.

This SFS aims to ensure long-term financial sustainability after the PARC project has successfully completed putting in place the basic infrastructure and management systems.

1.2 Integrating financing concerns into the management plan

This SFS is envisaged as an integral component of the NHNR management/ operational plan. Thus, it is intimately linked to the activities and budgets as set out in the management/ operational plan of the NHNR and is not presented as an independent or stand-alone document. However, while analysing the budgetary needs of the nature reserve it also makes some recommendations for supplementing the calculated budgets, as in the case of recurrent costs for additional staff, resources to implement the pilot village resource use plans, purchase of equipment, etc. It then sets out the strategy for meeting the financial needs of the nature reserve for implementing the management/ operational plan.

The SFS should be subject to the same periodic review and revision process as the management/ operational plan of the nature reserve for it to remain relevant and consistent with the management and financial needs. It should also be built into the annual budgeting and financial reporting process. Such a linkage would make it possible to clearly show at the beginning of the year how much of the budget is to be raised from which source, including the new and non-traditional sources recommended by the SFS. At the same time, the success of implementing the financing measures recommended in the SFS should be reported at the end of the year, through the financial report that is an essential part of the annual progress report of the nature reserve.

This integration with the annual budgeting and reporting process will enable an ongoing review of performance, including identification of constraints, on the basis of which it would be possible to make adaptive changes to the manner in which each of the financing mechanism is implemented. The annual review would show where the bottlenecks in implementation lie, as also the nature of the problems. It would then be possible to make the necessary regulatory, administrative or other changes to overcome the identified problems.

Ideally, the financing plan should be included as a chapter within the management plan/ operational plan of the nature reserve to enable the above-mentioned integration to take place. The SFS has been prepared with this overall goal in mind.

2 Na Hang Nature Reserve

2.1 Basic Features

The NHNR is located in the Tuyen Quang province and covers an area of 41,930 ha. It is under the management responsibility of the Forest Protection Department (FPD) of the Provincial Peoples Committee (PPC). Its day-to-day management is the responsibility of the Special Use Forest Protection Division (henceforth referred to as the management board) under the District Peoples Committee (DPC), comprising a Head, a Deputy Head and 21 staff. The Tonkin Snub-nosed Monkey Conservation Project (TCP) supports another 25 staff on a contract basis. The principal attraction of the nature reserve is the endemic population of about 200 Tonkin Snub-nosed Monkeys, which is a globally endangered species. The Thac Mo waterfall is the other attraction of the nature reserve and annually some 15,000 tourists visit the nature reserve.

The NHNR has not delineated a definite buffer zone so far but effectively it comprises 9 communes with an estimated population of 6,215 households and 35,302 people. The District Forest Protection Division is responsible for activities in the buffer areas. In addition 2,159 households with a total population of 11,233 people live inside the boundary of the nature reserve.

The local communities in and around the nature reserve are strongly dependent upon its resources for their livelihoods and sustenance. They use the forests for meeting their fuel wood, small timber and non-timber forest product (NTFP) needs. In addition, wildlife hunting and fishing in the rivers and streams in the nature reserve is also a source of sustenance and livelihoods for the local communities. It is estimated (IUCN, 2002a) that the total value of the resources used by local communities in the core and the buffer zone of the nature reserve amounts to approximately 27 BVND annually. The average value of these resources to the individual core zone household is about 2 MVND/year and about 3.7 MVND/year/household in the buffer.

2.2 Funding Situation

The NHNR is among the most poorly resourced protected areas in Viet Nam, even compared to other provincially managed nature reserves. This is evident from the levels of capital investment over the past 5 years as shown in Table 1.

Table 1: Budget financing for NHNR core zone

MVND	1997	1998	1999	2000	Budget 2001
Capital expenditure ^a	239	365	309	126	250
Recurrent expenditure ^b	100	322	376	385	443
Total	339	687	685	511	693

(Source: IUCN, 2002b)

^a Includes 5 MHRP and 327 forest programme funds

^b Excluding recurrent expenditure of core zone communes

The management board has undertaken the preparation of an operational plan for the nature reserve covering the period 2001 - 2005, which is currently available only in draft form. As this plan does not contain any budget estimates, the Synthesis Report (IUCN 2002a) has

calculated that the total investments required to implement the plan would be approximately 34 BVND with a complement of 51 staff.

In addition, investment for core zone and buffer zone community development activities is available annually under the National Programme 135 and the 5 MHRP Programme through the central and provincial levels. Funding is also available to these communes from the provincial budget, as well as the district capital and recurrent budgets. During 2001 the amount invested for core zone communities was 3,070 MVND and 17,196 MVND for the buffer zone communities. However, this investment does not flow through the nature reserve management board and, thus, it cannot be orientated to contribute to conservation objectives. Therefore, there is potential for some of this investment in the buffer zone to be planned and implemented jointly with the NHNR management board to enable the integration of conservation and development objectives.

The DPC also raises some revenue (160 MVND in 2001) from visitors to the Thac Mo waterfall and from the accommodation, sale of food and handicrafts at the site. However, none of this revenue is available to the nature reserve management board. On the contrary, the district reportedly invested 600 MVND in 2001 for development of the waterfall tourism area.

2.3 Financing target

The Synthesis Report (see IUCN, 2002a for details) contains an assessment of the funding requirements of the NHNR. This is based on the present level of funding received from all sources compared to the requirement as calculated by the Financing Study based on the 5-year Operational Plan needs. Additional funding requirements have also been calculated for implementing Village Resource Use Plans (VRUPs) in the core and buffer zone communes, recurrent costs for staff, operations and office running costs, and contingencies.

The synthesis report presents this financing target in respect of the short term and the medium term, i.e. one for the Operational Plan period up to 2005 and the other for the next 5-year period from 2006 to 2010. This division is based on the rationale that capital investment costs for infrastructure development will be higher in the initial phase of developing a protected area. Thereafter, the same level of investment will not be required for the next 20 to 25 years, except for annual maintenance, and replacement of vehicles, field and survey equipment, electronic and computer equipment, which are estimated to have a 5-year life span.

Using this analysis, the financing targets for the two time periods during and after the Operational Plan can be summarised as shown in Table 2. However, it must be noted that the Operational Plan for NHNR currently does not contain any budget estimates and these have been estimated by ascribing costs to all the budget items listed in the plan. Therefore, these are currently only tentative figures and might undergo an upward revision when the detailed site plans that are being prepared by the PARC project for the individual Ranger posts are aggregated.

In addition, Article 8 of Decision 08/2001 provides ample guidance on the need to plan and integrate management of the buffer zone with that of the core for the purposes of supporting conservation, management and protection of special use forests, and stabilising and raising people's living standards. This integrated planning approach for conservation and development activities would enable the bringing together of different stakeholders in the management of different aspects of the total NHNR landscape, covering both the core and buffer areas.

Table 2: Annual financing targets for core zone management activities in NHNR

	For operational plan period: 2001 to 2005 (MVND)	For post operational plan period: 2005 to 2010 (MVND)
Average annual requirement ^a	6,863	3,197 ^c
Average annual availability ^b	640	640
PARC project expenditure	3,015	-
Average annual funding target	3,208	2,557

(Data source: IUCN, 2002a)

^a Combining Operational Plan budget (including construction and large infrastructure), recurrent staff budget, 8% for other expenses, office running costs at 7.5% of the recurrent budget, 5% for O&M of capital and equipment, and 10% contingency.

