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Assessment of PA financing status: field notes from Thần Sa-Phượng Hoàng Nature Reserve

REPORT TO UNIQUE FOR THE GIZ / MARD PROGRAMME ON CONSERVATION AND
SUSTAINABLE USE OF FOREST BIODIVERSITY & ECOSYSTEM SERVICES IN VIET NAM



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UNIQUE forestry and land use

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On behalf of the

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I. INTRODUCTION

One of the activities in the 'Conservation and Sustainable Use of Forest Biodiversity & Ecosystem Services in Viet Nam' (GIZ-Bio Project Phase II) will produce sustainable financing strategies for Bidoup Núi Bà National Park (BNBNP) and Cát Tiên National Park (CTNP). These documents will lay out an approach to enhancing financial sustainability, and specify concrete mechanisms that can be used to generate new funding and overcome the financing constraints to effective PA management.

The sustainable financing strategies are being developed via a participatory assessment, strategic planning and documentation process, involving PA authorities and management boards, VNForest and DOPAM, Provincial and District authorities and other experts and key stakeholders. This involves three steps:

1. **Assessment of financing status & opportunities:** The financing assessments diagnose the PA's financial constraints, opportunities, needs and interests. These are what will be addressed by the sustainable financing strategy.
2. **Strategic planning for financial sustainability:** The strategic planning process identifies strategies and mechanisms for enhancing PA financial sustainability and mobilising funding.
3. **Documenting the sustainable financing strategy:** The documented reports will lay out an approach to enhancing financial sustainability, and specify concrete mechanisms that can be used to generate new funding and overcome the financing constraints to effective PA management.

The first step (the financing assessment) was carried out in October and November 2020 in BNBNP and CTNP. The assessment sought to describe the PA financing context and status, and to diagnose key financial constraints, opportunities, needs and interests. The GIZ-Bio project then requested that similar assessments should be conducted in Thần Sa-Phượng Hoàng Nature Reserve (TSPHNR) and Tràm Tấu Protection Forest (TTPF), to feed into capacity-building activities on financial management. This was done in April 2021.

II. SUMMARY OF PA FINANCIAL SELF-ASSESSMENT

Status/score	↓ (0)	→ (1)	↗ (2)	↑ (3)
Financing constraints and enabling conditions				
Adequacy of funding to meet needs	Inadequate even for basic management & conservation	Covers only minimum management & conservation activities	Covers an adequate level of management & conservation, but still leaves some gaps	Enough to cover all PA needs
Range (diversity) of funding sources	PA relies on only one source of funding	PA relies almost entirely on government & international funding	PA funding also combines self-generated revenues & private contributions	PA funding also integrates several non-traditional financing mechanisms
Budgetary and political priority given to PAs	PAs are far below other sectors	PAs are low priority	PAs are given some priority and attention	PAs are one of the highest priorities
Predictability and stability of funding	Budgets & funding fluctuate widely and unpredictably every year	Budgets & funding fluctuate every year, but are known in advance	Budgets & funding are relatively stable	Budgets & funding are very stable, and can be well-planned in advance
Cost-effectiveness of spending	There is a lot of unnecessary wastage in spending	Spending is not always cost-effective	Spending is usually cost-effective	Explicit efforts are made to ensure that spending is cost-effective
Timing of funding flows	There are major delays in receiving funding	There are minor delays in receiving PA funding	PA funding is usually, but not always, received on time	PA funding is always received on time, when it is needed
Targeting and alignment of PA budgets with conservation needs and priorities	Budgeting and conservation planning processes are completely separate	There are some efforts to reflect conservation priorities in budget planning	Budget planning considers conservation and PA management priorities	PA conservation and financial planning are completely integrated
Adequacy/coverage of budgeting categories and accuracy of cost norms	Core expenditure items are omitted, and all cost norms are too low	Non-core expenditure items are omitted, and most cost norms are too low	Most expenditure items are included, and cost norms are mainly realistic	All expenditure items are included, and all cost norms are realistic
Revenue retention	All revenues are required to be remitted centrally	PA allowed to retain less than half of revenues	PA allowed to retain more than half, but not all, revenues	PA allowed to retain all revenues
Capacity of PA staff in sustainable finance	No financial expertise or qualifications	Include qualified financial experts	Have been trained in sustainable financing planning & mechanisms	Are qualified and experienced in sustainable financing
Integration of biodiversity conservation in sectoral budgets	Line agencies & local authority budgets exclude biodiversity conservation	Conservation is a minor priority in line agencies & local authority budgets	Line agencies & local authority budgets include biodiversity conservation	Line agencies & local authority budgets make good provisions for conservation
Local stakeholders' access to conservation funding and incentives	No funding/financial incentives available	Only a very small amount of funding/financial incentives are in place	Several sources of funding/financial incentives, but more needs to be done	Sufficient funding/financial incentives in place
Trends over time				
Funding availability	Decreased/got worse	Stayed the same	Increased/improved a little	Increased/improved significantly
Diversity of funding sources	Decreased/got worse	Stayed the same	Increased/improved a little	Increased/improved significantly
Adequacy to meet needs	Decreased/got worse	Stayed the same	Increased/improved a little	Increased/improved significantly
Amount of spending	Decreased/got worse	Stayed the same	Increased/improved a little	Increased/improved significantly
Amount of income	Decreased/got worse	Stayed the same	Increased/improved a little	Increased/improved significantly

