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Review of PA financial status in Vietnam: ‘self-financing’ needs, options & ways forward

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

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In cooperation with

UNIQUE forestry and land use

On behalf of the

German Federal Ministry for Economic Cooperation and Development (BMZ)

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

PURPOSE AND CONTENT

This report **presents the findings of a study carried out to review needs, options and ways forward regarding protected area (PA) 'self-financing'**. It seeks to inform the development of measures to operationalise this concept in Viet Nam.

Chapter 1 introduces the study purpose, coverage and methodology;
Chapter 2 documents the emergence of the concepts of 'autonomy' and 'self-responsibility' for public non-business units, and provides an overview of the various decisions, decrees and resolutions which have been enacted to guide these processes for PAs, and more widely;
Chapter 3 describes which PA funding sources and financing mechanisms are currently enabled by law, as well as summarising procedures for budget planning, reporting and administration;
Chapter 4 assesses PA financing status and trends, and tracks current and past expenditures, revenues and funding sources over the last 20 years;
Chapter 5 reports on consultations carried out to investigate how PA managers, academics and researchers understand the concept and application of 'self-financing', and provides a brief review of how other sectors in Viet Nam have attempted to operationalise measures to promote greater financial autonomy and self-responsibility;
Chapter 6 reviews international experiences, lessons learnt and best practices in PA financial diversification, retention and decentralisation, in other Lower Mekong and ASEAN countries, and worldwide; and
Chapter 7 identifies conclusions, recommendations and ways forward. It considers possible challenges and risks arising from a shift in emphasis towards self-financing, and suggests opportunities to improve
PA financial self-reliance and sustainability. Key needs and options are identified regarding the further operationalisation of financial autonomy and self-responsibility principles across the PA network.

PROGRESS TOWARDS GREATER FINANCIAL SELF-RELIANCE AND AUTONOMY

Over the last 20 years, a comprehensive body of laws, decisions and circulars have been developed which lay out the **principles of financial autonomy and self-responsibility**, and set targets for the transition of public non-business units (PNBU) towards:

- Increasing financial self-reliance, away from full dependence on the state budget towards increasingly being able to cover capital and recurrent costs;
- Greater 'socialisation[1]' of public services through mobilising user fees and charges;
- Transformation from state-funded units towards an enterprise or non-public unit model.

Guidance and direction have also been provided to the Ministry of Agriculture and Rural Development (MARD) and Provincial People's Committees (PPCs) concerning various requirements for supporting, facilitating and operationalising these provisions.
By increasing the degree of financial self-reliance, PNBUs will be granted greater autonomy in management and operations, organisational arrangements, personnel, financial planning and

[1] The term socialisation' is used in (English language translations of) policies and laws to refer to a process of engagement, contribution or investment from private sectors to jointly or dependently develop and operationalize public services and their markets through the development of user fees and charges/

management – including decisions over spending and income, as well as pricing of services according to market mechanisms.
Although there has been some progress towards these goals for special use forests and protection forests, implementation remains at an early stage. To date, few protected area management boards (PAMBs) have progressed towards any significant level of self-financing, autonomy and self-responsibility.

CONCLUSIONS

Four main conclusions are drawn about the challenges, risks and opportunities in increasing the financial self-reliance and autonomy of PAMBs:

- It is important to recognise that **PAMBs differ from many other public service providers**, because of the nature of the services they provide and the protected status and sensitivity of the biodiversity and ecosystems that generate these services. Efforts to apply autonomy and self-responsibility principles need to recognise, and be tailored to, the specific characteristics and circumstances of PAs. Not every PA has the potential (or will ever have the capacity) to become even partially self-reliant in financial terms – and should not be expected to transform towards a business model.
- There is also a need to take active and stringent measures to ensure that **all funding and revenue sources are subject to proper social and environmental assessment procedures and safeguards**. Financing mechanisms should not in any way act in contradiction of biodiversity and ecosystem conservation goals. Equally, at no time should any mechanism impact negatively on local communities or serve to undermine their livelihoods and social/economic wellbeing. Wherever possible, efforts should be made to ensure that new financing mechanisms do not only generate additional funding for conservation, but have additional positive effects on the status of biodiversity, ecosystems, local livelihoods and community socio-economic status.
- Even though only a limited proportion of special use forest (SUF) and protection forest (PF) services have the potential to be categorised as 'public services not funded by the state budget', **there are undoubtedly opportunities for increasing the financial self-reliance of PAs**. In this respect, there are clear needs – and possibilities – to identify and develop new PA financing mechanisms, funding sources, revenue streams and investment flows. It should however be emphasised that these opportunities are not universal, and do apply equally to all PAs.
- Current policy, planning and economic frameworks do not always serve to empower or facilitate PAMBs to transform themselves from state budget-dependent units to self-financed models. These **underlying structural barriers and disincentives to financial self-reliance must also be addressed**.
- All PAs have the potential to adopt sustainable financing principles, and to move towards more business-oriented models. The prescribed content for SFMPs and other operational forest and conservation plans does not however currently incorporate sustainable financing aspects, or include a business plan that lays out how the PA will seek to develop financial self-reliance. There is a need to expand these frameworks and take a **strategic and well-planned approach to improving financial self-reliance and sustainability**.