^b Existing average government funding.

^c Combining calculated Operational Plan budget (but excluding construction and large infrastructure), recurrent staff budget, 8% for other expenses, 7.5% of recurrent staff budget for office running costs, 5% for O&M of capital and equipment, and 10% contingency.

As mentioned there are 2,159 households with 11,233 people living inside the core and 6,215 households with 35,302 people in the buffer zone communes of the NHNR. The NHNR is in the process of preparing VRUPs that would help local communities and other stakeholders to use available resources sustainably and efficiently and at the same time to conserve biodiversity. As the draft VRUPs do not contain budget estimates the Synthesis Report (IUCN, 2002a) has calculated them at the rate of 0.5 MVND per core zone household per year and 0.3 MVND per buffer zone household per year. On this basis, the annual requirement of funds would be 2,944 MVND for the core and buffer zone households in NHNR, to implement activities that aim to set in place an enabling socio-economic environment for biodiversity conservation (Table 3).

Table 3: Annual financing needs for implementing VRUPs in the core and buffer zone households of NHNR

	(MVND)
Annual requirement for core zone	1,080
Annual requirement for buffer zone	1,864
Annual funding target	2,944

(Data source: IUCN, 2002a)

Although there is a considerable amount of funds flowing into these communes for socio-economic development activities, much of it is for infrastructure construction that makes no contribution to enhancing the conservation status of the protected area. Consequently, targeted activities as envisaged under the VRUPs need to be implemented.

In summary, the funding target for the NHNR core zone management activities during the current operational plan period (up to 2005) will be about 3,208 MVND annually (excluding PARC project investments). For the post operational plan period (2006 – 2010) the funding target would be 2,557 MVND per year and this could rise depending upon the needs to be identified under the planning process for preparing the next 5-year operational plan. For implementing the VRUPs in the core and buffer zone communities the funding target would be about 2,944 MVND per annum, in addition to the ongoing socio-economic development investments. Therefore, appropriate financing mechanisms need to be put into place to meet these levels of funding requirements.

3 Financing Mechanisms

The Financing Study has recommended several mechanisms that could result in increased financial resources for the NHNR and their complete details are contained in the accompanying reports IUCN, 2002b, 2002c and 2002d. Recommendations are made at two levels - at the central level and the site level. The key central level recommendations that are not specific to NHNR and apply to protected areas in Viet Nam in general include:

- Application of the "user pays" principle to government sectors benefiting from or impacting on protected areas, for enabling transfer payments for watershed functions, clean and regular water supplies, irrigation, hydroelectricity, fisheries production, tourism benefits, etc.
- Making protected areas and their buffer zones a priority for relevant national programmes in order to ensure sustainable development of local communities and enhance the conservation status of the protected areas.
- Introducing a new national programme for protected areas to establish a long-term commitment of government funding and ensure an equitable and balanced allocation of funds to the entire protected areas system in the country.
- Establishing a replenishable national protected areas fund, possibly in the shape of the recent World Bank/GEF initiative under the Forest Sector Development Project.

Of the various potential site level financing mechanisms, the Financing Study considers the following to be most relevant for the NHNR at present:

- Increasing ecotourism revenues
- Transfer payments from the hydropower sector
- Introducing a water use fee (watershed conservation levy)
- Establishing a trust fund

The Synthesis Report (IUCN, 2002a) considers three funding scenarios: (i) existing protected area budgets and revenues; (ii) existing protected area budgets and additional revenues; and (iii) scenario (ii) together with a pilot trust fund arrangement. This SFS has been prepared to implement the approach outlined under scenario (iii).

It is important to note that all of these funding scenarios are based on ensuring a sustainable flow of resources to PA management. They set up systems which ensure continued funding in perpetuity. Although this report makes financial projections only for the medium-term (i.e. the operational plan period), it should be emphasised that these opportunities for financing are long-term in nature, and extend beyond the operational plan period.

The Financing Study assumes special significance in view of Article 11 of the Prime Minister's Decision No. 08/2001/QĐ-TTg, which requires the protected area management boards to operate as "revenue-generating economic public-service units". Furthermore, Article 11 of the Prime Minister's Decision No. 10/2002 of 16 January 2002 on financial management of revenue generating units encourages them to *inter alia* increase their revenues.

3.1 Increasing ecotourism revenues

NHNR has potential to capture revenues from ecotourism activities and use them for reserve management purposes. In recommending it as a financing mechanism only the direct expenses that visitors incur at the protected area level have been considered and not what

they spend at the district or provincial levels. The following three streams of income have been considered:

Sharing in park entry fee and related tourism income: Currently no income accrues to the NHNR management board from visitors to the nature reserve, as no entry fee is charged. The entry fee is charged for the Thac Mo waterfall areas, which is collected and retained by the district. Similarly, some revenue also accrues to the district from the accommodation, sale of food and handicrafts at the site. It is recommended that a part of these revenues should flow back to the NHNR management board for investment into the reserve operations.

Concession fee income: The Ecotourism Study (IUCN, 2002c) recommends the establishment of community-based pilot ecotourism facilities that are authorised on a concession fee payment arrangement by the NHNR. The investments for these facilities are to be fully financed by loans. One such facility is proposed to be developed each year over a 3-year period, with an increase in the concession fee that is payable to the park over the years.

Voluntary visitor conservation levy: Currently, there is a uniform entry fee rate for foreign and domestic visitors to protected areas in Viet Nam, whereas most foreigners would be “willing-to-pay” a higher fee if they were assured that they are contributing directly to the conservation of these areas. Based on this assumption, the Study recommends the institution of a voluntary differential “conservation levy” for both foreign and domestic visitors.

3.2 Transfer payments from the hydropower sector

The Government of Viet Nam has approved the construction of a large dam inside the NHNR recently. As construction of the dam is inevitable the Financing Study considers this also as an opportunity to finance a comprehensive conservation and environmental mitigation programme and to contribute to the management of the nature reserve on an ongoing basis.

3.3 Introducing a water use fee (watershed conservation levy)

The Financing Study recommends the introduction of a water use fee for various commercial/industrial users who benefit from the water resources and water bodies of the NHNR, in accordance with the provisions of the Presidential Order No. 32/2001 on Promulgating the Fees and Surcharges Regulation. The beneficiaries include largely the downstream consumers of water resources for irrigation, industry, transportation, drinking water, fishing, etc.

3.4 Establishing a NHNR conservation fund

The establishment of a reserve level endowment fund has been recommended to provide the mechanism for receiving, retaining, and earning revenues. The fund would be managed by the NHNR management board and receive revenue streams from a variety of local, national and international sources. It should be noted that this fund is consistent with existing and proposed financial flows to PAs in Viet Nam. It acts as a supplement/complement to, and is based upon, existing government budget allocations. It also has the potential to run parallel to the proposed World Bank/GEF national protected area fund, and provides an example of how this fund might be operationalised at the PA level.

3.5 SWOL analysis

An analysis of the relative strengths, weaknesses, opportunities and limitations (SWOL) of these different national and site-level financing mechanisms is given in Table 4. The analysis confirms that government budgetary sources are the most dependable, but to make changes in the manner that these funds are raised, managed and delivered requires extensive

consultations and policy decisions before they can be instituted, even though the supportive legal and regulatory framework exists. This is particularly true in the case where transfer payments are to be effected from other sectors.