**Note: where there is no status/score, that question was not answered by the PA Management Board.*

III. METHODOLOGY

The financing assessment was initially conceived as an in-depth, flexible and iterative process. However, due to the restrictions on travel resulting from the global COVID-19 pandemic, this was not possible. It was therefore redesigned as a more structured exercise, based on checklists that can be filled in with PA staff and other key stakeholders.

A 'PA Financing Self-Assessment Tool' (PAFSAT) was developed, to be completed with key stakeholders in and around BBNP and CTNP. It assesses the overall financial status of the PA in both qualitative and quantitative terms. As well as collecting budget data and other financial information, it assesses the perceptions of PA managers, finance and budget planners, and local communities about PA financing needs, challenges and opportunities (Table 1). The PAFSAT is administered via interviews with three sets of expert stakeholders: PA Management Boards, Finance Departments of VNForest (for centrally-managed PAs) or Provincial People's Committees (for Provincially-managed PAs), and Buffer Zone Commune Authorities. The aim is to get different perspectives on PA financing from the main agencies that are responsible for funding and managing conservation activities in and around the PA.

Table 1: Information collected via the PAFSAT tool

PA Management Boards	Finance Departments	Buffer Zone Commune Authorities
<ul style="list-style-type: none"> • Funding flows and composition • Funding adequacy and gaps • Past and projected future funding trends • Expenditure levels and composition • Past and projected future expenditure trends • Self-generated income levels and composition • Past and projected future income trends • Mechanisms for income management and retention • Financial constraints • Financial advantages, opportunities and areas of potential • Ideas for improving the financial situation of the PA • Strategic documents, plans, by-laws and regulations on PA financing 	<ul style="list-style-type: none"> • Total expenditures and proportion allocated to PAs • Past and projected future trends in spending overall, and on PAs • Process of PA budget planning, requests, approval and allocation • PA revenue retention needs and mechanisms • PA financial self-sufficiency • PA financing constraints • PA financing opportunities and potential 	<ul style="list-style-type: none"> • Expenditures and funding for biodiversity and nature conservation • Total expenditures and proportion allocated to biodiversity and nature conservation • Past and projected future trends in spending overall, and on biodiversity and nature conservation • Access and adequacy of funding for biodiversity and nature conservation • Budgetary priority given to biodiversity and nature conservation • Opportunities and potentials to source more funding for biodiversity and nature conservation • Community participation in PFES and other income/funding activities associated with the PA, biodiversity and nature conservation • Ways in which the PA benefits the local economy and community • Ways in which the PA

PA Management Boards	Finance Departments	Buffer Zone Commune Authorities
		<p>causes costs and losses to the local economy and community</p> <ul style="list-style-type: none"> • Opportunities and potentials to improve the positive financial and economic impact of the PA to the local economy and community

In TSPHNR, the PAFSAT was administered to the PA Management Board, Thái Nguyên Department of Agriculture and Rural Development (DARD) and to Cúc Đường and Sảng Mộc Commune authorities.

The PAFSAT has wider applications than the current project alone. It offers a framework that can be replicated elsewhere and used to compare and aggregate site-level data between PAs, and/or applied to track and monitor change over time. It draws on other existing PA assessment, tracking and scorecard tools that are already in common usage in Viet Nam and worldwide, such as the PA Management Effectiveness Tracking Tool (METT) developed by WWF and the World Bank¹, the PA Financial Sustainability Scorecard developed by UNDP², and Protected Area Benefit Assessment Tool (PA-BAT) developed by WWF³. While including some overlapping information, it can also be applied as an add-on or plug-in, alongside these other tools.

IV. FUNDING STATUS & TRENDS

In 2020, TSPHNR received total funding of VND 13.35 billion, of which 63% or VND 8.39 billion came from the annual allocation from the provincial budget, VND 4.96 billion was provided as additional state budget for the Target Programme on Sustainable Forest Development, and no self-generated revenues were earned (Table 2). This translates into spending of VND 57.51 million per km².