RECOMMENDATIONS

The report provides concrete recommendations regarding the further operationalisation of financial autonomy and self-responsibility principles across the PA network about:

- The **development of criteria for selecting PAs to develop self-financing and business-oriented models**. A tripartite system is recommended (Figure 19), differentiating between PAs

that have the ability to transition to level 1 or 2 PNBUs on the basis of existing income sources (category A), those that demonstrate the potential to progress towards level 2 or 3 by expanding their current funding and revenue base (category B), and those are likely to remain fully state-funded PNBUs for the foreseeable future because they do not have any significant options to generate income (category C).

- A **roadmap of actions towards improving PA financial autonomy and self-responsibility** over the next five years. These actions address interpret and advance regulatory requirements for PA autonomy and self-responsibility; diagnose, plan for and operationalise systems for how PAs should develop self-financing and business-oriented models; develop the capacities of PAs to access and apply skills related to business development, financial planning, marketing and delivery of market-oriented services; and set in place a system of incentives and enabling fiscal and economic frameworks to remove barriers to PA sustainable financing, investment and the development of new funding and income streams.
- Key **points and elements to be included in ongoing legal revisions** of Decision 24/2012/QĐ-TTg (the SUF investment policy for 2011-20) and Decree 16/2015/NĐ-CP (on the autonomy mechanism for PNBUs), as well as developing subsidiary guidance, procedures or regulations in support of Decree 141/2016/NĐ-CP, which are specifically concerned with elaborate financial and other autonomy mechanisms for PAMBs.
- **Specific recommendations on PA self-financing** arising from the assessment of policy and legal frameworks for autonomy and self-responsibility, the consultation process with key government officials, and the review of experiences of other sectors that were carried out as part of the current study.

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LIST OF ABBREVIATIONS

AAB	Authorised administrative body
BIOFIN	Biodiversity Finance Initiative
DOPAM	Department of Protected Area Management
DOSTE	Department of Science, Technology and the Environment
EEPSEA	Economy and Environment Program for Southeast Asia
EFT	Ecological-fiscal transfers
FPDF	Forest Protection and Development Fund
MARD	Ministry of Agriculture and Rural Development
MOF	Ministry of Finance
MONRE	Ministry of Natural Resources and Environment
MOSTE	Ministry of Science, Technology and the Environment
MPI	Ministry of Planning and Investment
NP	National Park
NR	Nature reserve
PA	Protected area
PES	Payments for ecosystem services
PAMB	PA Management Board
PF	Protection forest
PFES	Payment for forest environmental services
PNBU	Public non-business unit
PPC	Provincial People's Committee
SFMP	Sustainable forest management plan
SUF	Special use forest
USD	United States Dollar (at the time of writing the report, USD 1 = approx. VND 23,065)
VCF	Viet Nam Conservation Fund
VND	Viet Nam Dong (at the time of writing the report, USD 1 = approx. VND 23,065)
VNForest	Vietnam Administration of Forestry

I. INTRODUCTION

This report presents the findings of a study carried out to **review needs, options and ways forward regarding protected area (PA) 'self-financing'.** It seeks to **inform the development of measures to operationalise this concept in Viet Nam**. The primary focus is on special use forests[2] (SUF), incorporating a range of PA categories (including national parks, natural reserves, species/habitat conservation areas and landscape protection areas). To a lesser extent, it also considers protection forests[3] (PF)