Ecotourism, which is a growing sector in Viet Nam, also holds out the promise of contributing substantially to financing protected areas if it is organised and managed imaginatively. The site level trust fund approach provides an important mechanism for receiving, managing and increasing the additional funds and acts as a forum for integrative planning and management of the protected area landscape.

The next section will further explore the specific financing mechanisms that have been recommended by the Financing Study for the NHNR.

Table 4: SWOL Analysis of the Proposed Financing Mechanisms

Financing Mechanism	Strengths	Weaknesses	Opportunities	Limitations
Government budgets - including a special national programme, a system of fees and charges, and a system of transfer payments from sectors	<p>Usually a reliable and assured source</p> <p>Government has the primary responsibility for biodiversity conservation and protected areas management</p> <p>Reflects long-term stake and commitment of the government</p> <p>Use of government resources promotes self-reliance</p> <p>Enables funding to be targeted to financially impoverished protected areas and provinces</p>	<p>Allocations are dependent on size of annual budget</p> <p>Delays in disbursement cause delays in implementation</p> <p>Most provinces are unable to allocate adequate resources for effective management of protected areas due to a resource crunch</p> <p>Different norms for calculating recurrent expenditure between protected areas managed by the centre and the provinces leads to different quality of management</p> <p>Direct budget transfers would be resisted by the beneficiary sectors</p> <p>Additional fees and charges will impose a burden on consumers as well as increase the transaction costs and procedures</p>	<p>Legal basis possible for assuring long-term government support to approved protected area investment plans</p> <p>Cross-sectoral budgetary integration based on the 'user pays' principle can contribute to conservation of protected areas</p> <p>Protected area manager can be mandated to plan and co-ordinate government budgetary inputs at the landscape level covering both the protected area and its buffer zone</p> <p>Availability of the following enabling legal and regulatory framework:</p> <ul style="list-style-type: none"> - Decision 531/QD of 1996 (amended by Decision 38/2000) that prescribes the criteria and procedure for establishing a national programme - Decision 08/2001 on SUFs; - Presidential order 32/2001 on fees and surcharges 	<p>Cross-sectoral integration is not easy because of sectoral interests</p> <p>For centrally managed protected areas the planning and management of buffer zone issues vests with the provinces and local levels, and the required coordination and cooperation is missing</p> <p>Management boards of protected areas do not have major stakeholder representation to enable comprehensive financial planning to address management priorities</p> <p>Will require extensive consultations and protracted negotiations for agreeing upon and introducing some of the new budget sharing mechanisms</p>

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Financing Mechanism	Strengths	Weaknesses	Opportunities	Limitations
			<p>regulations;</p> <ul style="list-style-type: none"> - Decree 175/CP of 1994 that allows for fees and charges for environmental management; - Natural Resources Tax Ordinance of 1990, as revised by No: 05/1998/PL-UBTVQH10 dated 16/4/1998; and - Budget Law, 1996 	
<p>Ecotourism development</p>	<p>A long term source of locally generated and managed resources</p> <p>Supplements government budgetary support</p> <p>Provides investment for ecotourism development and involvement of local communities and partnership with private sector</p> <p>Managed properly it can provide a sustainable source of income</p>	<p>Unplanned growth can adversely impact upon protected area values - the risk of over commercialisation</p> <p>Cannot be substantial enough to provide core funding for protected areas</p> <p>Not all revenues will accrue to the protected area as they would have to be shared with local communities and the private sector, depending on how ecotourism is organised in a particular area</p> <p>If organised and managed by the protected areas management board it tends to divert staff from</p>	<p>Provides opportunity for partnership with the private sector and consequently a reduced burden on government budgets</p> <p>Need for clear policy and guidelines on retention at local levels, allocation and use of revenues from ecotourism and simplification of the existing provisions</p> <p>Provides opportunities for cost saving by avoiding investment into ecotourism infrastructure and facilities from government budget</p> <p>Revenues can be raised</p>	<p>Not all protected areas have the same potential for developing ecotourism activities</p> <p>Ecotourism development is also dependent upon the availability of adequate infrastructure facilities like road, rail or air access for tourists</p> <p>National, regional and international factors can impact upon tourist arrivals to the protected areas</p> <p>Seasonal variations in visitor arrivals can affect projected income</p>

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Financing Mechanism	Strengths	Weaknesses	Opportunities	Limitations
		core conservation functions	through a concession fee system for permitting the private sector to establish and operate ecotourism facilities	
International funding sources	<p>Funding usually linked to projects with a 3-5 year time horizon that ensures sustainable flow of resources</p> <p>A source of substantial resources for investment into capital expenditure and for piloting innovative management strategies</p> <p>Reflects commitment of global community to conserve biodiversity</p> <p>Funding available as grants and soft loans to governments, grants to institutions and NGOs, and credit to small and medium sized enterprises, thus, meeting a variety of needs</p> <p>Most ODA projects for protected areas also address</p>	<p>Engenders dependence upon external sources of funding</p> <p>Sustainability of project initiated activities beyond the life of the project remains a cause of serious concern</p> <p>Government might use international resources as a substitute for annual budgetary support and reduce it to that extent</p>	<p>Provides a mechanism for compensating contribution to conserving globally significant biodiversity</p> <p>Can enable the matching up of donor and government priorities for conservation and sustainable development</p> <p>When used strategically and in a carefully planned manner international sources of funding can help to support activities that the government is unable to fund</p> <p>Can be used as a source for capitalising the trust funds, both at the central level as well as the level of the protected areas</p> <p>Can also be an important source of international technical assistance in various aspects</p>	<p>Shifting donor priorities and budgetary cuts can adversely affect long term conservation planning</p> <p>Funding flows and cycles may not always match government budgeting schedules</p> <p>Fluctuating exchange rates can often reduce the total availability of committed funds</p> <p>Requires considerable capacity to access the various sources of international funds</p>

Sustainable Financing Strategy for Na Hang Nature Reserve

Financing Mechanism	Strengths	Weaknesses	Opportunities	Limitations
	<p>socio-economic development concerns of local communities, thus, contributing to more effective conservation</p>		<p>of financing for protected areas</p>	
<p>Trust fund mechanism at the national and local levels</p>	<p>A mechanism for receiving, managing and allocating funds from a variety of sources</p> <p>Ensures a regular and sustainable flow of funds to support planning and management over a longer time frame</p> <p>Enables idle capital to be invested for earning income to replenish the fund and cover its own cost of operation and management</p> <p>Acts as a buffer in times of budget cuts and stoppages</p>	<p>Requires substantial investment for initial capitalisation, when only the income is sought to be used for annual allocation</p> <p>Requires regular infusion of funds to replenish the fund and maintain a desired level of annual disbursements</p> <p>Local priorities can influence the allocation of funds to non priority activities</p>	<p>Enables retention of revenues that are generated locally, including individual donations</p> <p>Can contribute to the process of administrative decentralisation through an institutional mechanism for managing and allocating funds at the local level</p> <p>Management board of the TF can be structured to represent key stakeholders and ensure collaborative planning and management of core and buffer zones</p> <p>Can help in leveraging funds from additional sources and donors</p>	<p>There could be limitations of government funds being channelled through a TF mechanism, as well as of their investment</p> <p>Requires considerable capacity development for managing the fund on an ongoing basis</p>

4 Implementation Measures

This section outlines the specific measures required to implement each of the four financing mechanisms discussed previously, makes recommendations for efficient and effective management and allocation of financial resources, and points towards some opportunities for cost savings. Needless to mention that the recommendations of the Financing Study have to be accepted and approved at the central and local levels before they can be operationalised.