Table 2: Income & expenditures 2016-20 (constant 2020 VND billion)

	2016	2017	2018	2019	2020
Expenditure					
Capital	-	-	-	-	-
Recurrent	15.59	14.12	12.93	15.76	13.35
Of which:					
Staff costs	7.58	7.40	5.72	4.25	4.41
Office running & maintenance	4.32	2.26	2.53	3.17	0.21
Forest management equipment & activities	2.78	3.36	3.75	4.33	3.76
PFES self-protection	-	0.55	-	-	-
PFES forest protection contracts	0.14	0.55	-	-	-
Other	0.77	-	0.93	4.01	4.96
Total	15.59	14.12	12.93	15.76	13.35
Funding sources					
Budget from Province	14.68	13.01	12.00	11.74	8.39
Budget from target programmes	0.77	-	0.93	4.01	4.96
Budget from PFES funding	0.14	1.10	-	-	-
Total	15.59	14.12	12.93	15.76	13.35
Self-generated income					
Tourism	-	-	-	-	-
PFES	0.14	1.10	-	-	-

¹ See https://wwf.awsassets.panda.org/downloads/mett2_final_version_july_2007.pdf

² See https://www.undp.org/content/undp/en/home/librarypage/environment-energy/ecosystems_and_biodiversity/financial-sustainability-scorecard-for-national-systems-of-pas--2010.html

³ See <https://wwf.panda.org/?174401/PABAT>

	2016	2017	2018	2019	2020
Other	-	-	-	-	-
Total	0.14	1.10	-	-	-
Area (ha)	19,913	19,973	19,913	19,913	23,213
Average spending (VND million/km ²)	78.30	70.69	64.92	79.13	57.51

Total funding and expenditures have for the most part remained fairly stable in real terms⁴ at around VND 13-16 billion over the last five years, although have fluctuated within these boundaries (Figure 1, Figure 2). While funding from target programmes has increased substantially over the last two years, budget allocations from the Province have been falling steadily since 2016, and in 2020 were only 57% as much as in 2016. Meanwhile, the size of TSPHNR has increased from 19,913 ha to 23,213 ha. This means that, overall, spending per km² has declined by more than a quarter over the last five years, from VND 78.30 million/km² in 2016 to VND 57.51 million in 2020.

Figure 1: Expenditure

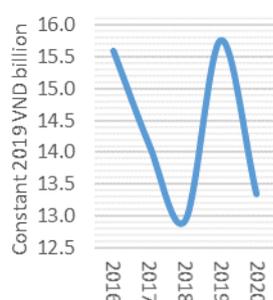


Figure 2: Income*

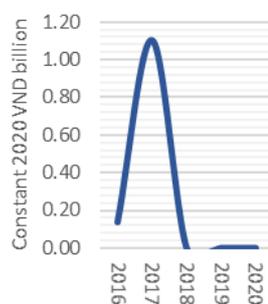


Figure 3: Staff costs as % of expenditures

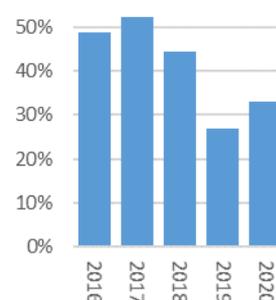
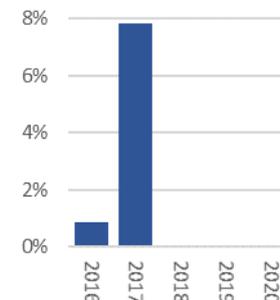


Figure 4: Income* as % of expenditures



*Refers to self-generated income (i.e. not budget provided from Province or target programmes)

Aside from the government budget, TSPHNR does not benefit from any externally-funded projects. It was stated that, because TSPHNR is located in a military zone, it is not possible to receive international funding. The only self-generated income earned by TSPHNR is from PFES. This makes a very minor contribution: earnings are recorded only in 2016 and 2017, worth just 0.9% and 7.8% of PA expenditures (Figure 4). While staff costs continue to dominate spending, their contribution to total expenditures has decreased slightly over the last two years (around 30%) as compared to the period 2016-18 (44-52%) (Figure 3).

This funding is adequate to cover a good level of PA management and conservation activities, although still leaves some gaps. The greatest funding gaps are for developing and building an environmental education centre, improving and renovating the forest patrol line, and increasing local community income by supporting sustainable livelihoods.

Both the amount of funding and its adequacy to meet management needs are perceived to have improved a little over the last five years. The range (diversity) of funding sources has however stayed the same. PA managers expect that all of these aspects will improve over significantly the short-term.

In 2020, TSPHNR expenditures totalled VND 13.35 billion. Over the last five years, PA managers perceive that expenditures have increased a little overall, showing a significant rise for spending on awareness, education and buffer zone communities, and a small incline for infrastructure, protection/enforcement, fire prevention, forest management and rehabilitation. Expenditures on staff salaries and PFES are however thought to have stayed the same. Over the short-term, it is expected that all categories of expenditure except for tourism will increase.