Chapter 2 documents the emergence of the **concepts of 'autonomy' and 'self-responsibility'** for public non-business units, and provides an overview of the various decisions, decrees and resolutions which have been enacted guide these processes for PAs, and more widely;

Chapter 3 describes **which PA funding sources and financing mechanisms are currently enabled by law**, as well as summarising procedures for budget planning, reporting and administration;

Chapter 4 assesses **PA financing status and trends**, and tracks current and past expenditures, revenues and funding sources over the last 20 years;

Chapter 5 reports on consultations carried out to investigate how PA managers, academics and researchers understand **the concept and application of 'self-financing'**, and provides a brief review of how other sectors in Viet Nam have attempted to operationalise measures to promote greater financial autonomy and self-responsibility;

Chapter 6 reviews **international experiences, lessons learnt and best practices in PA financial diversification, retention and decentralisation**, in other Lower Mekong and ASEAN countries, and worldwide; and

Chapter 7 identifies **conclusions, recommendations and ways forward**. It considers possible challenges and risks arising from a shift in emphasis towards self-financing, and suggests opportunities to improve PA financial self-reliance and sustainability. Key needs and options are identified regarding the further operationalization of financial autonomy and self-responsibility principles across the PA network.

The report is based on a review of key data and documents, including statistics on PA income and expenditures, relevant laws and regulations, as well as various other studies and documents on PA financing. It also draws on a consultation process undertaken with key government officials. Interviews were conducted with representatives from national parks, nature reserves and marine protected areas, as well as the Department of Agriculture and Rural Development, Vietnam University of Forestry, Vietnam Economic Institute, and Vietnam National University. Unfortunately, no staff from the Vietnam Administration of Forestry (VNForest) / Department of Protected Area Management (DOPAM), Ministry of Finance (MOF) or Ministry of Planning and Investment (MPI) were available for interview.

[2] As classified and defined in Article 5 of the 2017 Forestry Law, special use forests are areas which are used to 'conserve natural forest ecosystems, genetic resources of forest organisms, carry out scientific research and preserve historical – cultural relics, beliefs, places of scenic beauty associated with ecotourism … and provide forest environmental services'.

[3] According to Article 5 of the Forestry Law, protection forests are used to 'protect water resources and soil, prevent erosion/landslides/floods, combat desertification, limit disasters, regulate climate, contribute to protect the environment and national security associated with ecotourism, hospitality and entertainment'.

II. MEASURES TO INCREASE THE AUTONOMY AND SELF-RESPONSIBILITY OF PUBLIC NON-BUSINESS UNITS[4]

1. CLASSIFICATION OF PUBLIC NON-BUSINESS UNITS

Public non-business units[5] (PNBUs) are statutory entities that provide public services. As defined in Article 9 of the Law on Public Employees 2010, a PNBU is 'an organization established under law by a competent state agency, a political organization or a socio-political organization, having legal person status and providing public services and serving state management work'. Unlike state-owned enterprises, PNBUs are not allowed to be involved solely in commercial and for-profit activities, although can generate revenues. As laid out in Article 32 of the State Budget Law 2015, PNBUs (as budget estimate units) are responsible for formulating and implementing an annual budget proposal which covers both investment and regular spending, and are entitled to collect and use fees and other revenues to develop themselves and improve the quality and efficiency of their operations.

PNBUs are, therefore, **structurally disaggregated from their line ministry and given some degree of operational and financial autonomy** (Vo Hai Minh 2018). The extent of this autonomy is largely determined by the extent to which a PNBU depends on self-generated revenues and/or the state budget. Decree 10/2002/NĐ-CP classified PNBUs as fully or partially self-financing, accompanied by varying levels of autonomy over management practices, organisation, personnel and finances (including the spending and allocation of revenues). These categories have progressively been refined over time, and sector-specific legislation on autonomy mechanisms has been developed – Decree 85/2012/NĐ-CP deals with health care units, Decree 54/2016/NĐ-CP (replacing Decrees 115/2005/NĐ-CP and 96/2010/NĐ-CP) governs scientific and technological organizations, and Decree 16/2015/NĐ-CP refers to PNBUs in other sectors (replacing Decrees 10/2002/NĐ-CP and 43/2006/NĐ-CP). Meanwhile, Decree 141/2016/NĐ-CP regulates the autonomy of PNBUs in various economic sectors including agriculture and rural development, as well as natural resources and environment, and is further guided by Circular 145/2017/TT-BTC.