4.1 Increasing ecotourism revenues

This recommendation for increasing revenues from ecotourism includes a package of three measures: Sharing of the entry fee and tourism related taxes with the park management board; instituting a voluntary conservation levy; and piloting community-based ecotourism facilities under a concession agreement. The first two of the suggested measures will be discussed together as they require similar changes in policy and negotiations with relevant government agencies.

Another important consideration in the organisation of ecotourism in the NHNR is that the protected area is not very easy of access. Therefore, it would be advantageous to market it as a package involving the adjoining BBNP and for tourists to be brought to NHNR via the river route from Ba Be, which would also enhance the ecotourism experience.

4.1.1 Sharing entry fee and tourism related revenues, and instituting a voluntary conservation levy

Currently, the district tourism department collects the entry fee to the waterfall tourism area and remits it to the district. Similarly, a variety of other tourism related revenues accrue to the district from the accommodation at the site and sale of food and handicrafts. Together these revenues amounted to about 160 MVND in 2001.

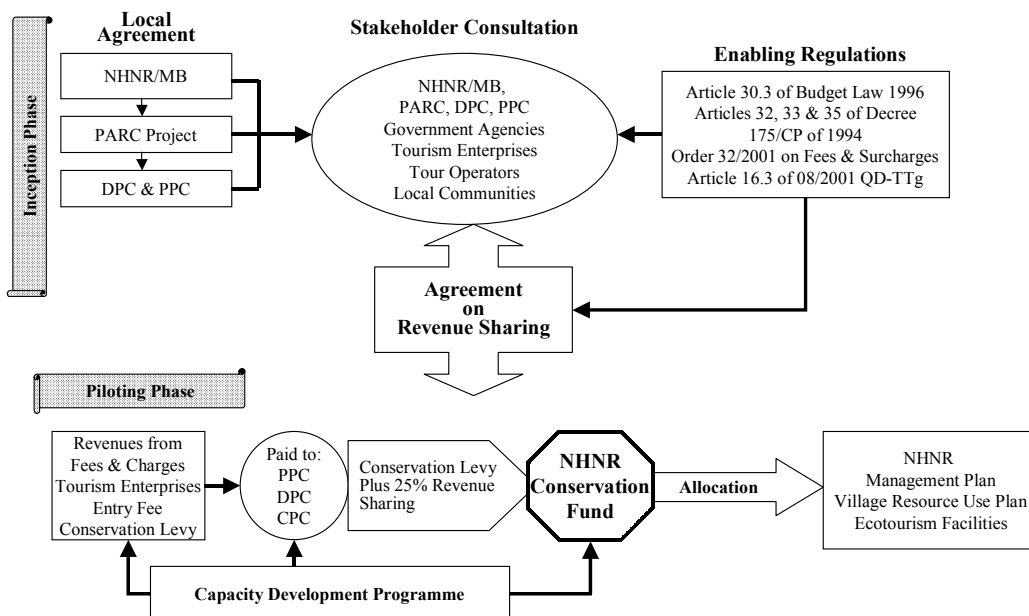
The Financing Study has recommended that if only 25% of this amount was returned to the NHNR management board, the annual revenues from these sources would amount to 40 MVND. It has also recommended the imposition of a “voluntary” visitor conservation levy of 15,000 VND per foreign tourist and 5,000 VND per domestic tourist, which would yield 78 MVND annually at the existing visitation rates.

The following steps (summarised in Fig. 1) provide guidance for operationalising these recommendations:

- The NHNR management board should initiate the first level of discussions with the Tuyen Quang Provincial and the Na Hang District People's Committees. The PARC project does not have any plans for ecotourism development in the nature reserve and the NHNR draft Operational Plan mentions that tourism cannot be a priority in a nature reserve in view of Decree No. 08/2001. This is an incorrect interpretation and in fact, Articles 7 and 16 of the Decree specifically relate to regulation of tourism. Therefore, the operational plan and the PARC project need to be orientated to be consistent with and supportive of the recommendations of the Financing Study.
- Likewise, the Tuyen Quang provincial authorities are currently developing an Ecotourism Master Plan, which has a component for the NHNR as well, and there is a need to influence that process so that the recommendations of the Financing Study are discussed and adopted as part of the overall plan. These two preliminary steps at integration with relevant local planning frameworks are critical to ensuring that the recommendations have a chance of being implemented.

- The recommended changes in the revenue sharing arrangement requires consultations with and approvals by the provincial and district people's committees and the relevant agencies like the tourism, finance, tax and planning departments. The implications of the proposal are that these local authorities would have to forego a part (25%) of their annual revenues from NHNR tourist enterprises, and for this they would have to be convinced that it is in their own long-term interest to do so.
- Accordingly, the NHNR management board will have to arrange a consultation involving all the key stakeholders - PARC project, provincial, district and commune people's committee and relevant departments, representatives of the local community involved in tourism enterprises, other private sector tour operators, etc.
- This initial session should be mainly for brainstorming and raising awareness about the proposals and their long-term implications. Once broad consensus and agreement has been reached detailed follow-up consultations and negotiations would have to be held individually with each group to draft the specific implementing instruments.
- The PPC can institute these changes in revenue distribution within the framework of Article 30.3 of the Budget Law, 1996 that enables them to define the percentage of the revenue to be divided among the district, city and commune levels.
- The NHNR management board can introduce the differential voluntary conservation levy within the framework of Articles 32, 33 and 35 of Decree No 175/CP of 1994 on guidelines for implementing the environmental protection law, and the Presidential Order No 32/2001 on promulgating the fees and surcharges regulation. However, this would require them to undertake detailed consultations with and agreement of the appropriate central ministries like MARD, MOSTE and the Ministry of Finance, etc as well as the relevant provincial and district authorities.

Figure 1: Ecotourism – Sharing of Revenues



- The revised arrangement for revenues from tourism to contribute to the nature reserve operations also complies with Article 16.3 of the Prime Minister’s Decision No 08/2001/QD-TTg, which specifies that earnings from tourist services shall be mostly left for investment in the work of managing, protecting and developing SUFs.

- The management board should implement the new system on a pilot scale, say for a period of 6 months and then evaluate it to assess its effectiveness and institute any changes that may be required. For example, the impact of the voluntary conservation levy and what percentage of the visitors is paying it could be an important indicator of the public's willingness to contribute to park management and biodiversity conservation, and might need some fee adjustments to be made.
- It would also be necessary to put into place a new revenue accounting and management system to receive and allocate these funds. The proposal for establishing a NHNR conservation fund (see discussion below) is a suggested mechanism for this purpose. Provision should also be made for an independent audit of the accounts.
- There would also be a need for capacity strengthening of the personnel involved in fee collection and in the other related tourism enterprises, to make the system more effective and efficient. The PARC project should take the lead in facilitating appropriate training sessions by the NHNR management board, in collaboration with relevant agencies and organisations like the VNAT, IUCN's Ecotourism project, etc.
- In addition to training of personnel, the strengthening and streamlining of the entry fee collection system might also require the creation of some additional small facilities like ticket booths, etc.