⁴ In order to adjust for inflation and make the data comparable over time, all figures are expressed as constant 2020 VND. This has been done by applying a deflator based on the average consumer price index for each year.

Most spending is projected to increase significantly, including awareness, education, buffer zone communities, protection/enforcement, fire prevention, forest management and rehabilitation, and PFES.

In 2020 TSPHNR earned no self-generated income, and has not done so since 2017 (solely from PFES). There has been no improvement in income generation over the last five years, and is not expected to be so in the future.

V. CONSTRAINS & ENABLING CONDITIONS FOR SUSTAINABLE FINANCING

The most severe financial constraint in TSPHNR is perceived to be its location in a military area. This places many limitations on both the activities that can be carried out, and the (non-government budget) funding sources that can be accessed. Because there are no self-generated revenues, TSPHNR faces a lot of budgetary pressure, and it is extremely difficult to move towards a situation of financial independence or self-financing. This means that there are a number of funding challenges. An additional constraint is that PA staff have no expertise or qualifications in sustainable finance.

TSPHNR relies on just one source of funding: the government budget. There are currently many public spending pressures. Financial planners from Thái Nguyên DARD also underlined that, aside from salary, the budget to TSPHNR has been declining every year. It was further stated that the current economic and fiscal challenges posed by COVID-19 mean that budget allocations may decrease more over the next few years, and there will be pressures to reduce costs and introduce cost-saving measures.

PA managers do however think that PA funding is given some political and policy priority and attention when government budgets are planned and allocated. The budget is also relatively secure and stable, and explicit efforts are made to ensure that PA spending is cost-effective. PA funding is usually received on time, and the norms used to calculate (and request) different categories of costs are for the most part realistic. It was however pointed out that the cost norm for planting is only VND 30 million/ha, which is inadequate for the difficult conditions in the area – due to the limestone mountain landscape, the cost of labour and transportation costs is much higher than in plain areas. Another challenge is that funding is only guaranteed for forest protection, and the PA lacks budget for biodiversity research and conservation activities.

Currently, there is no management plan for TSPHNR, and no PA financing or business plan.

VI. KEY FINANCING OPPORTUNITIES

PA managers see there to be considerable potential for ecotourism. The landscape is exceptionally beautiful (mountains, waterfalls, springs, etc.). Representatives from Thái Nguyên DARD also reinforced this point, suggesting that TSPHNR could benefit from learning from the experiences of Ba Vi National Park, and developing similar facilities.

In addition, developing medicinal plants collection and marketing could provide a valuable source of income for local communities. Thái Nguyên DARD proposed the idea that budget should be requested from the Department of Science and Technology for developing medicinal plant research, harvesting and cultivation – and this could serve as a source of income for the PA Management Board, as well as for local communities.

VII. FINANCING FOR BIODIVERSITY & NATURE CONSERVATION IN THE BUFFER ZONE

Neither of the communes interviewed have undertaken or participated in any biodiversity or nature conservation projects – either those carried out with TSPHNR, or those funded by government, NGOs, international organisations, private sector, etc. The communes also do not receive any funding or in-kind support from the PA. In Cúc Đường Commune, the only available funding for forest protection is the standard budget allocation of VND 40 million per hamlet, provided from the District. This is used in Cúc Đường Commune for constructing houses and public buildings, and buying radio equipment. Sảng Mộc Commune makes no allocation for biodiversity conservation.

The total annual expenditure of Cúc Đường Commune is between VND 3-4 billion, including small construction works, salaries and social security payments. This does not include any budget allocation for biodiversity or nature conservation, as this is the responsibility of the TSPHNR Management Board. Biodiversity conservation is not considered a budget priority for the commune. There are however opportunities and potentials for the commune to source more funding for biodiversity conservation – for example through medicinal plants. This is under development. Currently, the only nature-based source of income that is operating for the local people is *Acacia* plantations. There are no PFES contracts with local community members. While Sảng Mộc residents also do not participate in PFES, a few households have signed forest protection contracts which pay VND 400,000/ha.

In Cúc Đường Commune, a major challenge arises from the fact that TSPHNR is located in a military area. This means that local communities cannot receive certain benefits – for example, when Samsung donated products, these were unable to be shared. Tourism projects also cannot be carried out by the local community. Both Cúc Đường and Sảng Mộc Communes also reported that there are overlaps between local lands and the area put under Thần Sa Nature Reserve – this incorporates local households' production forest areas. This cut of local people's access to their own trees, which they were no longer able to harvest. There was a loss of income. So far, this land issue has not been resolved, because it is very difficult to remove land from a nature reserve, once it has been legally gazetted.

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