Decrees 85/2012/NĐ-CP, 16/2015/NĐ-CP, 54/2016/NĐ-CP and 141/2016/NĐ-CP all contain similar or identical **provisions regarding how PNBUs are classified and granted autonomy**. Four categories of financial self-reliance are specified: 1. PNBUs that self-finance both capital and operating expenses; 2. those that self-finance recurrent expenses; 3. those that partially self-finance recurrent expenses; and 4. those that are fully state-subsidised. Four main autonomy mechanisms are applied, depending on the level of financial self-reliance:

- Autonomy in **performing duties** (Article 5 of Decree 141/2016/NĐ-CP), referring to the development of action plans and operational plans, organising and implementing tasks, and entering into collaboration and/or partnership arrangements with external organizations and individuals (including joint ventures);
- Autonomy in **organisational arrangements** (Article 6), dealing with the establishment, reorganisation, dissolution or other restructuring of PNBUs;
- Autonomy in **personnel and human resources** (Article 7), covering decisions on staff positions and job descriptions, number of employees and hiring procedures. Since November 2020 regulations for this mechanism have been over-ruled by new Decree 106/2020/ND-CP dated 10 September 2020 issued by Government of Vietnam and

[4] The information in this chapter is mainly distilled from Nguyễn Việt Dũng 2020 and Tra Tran Le 2020.
[5] Variously translated and referred to in legislation and the literature as 'public service delivery units', 'public service agencies' or 'public service providers'. For consistency, this report uses the term 'public non-business unit' throughout.

- **Financial** autonomy (Articles 12-15), defining funding, income and capital sources, the use of financial resources for investment projects, recurrent expenses and irregular spending, and setting up of funds to absorb surpluses of unspent income at the year end.

In addition, varying levels of rights and responsibilities are provided in relation to financial and operational planning and decision-making:

- The establishment, functions, duties, powers and organisational structure of the **management board** (Article 8), determining its level of authority over decision-making on investment policy, organisational structuring and personnel, organisational and operational regulations, financial approval and planning; and
- **Pricing of public services** (Article 9), prescribing the methods by which different categories of PNBU should compute and collect the fees and charges for the services they provide. Self-financing units are entitled to determine fees and charges according to market mechanisms, while units fully and partially subsidised by the state budget are required to determine fees and charges on the basis of economic-technical norms and cost norms issued by competent state agencies.

2. AUTONOMY AND SELF-RESPONSIBILITY PRINCIPLES

For some time now, there has been a growing emphasis on separating business and service provision functions from state management. PNBUs are increasingly encouraged to **incorporate the principles of 'autonomy' and 'self-responsibility' into their operations, and to increase the degree to which they are financial self-reliant**. To these ends, Article 2 of Decree 43/2006/NĐ-CP formerly laid out the objectives and principles of autonomy and self-responsibility. Emphasis is laid on the 'socialisation' of service provision – in other words mobilising 'social contributions' for the provision of public services via user fees and charges [6]'. The stated intention is to provide a means of increasing revenues that can be used to support staff income, and reduce reliance on the state budget.

Decrees 115/2005/NĐ-CP, 43/2006/NĐ-CP and 141/2016/NĐ-CP also stress the **concept of socialisation**, and underline that autonomy must be coupled with self-responsibility, as well as the principles of efficient resource management and use, and effective task delivery. The Law on Public Employees 2010 also formalises the policy of increasing the autonomy accorded to PNBUs, stating in Article 10 that 'the operation mechanism of public non-business units shall be further reformed towards autonomy, self-responsibility and independent cost-accounting; and the state management functions of ministries and ministerial-level agencies shall be separated from the function of administering public non-business units'.

Various other measures, in addition to socialisation, are emphasised as being key to advancing the principles of autonomy and self-reliance. Article 4 of Decrees 115/2005/NĐ-CP, 43/2006/NĐ-CP and 141/2016/NĐ-CP deal with **operational transformation**, encouraging PNBUs to adopt socialisation policies and mechanisms, and move towards the model of enterprises or non-public units. Decree 43/2006/NĐ-CP suggests that PNBUs that have undergone such transformation will be allowed certain tax and land privileges. A number of other **needs for advancing the process of autonomy and self-responsibility** are listed in Article 4 of Decree 141/2016/NĐ-CP, including formulating a list of public services to be funded by the state budget; developing technical and economic norms; making provisions on procurement; stipulating quality criteria, standards and monitoring mechanisms; specifying a roadmap for calculating prices and charges for public services; and prescribing orders and procedures for the organisational structuring and restructuring. Article 10 lays

[6] The term'socialisation' is used in (English language translations of) policies and laws to refer to a process of engagement, contribution or investment from private sectors to jointly or dependently develop and operationalize public services and their markets through the development of user fees and charges/

out a roadmap for achieving full-cost pricing of salaries, direct expenses, administrative costs and fixed asset depreciation by 2020.