4.1.2 Piloting community-based ecotourism facilities

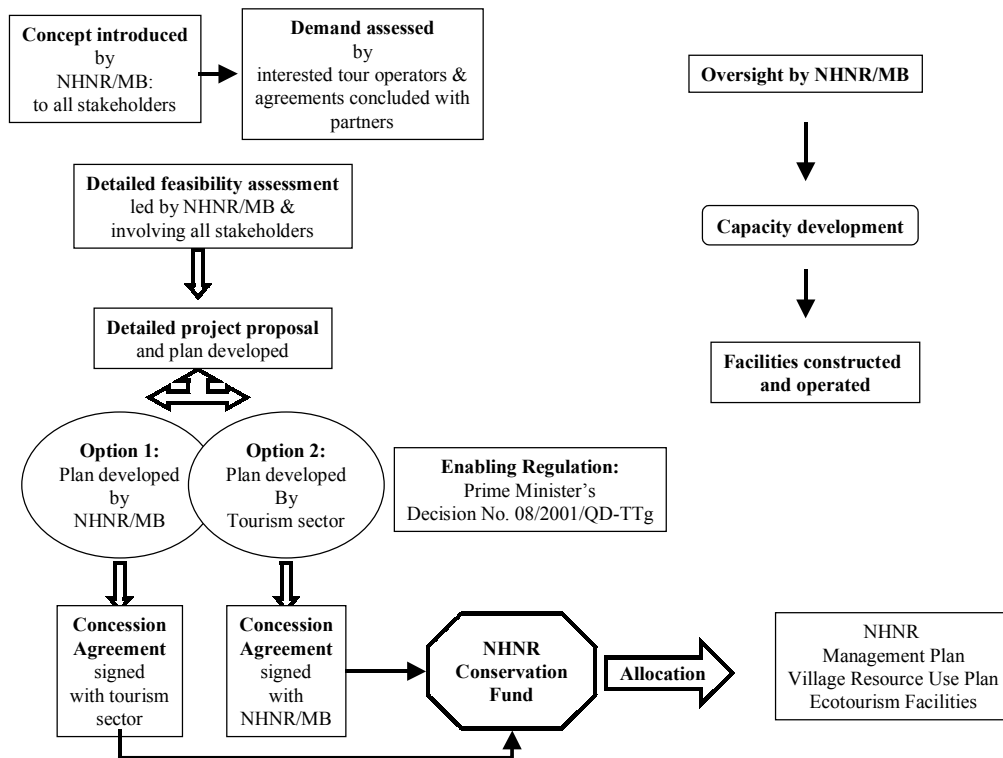
As per the detailed estimates provided in the Ecotourism study (IUCN, 2002c) the recommended establishment of one 10-bed community-based ecotourism facility per year for the next three years in the NHNR would involve a capital investment of 390 MVND per facility. This capital is to be raised wholly from loans at 7% interest and can be re-paid over a 5-year period from the projected income, after meeting the costs of operation, paying taxes and an annual concession fee to the NHNR management board. The concession fee income to the NHNR from the 3 ecotourism facilities will be 45 MVND.

In this venture, the NHNR management board is only expected to facilitate the process and provide technical advice as needed. The approach is based on the premise that the management staff of protected areas should not directly involve themselves in the business of providing tourism services, as this can greatly detract from their primary responsibility of conservation and management.

This is also an effective cost saving and outreach strategy through partnerships with the local community and the private sector, thus, engaging them in management and freeing up scarce resources for core conservation purposes. At the same time, the protected area management board would be assured of steady revenue through a concession agreement.

The following steps (summarised in Fig. 2) provide guidance for operationalising this financing mechanism:

- The first step would be to get the communities and related tour operators interested into buying into the idea of the venture, for which the NHNR management board should arrange necessary local level consultations at which the concept and economics of the proposition should be clearly explained. This stage would also require the tour operators to undertake a market survey to assess the demand, as these facilities are meant to target the high-end foreign tourist who is looking for a genuine ecotourism experience, and might entail tie-ups with national and international tour operators.
- A more detailed feasibility assessment by the NHNR management board and district authorities should follow, involving all the prospective partners. This would consist of site selection (within the limits imposed by the management plan), assessment of revenue potential, feasibility of implementation, and consultations with related commune, district and provincial authorities as well as prospective financing institutions and individuals.

Figure 2: Ecotourism: community-based benefits

- Based on these consultations and assessments a detailed project proposal and plan would have to be developed, including the specific site facility development plan, market analysis, marketing strategy, financial projections, etc.
- The next step would be for the promoting agency to market the plan and secure venture capital for its implementation. Sources of finance could be an individual promoter or a domestic or foreign financial institution like the International Finance Corporation.
- Two options are available for getting to this stage. Under the first option, the NHNR management board, assisted technically by say the PARC project, undertakes all the initial planning work and then markets the proposal. Alternatively, the initial consultation and feasibility assessment stage should also result in the selection of a private promoter either through a competitive bidding process or on the basis of track record and competence. In the latter case, the promoter concerned would make all subsequent investments.
- The NHNR management board would have to develop and sign a concession agreement with the promoter, which would assign the rights for construction and operation of the facility, in accordance with the approved plans and under certain specific conditions, to ensure the integrity of the park. It would also specify the concession fee and its payment schedule and modality. The concession fee would be received and managed through the proposed NHNR conservation fund arrangement (see below).
- The enabling provision for the concession agreement is available under Article 16.3 of the Prime Minister's Decision No. 08/2001/QD-TTg that allows management boards of SUFs to organise, lease out or contract the provision of ecotourism services and facilities to organisations, households and individuals. It also mentions that earnings from tourist services shall be mostly left for investment in the work of managing, protecting and developing SUFs.

- Once all procedural requirements are met and approvals obtained the plan can be executed and the facility established. Training of personnel, including guides, staff of the facility, etc should also proceed concurrently. The project might also involve the development of some complementary facilities like nature trails, watchtowers, blinds, etc to give the tourists a complete experience of nature, as there is currently minimal tourism infrastructure in the nature reserve.
- The NHNR management board should be the facilitator and advisor of this whole process and once the venture gets underway, it should only provide the general oversight and periodic guidance. They would also have to regularly monitor and evaluate the new system and make changes as necessary.

4.2 Transfer payments from the hydropower sector

Government of Viet Nam has already approved construction of a large dam on the River Gam in the NHNR for hydropower generation, irrigation, and flood control, at a total project cost of 7,500 BVND. As the construction is inevitable it should be used as an opportunity to finance and implement a comprehensive nature conservation and environmental mitigation plan.

The Financing Study recommends that the Central Government should make a special allocation of 2% of the capital cost of the project for this purpose, which will amount to 150 BVND. Half of this (75 BVND) is to be used for the conservation and environmental mitigation plan and the other half for capitalising the NHNR Conservation Fund. This additional cost should be added to the capital cost of the project.