The Ministry of Finance (MOF) continues to emphasise strengthening the financial self-responsibility of public service delivery units in task implementation, organizational structure, human resources, and finance (MOF 2017). Various government resolutions have been made which seek to operationalise these provisions and increase the financial self-reliance and autonomy of PNBUs. Resolution 07-NQ/TW of November 2017 requests the government to restructure budget spending to 2020, including decreasing the rate of regular expenditures in line with the reform of the PNBU sector towards increased autonomy, reduced payrolls and salary restructuring. Resolution 19-NQ/TW of October 2017 notes the slow progress of PNBU reform and socialisation of public services, and sets targets to 2021, 2025 and 2030 for periodic reductions in PNBU direct budget spending and payrolls, and an increase in self-financing units and business units. Resolution 08-NQ/CP of January 2018 outlines the government's action plan to implement these targets.

More recently, in March 2020, the Government passed Resolution 31/NQ-CP, which gives MOF the responsibility of developing a new decree defining the financial autonomy mechanism of PNBUs. A draft decree is under preparation that will replace Decree 16/2015/NĐ-CP. Decree 120/2020/NĐ-CP was issued in October 2020, allowing PNBUs that generate their own recurrent and/or investment expenditures relatively greater autonomy in procedures relating to organisational establishment, re-organization and dissolution.

3. HOW HAVE FINANCIAL SELF-RELIANCE MEASURES BEEN OPERATIONALISED IN PAS?

Although the principles of autonomy and self-responsibility are generally understood to apply to Protected Area Management Boards (PAMBs), there is some **ambiguity as to whether PAMBs should in fact be treated as PNBUs**. While Articles 46 and 50 of the Forest Protection and Development Law 2004 established the management boards of SUFs and PFs as PNBUs, Article 16 of the current Forestry Law 2017 defines PAMBs as 'forest owners'[7]. However, Decision 254/2017/QĐ-TTg (supporting the implementation of Decree 141/2016/NĐ-CP) includes forest protection and conservation in the list of public non-business services using the state budget, and thus by implication suggests that PAMBs should be considered to function as PNBUs. Similarly, Resolutions 19-NQ/TW and 08/NQ-CP, when referring to reforms to PNBUs in the agriculture and rural development sector, specifically mention forest management boards.

If PAMBs are considered to be subject to the same requirements as other PNBUs in the agriculture and rural development sector, then they are obliged to observe the processes and reforms that are outlined in Decree 141/2016/NĐ-CP, Decision 254/2017/QĐ-TTg and associated documents such as Circular 145/2017/TT-BTC, Resolutions 07-NQ/TW, 19-NQ/TW, 08/NQ-CP and Decree 120/2020/NĐ-CP. As described above, these include:

- **Increasing financial self-reliance**, away from full dependence on the state budget towards increasingly being able to cover capital and recurrent costs;
- **Greater mobilisation of 'social contributions'** (user fees and charges) for the provision of public services;
- Transformation from state-funded units towards an **enterprise or non-public unit model**; and
- **Reduce the number of state PNBUs and the number of staff** who receive salaries from the state budget (Resolution 19).

[7] It is only Forest Protection and Development Funds that are defined as PNBUs under the 2017 Forestry Law (Article 95).

In turn, these processes are expected to **empower PAMBs to be granted greater autonomy** in management and operations, organisational arrangements, personnel/human resources, financial planning and management – including the planning and management of spending and income, as well as pricing of services according to market mechanisms.

It is important to note the distinction between **'public services funded by the state budget'** (defined as services for which all expenses are covered by the government, where full cost-recovery is not possible from charges and fees, and/or are subsidised by the state budget) and **'public services not funded by the state budget'** (those that are suitable for private sector involvement, have high potential for socialisation, are not subsidised by the government, and/or which are priced according to market mechanisms). This is outlined in Article 3 of Decree 141/2016/NĐ-CP (and similarly in the other equivalent legislation dealing with the autonomy mechanism in other sectors). The principles of socialisation and self-financing apply only to the second category. Section 6 of Resolution 19-NQ/TW further elaborates four categories of public services: essential services, for which the state shall ensure funding; basic services, for which the state shall provide funding for implementation; services of specific characteristics of a number of branches or domains, which will be subject to orders and bidding, to allow the participation of non-public organisations; and other services, which are to be socialised and delivered in partnership with others.

Operationalising these principles and processes implies certain **actions on the part of the Ministry of Agriculture and Rural Development (MARD) and Provincial People's Committees (PPCs)**. One important step is to clarify which services are to be fully funded by the public budget and/or for which it is not possible to achieve full cost-recovery from fees and charges. As laid out in Decision 254/2017/QĐ-TTg and Circular 145/2017/TT-BTC, this includes:

- Operationalising the list of public services to be funded by the state budget;
- Developing technical and economic norms for the provision of these services;
- Determining prices and charges for these services;
- Assigning units to deliver these services through assigning tasks, placing orders or bidding; and
- Calculating prices for, and moving towards full-cost pricing of public services that are not funded by the state budget, but are priced according to market mechanisms.

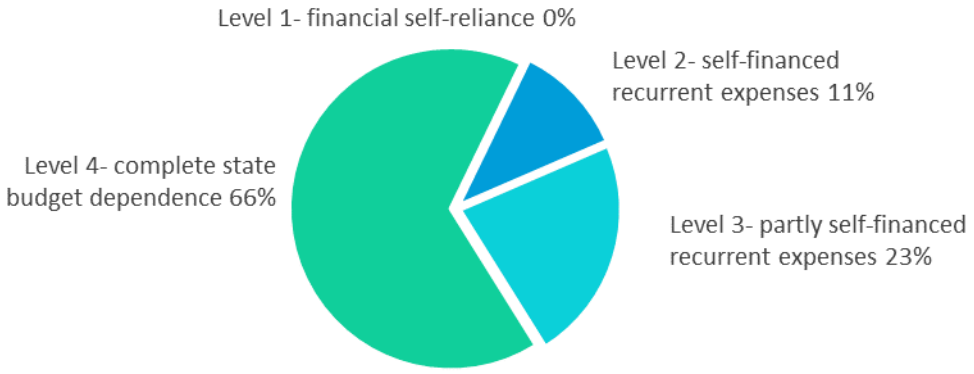
Following from Decrees 16/2015 and 141/2016, Decision 254/2017/QĐ-TTg provides a **list of public non-business services funded by the state budget** for MARD units. Provincial Peoples Committees are also instructed to decide on public non-business services funded by the state budget, where these are decentralised. Decision 254/2017/QĐ-TTg and Circular 145/2017/TT-BTC also specifically directs the Minister of Agriculture and Rural Development to **establish criteria, standards, contents, processes and service providers, as well as economic norms and technical guidelines**, for the provision of public services using the state budget. It also calls for the Minister to coordinate with the MOF to issue a **framework for pricing these services**.

Although there has been some progress towards these targets for PAMBs, **implementation remains somewhat patchy**. In February 2018, MARD issued Resolution 465-NQ/BCSĐ to steer implementation of the government's national action plan and targets for PNBU reform provided in Resolutions 19-NQ/TW and 08/NQ-QP. These two resolutions direct that the efficiency of PNBUs in the agriculture and rural development sector should be improved, and calls for MARD and PPCs to 'review, rearrange and consolidate protection forest management boards in a streamlined and effective manner'. Resolution 465-NQ/BCSĐ lays out a number of action plans for the agriculture and rural development sector to accomplish the specified targets on budget and payroll reductions

and increasing self-financing and business units. The first Ministerial Conference to facilitate the implementation of Resolution 465-NQ/BCSĐ was held in April 2018.

To date, few PAMBs have progressed towards any significant level of self-financing, autonomy and self-responsibility. **Most PAs still remain heavily dependent on the state budget** (as investigated further below, in Chapter 4). A study was recently carried out by GIZ / MARD - VNForest to review SUF and PF management, covering 129 sites. As of mid-2019, 85% of forest management boards had developed plans for autonomy performance, of which 62 were national parks and nature reserves. Of these PAs, none were at level 1 of financial self-reliance (as defined above), just 7 PAs (11%) had achieved level 2 and were able to self-finance recurrent expenses, 14 PAs (23%) were at level 3 and were partially able to self-finance recurrent expenses, while 41 PAs (66%) remained at level 4 and were completely dependent on the state budget (Figure 1).