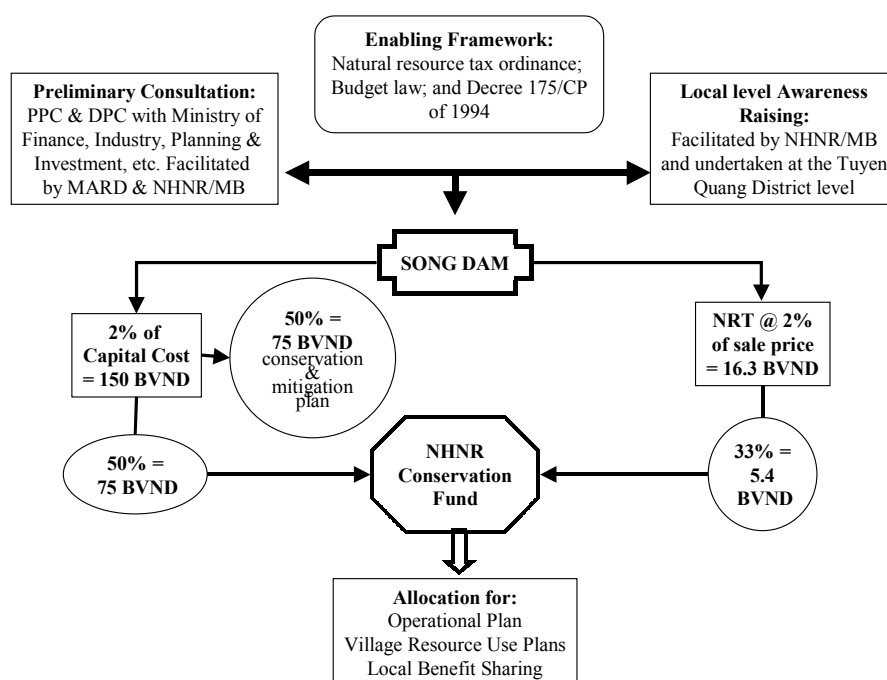
In addition, the study recommends that a part of the Natural Resource Tax that is realisable from the sale of power from the project should be allocated to the NHNR for its management and conservation in view of its contribution to protecting the Gam River watershed. The natural resource tax is computed at 2% of the sale price of power, which will be 14.8 VND/kWh and with total power output expected to be 1.10075 billion kWh/year, the natural resource tax per year will be 16.3 BVND. The study suggests that one-third of this, or 5.4 BVND, should be made available for management of the nature reserve annually.

The following steps (summarised in Fig 3) would have to be gone through for implementing this mechanism:

- The enabling framework for imposing the natural resource tax on hydropower generation is already available and is being widely used in Viet Nam. This is the Ordinance on Natural Resource Tax of 30 March 1990, which was replaced by the revised Ordinance No. 05/1998/PL-UBTVQH10 dated 16 April 1998. Currently, all natural resource tax revenues are contributed to the central budget, but the Budget Law of 1996 enables the sharing of these revenues with the provinces, districts and communes.
- It should be possible to require that 2% of the capital cost of the project be contributed for nature conservation and environmental mitigation, within the framework of Articles 32, 33 and 35 of Decree No 175/CP of 1994 on implementing the Law on Environmental Protection.
- Such proposals would also be in keeping with the recommendations of the World Commission on Dams, which calls for regular payments to be made from hydropower royalties to support ongoing environmental management and community development programmes.
- A precedent is already available in the form of a proposal that is pending approval of the government for investing about 2 BVND/year from the approximately 100 BVND/year natural resource tax revenues from the Hoa Binh reservoir, into catchment protection works in Son La and Hoa Binh provinces.

- These proposals will have to be piloted very strongly by the provincial and district leadership (PPC and DPC) with the central government (Ministry of Finance, Industry, Planning and Investment, Office of Government, etc). MARD (possibly assisted by the PARC project) could play the role of an intermediary and facilitator, as this decision would have wider implications for financing conservation of protected areas in Viet Nam.
- It would also be useful to build support for the proposals in the local community (particularly the district), as they would benefit from the increased investments, and thus, should be able to lobby the central government to approve the proposal.
- If the proposals were agreed to then there would have to be an appropriate financial mechanism in place to receive and manage these funds effectively. The Financing Study recommends the establishment of the NHNR Conservation Fund for this purpose (see discussion below). Therefore, the design and setting up of the conservation fund should proceed alongside and be operationalised before the decisions on the above proposals are taken.
- Besides, commensurate increase in staff strength and their administrative and technical capacity would be required, to effectively implement the conservation management and sustainable community development programme and utilise the large sums of money that would become available to the nature reserve. The ongoing capacity development effort through the PARC project would have to be supplemented and continued for this purpose.

Figure 3: Transfer payment from the hydropower sector



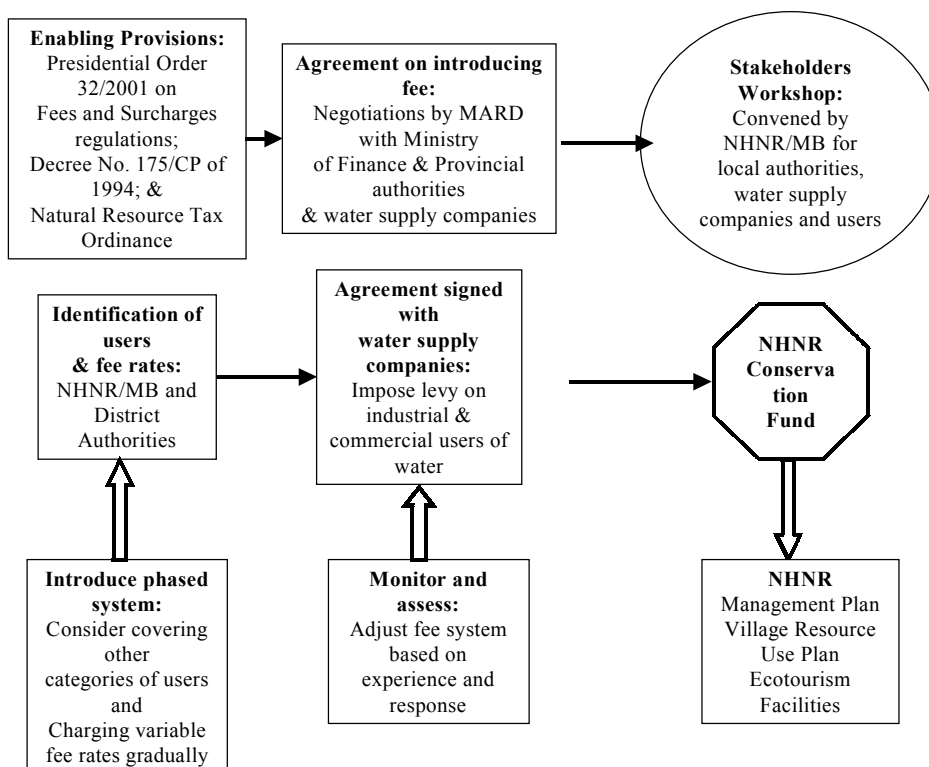
4.3 Introducing a Water use fee (watershed conservation levy)

The Financing Study recommends the introduction of a system of fees for water use from the rivers and reservoirs of the NHNR. Mainly downstream consumers use water resources for a range of purposes, including for irrigation, transport, drinking, fishing, etc. Many manufacturing enterprises downstream in Tuyen Quang province use water that can be sourced in Na Hang. The study proposes that a modest fee could be imposed on the use of water for industrial/commercial purposes only. It uses a conservative estimate of 250 VND/m³ (which is 50% of the lowest water charge in Hanoi) and 2.5% of this as a "watershed conservation levy".

This mechanism is expected to yield 150 MVND in revenues each year. For details of the proposal please see IUCN, 2002a.

The following steps (summarised in Fig. 4) provide guidance on how this financing system might be operationalised:

- Presidential Order No 32/2001 on promulgating the fees and surcharges regulation would provide the legal framework for introducing such a water use fee mechanism, but this would require discussions between MARD and the Ministry of Finance and with the local authorities, as well as the users that would be affected. Decree No 175/CP of 1994 on guidelines for implementing the environmental protection law and the Ordinance on Natural Resource Tax of 30 March 1990, which was replaced by the revised Ordinance No. 05/1998/PL-UBTVQH10 dated 16 April 1998 are the other relevant regulatory frameworks to apply in this case.
- Once the introduction of the fee system is approved by government, a workshop would have to be convened to educate all stakeholders about the rationale and justification for a water use financing mechanism and the need for contributing to maintaining the watershed protection functions of the NHNR. All the threats to the watershed need to be enumerated along with the total costs of its protection.
- The NHNR management board, in collaboration with the DPC should identify from the total list of beneficiaries the heaviest consumers of water and target them for the user fees. The communities living inside the reserve and using water for personal domestic consumption should perhaps be excluded from this fee, as it would otherwise go against the principle of local benefit sharing.
- A graded system of fees should be evolved that is line with the charges in use elsewhere in the province, with higher fee to commercial users such as industries and lower levels for domestic consumption. The financing study recommends a watershed conservation levy to be charged only to the commercial/industrial users of water to begin with. The payment schedule should also be decided as part of the overall watershed protection payment system.
- In some cases, the introduction of a water use fee might require the installation of metering devices to monitor and measure the consumption of water. This would entail additional cost and should be borne by the consumer.
- The institutional arrangements for collection of the water use fee will also have to be discussed and decided. As far as possible existing staff and mechanisms should be used to reduce the cost of collection. It is preferable for the nature reserve management board to sign agreements for collection of fees with agencies that are responsible for water. The relevant agencies are the Water Supply Company and the Irrigation Company.
- The revenue accruing from the water use fees financing mechanism should be received into and be managed as part of the NHNR conservation fund (see discussion below).
- Initially, the water use fees system should be implemented on a pilot scale for a limited period of time. Monitoring and evaluation of implementation during this phase should lead to adaptive management changes to streamline the system.

Figure 4: Water – Use Fee

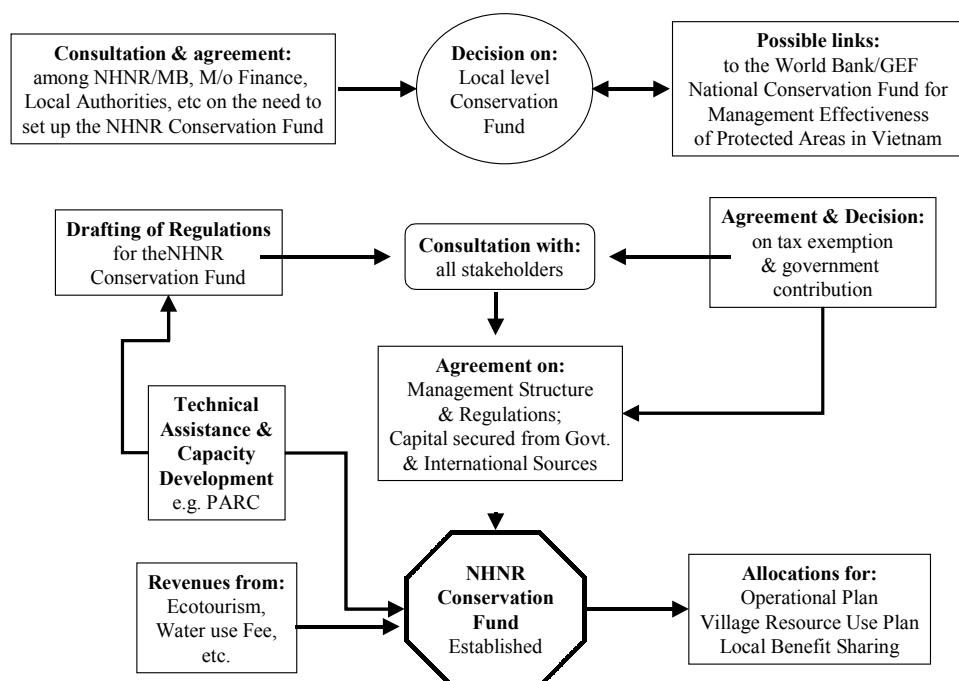
4.4 Establishing the NHNR conservation fund

The Financing Study recommends the setting up of a trust fund at the nature reserve level to provide the mechanism to receive, manage and disburse these additional revenue streams, and provide the basis for sustainable and integrated (multi-stakeholder) financial and management planning (IUCN, 2002d). In terms of financial structure three types of trust funds are possible. The endowment trust fund allocates only the income while maintaining the capital secure; the sinking trust fund spends an assigned amount of money within a specified period of time; and the revolving trust fund receives regular replenishments and acts as a holding facility for various sources of funds.

The NHNR conservation fund would be an endowment trust fund allowing income to be earned on the invested portion of the capital. Government contribution and international sources would help to capitalise the fund. The main sources of annual income of the fund would be the additional revenues from ecotourism enterprises, water use fee, individual donations, and income earned on invested capital. The Financing study (IUCN, 2002a) estimates that with a capital of 95 BVND and a revolving community credit fund of 1,600 MVND, the conservation fund would earn an annual income of 2,375 MVND at 2.5% real interest rate, i.e. after adjusting for inflation and exchange rate depreciation.

The following steps (summarised in Fig. 5) provide guidance for the establishment of a trust fund at the protected area level:

- The Financing Study has established the preliminary feasibility of developing a local level trust fund for the NHNR. This will now have to be followed up with a more detailed feasibility assessment and design phase. The fund is proposed to be set up under the control of the NHNR management board and hence, it would be a provincial entity administered by the Na Hang DPC.

Figure 5: NHNR conservation fund

- Under the Forest Sector Development Project, the World Bank is working with the Government of Viet Nam to establish a national level Conservation Fund for Management Effectiveness of Protected Areas. The fund, which would be capitalised by a GEF grant, would be a sinking fund with small grants awarded to biologically important areas for one to three years according to management needs and to pilot different management models. The NHNR conservation fund could possibly be positioned as a sub-component of this national fund and benefit from the funding that would become available.
- Agreement would have to be reached with the concerned agencies like the Ministry of Finance, MPI, Office of Government, etc on the concept and the about government's contribution to capitalise the fund. The Financing Study has proposed that the government should contribute 150 MVND to the capital of the fund. The PPC would have to take the lead in these discussions, with assistance from the NHNR management board and possible technical inputs from the PARC project.
- The NHNR management board could seek additional technical assistance from international organisations that have experience of setting up conservation trust funds, such as WWF and IUCN. These organisations could also help the government in discussions with other donors, including foundations that could be important sources of capital for the fund. The Financing Study has recommended that 19.850 BVND should be raised from international sources. Assuring adequate start up capital is a crucial element of establishing the feasibility of the fund.
- The design phase of the fund would entail drafting of the detailed regulations and the related implementation decision of the government. Several precedents are available already that can provide guidance to the drafting of such regulations, such as the Environment Fund for the Thuong Dinh Industrial Zone, and the recently approved National Environment Protection Fund. The presence of these other trust funds also establishes the fact that the enabling legal and regulatory framework is not lacking in Viet Nam.
- An important provision to ensure in the government's decision establishing the fund is that it should be exempt from payment of taxes. The operational regulations should cover the fund's objectives, capital sources, activities for which funds would be disbursed, investment

of idle capital, management structure (ensuring key stakeholder representation), accounting and auditing procedures, etc. IUCN, 2002d provides detailed guidance on the operation of the pilot conservation fund, including the management structure and its functional responsibilities.