Figure 1: Proportion of PAs by levels of self-financial reliance in Vietnam by 2019



The GIZ / MARD - VNForest study also reports that **neither MARD nor provincial authorities have undertaken the planning of PNBUs that was requested in Decree 141/2016/NĐ-CP**. Other key provisions in Decree 141/2016/NĐ-CP and Decision 254/2017/QĐ-TTg had also not yet been implemented as of mid-2019, including the economic-technical norms due to be issued by MARD, and the lists of public services using the state budget to be prepared by PPCs. In addition, various structural barriers still remain which constrain PAMBs from assigning tasks, issuing results-based contracts, and generally improving their financial performance and income generation (discussed further below, in Chapters 5 and 7).

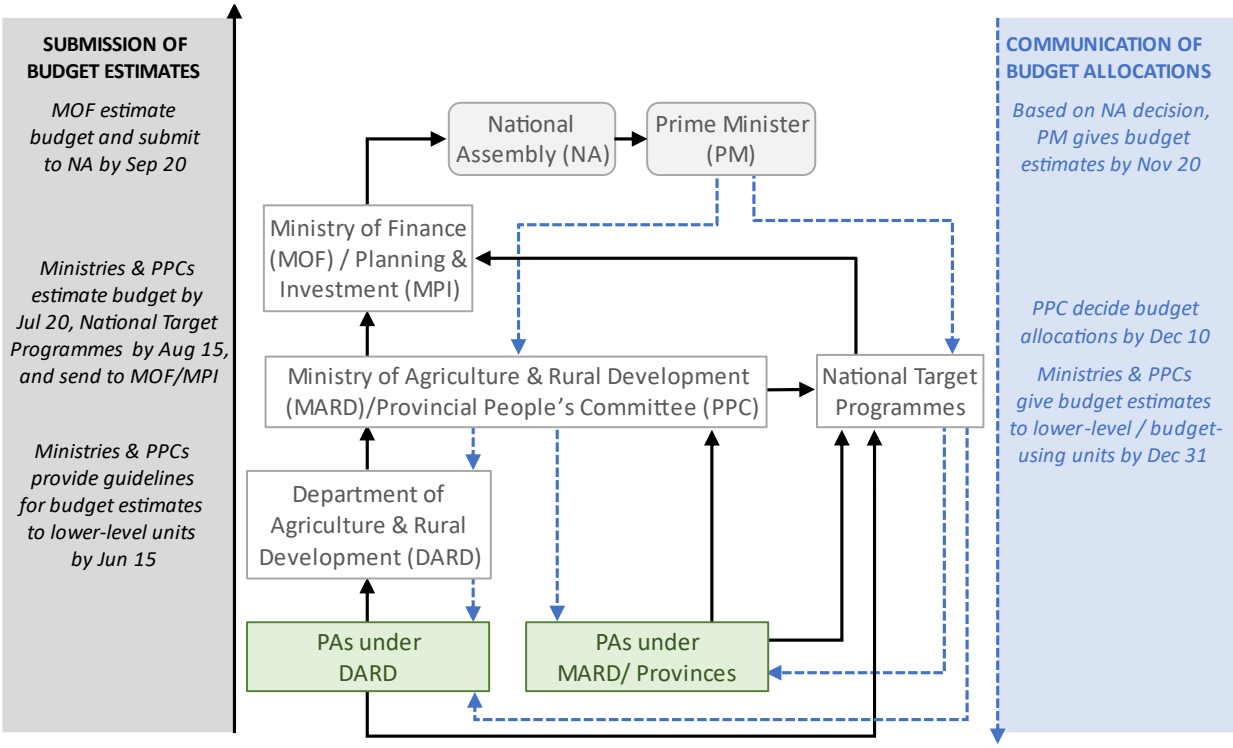
III. THE LEGAL AND REGULATORY BASIS FOR PA FINANCING[8]

1. BUDGETS AND FINANCIAL PLANNING

In common with other government agencies, the process for requesting and receiving PA funding from the state budget follows the steps and calendar laid out in Articles 22 and 31 of Decree 163/2016/NĐ-CP on Guidelines for the State Budget Law (Figure 2). It should be noted that this process is complicated and time-consuming, which can pose an additional constraint to PA financial planning and sustainability.