- Capacity development of the staff assigned to work on the conservation fund should be an important component of the proposal. This would have to be facilitated through a special input, possibly the PARC project, through technical assistance from other international organisations or through a government grant for supporting the design and establishment of the fund.
- Once the start up capital is received, the fund could be made operational and should be closely monitored in the short term to ensure its proper functioning and, if necessary, appropriate changes should be incorporated.

4.5 Future strategy

Phase III of the PARC Financing Study, which would be implemented from May 2002 to January 2003 is required to pilot finance mechanisms and review and draw lessons learned. Accordingly, it will commence implementation of key components of this financing strategy and in particular help to build awareness at the NHNR and local levels. Issues related to operationalising the financing mechanisms on ecotourism and the NHNR conservation fund as outlined in this section would be advanced, in collaboration with the NHNR management board, PARC staff and local authorities. This process is expected to in turn yield valuable lessons for a concrete and time-bound action plan for implementing the financing strategy in the NHNR.

5 Financial Projections

With the implementation of various financial mechanisms discussed above substantial additional revenues will become available to the NHNR management board annually. These resources are proposed to be received and managed through a trust fund arrangement that would also generate additional income through strategic investments, possibly in Government of Viet Nam bonds.

The annual income and expenditure projection of the NHNR conservation fund model is given in Table 5. With annual replenishments to the fund and growth in the capital, the annual income will steadily rise over the years. Together with annual government budgets and additional revenues from the new financing mechanisms, this will more than assure the future funding of VRUPs and the NHNR operational plan.

Table 5: NHNR conservation fund model

	MVND
Basic trust fund capital	95,000
Revolving community credit fund (amount lent out annually)	1,600
Total initial investment	96,600
Annual operational plan budget – beyond 2006	3,197
Annual VRUP budget	2,944
Trust fund management (Board meetings, salaries, office, etc.)	90
Annual costs of operating community credit (management, defaults, etc.)	160
Annual trust fund replenishment	200
Total annual costs	6,591
Government budgets, including recurrent adjustment (directly to park management board)	1,029
PA income	-
Additional financial resources (ecotourism, water, hydro)	5,713
Trust fund income (investment at real interest rate of 2.5%)	2,375
Annual community lending	1,600
Total annual income	10,716

The above income projection model is based on a reduced requirement of capital investment in the post operational plan period (2006 – 2010). However, as already mentioned, this requirement could rise when the actual preparation of the operational plan for that period is taken.

This financing scenario envisages that the ongoing annual government budgets to the NHNR will continue to be managed according to the existing procedures and not through the conservation fund arrangement, although government would be the principle source of initial capital for the conservation fund. The investment for the buffer zone socio-economic development programme, including through the various national programmes, will also continue to flow and be managed as before.

It is important to note that all of these funding scenarios are based on ensuring a sustainable flow of resources to PA management. They set up systems which ensure continued funding in perpetuity. Although this report makes financial projections only for the medium-term (i.e. the operational plan period), it should be emphasised that these opportunities for financing are long-term in nature, and extend beyond the operational plan period.

5.1 Allocation and management

The new additional resources would be used partly as an annual replenishment to the conservation fund and partly to supplement the annual budget for the nature reserve. The annual income from the conservation fund would also be available to supplement the annual state budget, after meeting its management and administration costs. These additional resources could be disbursed to support implementation of the VRUPs, core protected area conservation activities, and as credit to the local community for conservation benefits.

In order to use the financial resources effectively and efficiently there is a need to ensure that all existing and potential resources are clearly linked to the management needs of NHNR, both of the core area as well as its buffer zone. Therefore, the identification of management needs and priorities through the management/operational plan preparation process must be continued, but the process must also involve and proceed alongside detailed budget and financing planning.

This co-ordinated planning process would not only result in a clear definition of the management activities, but also in realistic estimates of the financial resources required for implementing them. Identification of the sources from where these funds would become available and the timing of the actual flow of cash over the plan period are also crucial elements of this process. The SFS has been prepared with this objective in mind and it is hoped that it would provide a useful roadmap to the NHNR management board and to the Na Hang district authorities for implementing the recommendations of the financing study.

Although the Financing Study has made several important recommendations for making the budget planning and administration system more efficient and effective (IUCN, 2002b), it is recognised that considerable time and effort will be required to effect those basic structural changes and are therefore, beyond the scope of this SFS. Nevertheless, these generic recommendations need to be followed up by MARD, as they are fundamental to the way that protected areas are managed in Viet Nam and their successful implementation would have salutary implications for the system as a whole.

However, it should be relatively simple to introduce a mechanism for integrated planning and implementation of the buffer zone development programme as mandated by Article 8 of the Prime Minister's Decision No 08/2001/QĐ-TTg containing regulations on management of special use forests and other natural forests. It is imperative that this fundamental change is effected as soon as possible to reinforce the conservation of the NHNR.

The NHNR conservation fund proposal offers one such forum for integrating the planning and management of the protected area landscape as a whole under one common framework. However, it should be ensured that all the key stakeholders are represented on its management body. In particular, the preparation and implementation of the VRUPs with resources flowing through the conservation fund can greatly catalyse this process of integrated conservation and development.

The successful implementation of the various financing mechanisms requires considerable capacity within the BBNP management board to pilot and manage them. Capacity development of the staff is, thus, a critical component of the implementation measures. This capacity development effort cannot be left to the local level alone and would require MARD to take a leading role in providing the required support. This might include support through technical assistance projects like PARC, and in effective cooperation and coordination with the other government and non-government agencies at the central, provincial and district levels.

For the recommended financing mechanisms to succeed an appropriate regulatory and administrative environment must be created also. The current budgetary system and regulatory framework relating to protected areas financing is complex and there is need to simplify it and promote innovation. Otherwise, it will be difficult for many of the suggestions made in the study to advance in the current system, as they would add greater complexity and administrative burden for already overburdened staff. The financing study has tried to ensure that its recommendations are as simple as possible, fit within and are supported by existing regulations and procedures, and require the minimum amount of radical changes possible. Nevertheless, as noted above, it has also made several important recommendations (IUCN, 2002b) that will require some level of commitment and action by government to reform the prevailing system.

On-going monitoring and modification of the financing mechanisms will also be critical. Measures to assess the impact, sustainability and effectiveness of new funding systems should be set in place, reviewed on a regular basis, and any necessary modifications to the system made as required.

Finally, there is a need to ensure that all existing and potential financial resources are clearly linked to the management needs of NHNR, both of the core area as well as its buffer zone. The identification of the management needs and priorities through the management/operational plan preparation process must be continued, but the process must also involve and proceed alongside detailed budget and financing planning. This would not only result in a clear definition of the management activities, but also in realistic estimates of the financial resources required to implement them, identification of the sources from where these funds would become available, and the timing of the actual flow of cash over the plan period.

Therefore, this SFS should be seen as an integral part of the management/ operational plan of the NHNR because while it is important to identify management and financial needs, it is equally important to prepare and implement a strategy for raising the required funds to implement the plan. This approach needs to be institutionalised as part of the management planning process for protected areas in Viet Nam.