Figure 2: Annual PA budget submission and allocation process

[8] The information in this chapter is based on information provided in Ly Ha Bui 2020.



Source: adapted from Ly Ha Bui 2020, based on material presented in Decree 163/2016/NĐ-CP.

Annual budget estimates are prepared based on guidelines provided by the MOF, and then approved by and submitted upwards through the relevant authorised administrative body (AAB): MARD for centrally-managed PAs, or PPCs for provincially-managed PAs. Budget estimates may also be prepared for national target programmes, where these touch on topics and activities that are relevant to the mandate of PAs. After being checked, PA capital and recurrent estimates are incorporated into Ministerial and Provincial annual budget requests and forwarded onwards to the Ministry of Planning and Investment (MPI) and MOF. These estimates are consolidated and submitted by MOF for consideration to the Standing Committee of the National Assembly. Once the National Assembly has decided the state budget estimates, the Prime Minister communicates these allocations to Ministries and PPCs, from where they are conveyed to PAs.

PA annual budgets typically include three main components relating to the use of state budget funding: current expenditure estimates, an investment plan, and a plan for activities to be funded under national target programmes. These are guided by a number of different financial plans, covering different time frames, expenditure categories and funding sources:

- The **current expenditure** budget is largely based on pre-defined cost norms, applied to the number of staff, the area under protection, and/or standard forest management activities and procedures;
- The **investment budget** reflects the infrastructure and equipment specified in the approved SUF master plan or investment project for the PA (usually lasting 5-10 years), and follows the guidance provided in Decision 24/2012/QĐ-TTg on the investment policy for SUF development between 2011-2020; and
- The request for funding from **National Target Programmes** responds to its specific strategy, objectives and area of focus. A variety of medium to longer-term national target programmes have, historically, provided funding for forest protection, rehabilitation and sustainable management in PAs and elsewhere. Examples include the 'Greening the Barren Hills Programme' (Programme 327, 1992-97) and the '5 Million Hectare Reforestation Programme'

(Programme 661, 1998-2010). Between 2016-20, PAs could apply for funding to the National Target Programme for Sustainable Forest Development.

In principle, both current and capital budgets should be closely tailored to the goals and activities laid out in each PA's management plan, and the annual workplans that are prepared to deliver it. Chapter 2 of the Forestry Law 2017 lays out the rules and procedures for preparing forestry plans, and Article 27 deals with **sustainable forest management plans** (SFMPs). Although neither section elaborates financing aspects, Annex II of Circular 28/2018/TT-BNNPTNT on sustainable forest management provides a template for the SFMP, which includes a costed list of capital needs and investment sources.

Self-generated revenues are treated separately from the State budget. Those PAs that earn self-generated income are also required to develop longer-term plans for these additional revenue streams, and to report on these on an annual basis. For example, Article 5 of Decision 24/2012/QĐ-TTg calls for PAMBs to develop plans for 'special forest development' (including ecotourism), covering a 10-year time period. Article 5.4 of Circular 28/2018/TT-BNNPTNT further elaborates that specific plan should be formulated for the development of ecotourism, payments for forest environmental services (PFES), and forest leases, while Article 5.5 calls for the development of implementation 'solutions' for funding sources and the mobilization of investment funds.

2. FUNDING SOURCES

PAs are permitted to access funds from a relatively wide range of sources. These are laid out clearly in Article 92 of the Forestry Law 2017, which states that **financial sources for the forestry sector** include the State budget; investments, contributions, donations and other funding provided by domestic and international organisations and individuals; revenues from the harvest of forest products, and from leases of forest and forest land; payments for afforestation to offset forest conversion; payments for the provision and lease of forest environmental services; domestic and international sources of credit; and other eligible financial resources.

Circular 28/2018/TT-BNNPTNT slightly expands the list of eligible self-generated income sources, mentioning PFES activities, ecotourism, leisure and recreation services, lease of the forest environment, as well as fees and charges for timber, non-timber forest products and forest carbon reserves. Of course this does not mean that each and every funding source in this list is available and accessible to all PAs. The actual combination of sources used in a given PA is determined by that PA's own specific circumstances, needs and opportunities.

The **State budget** remains at the core of PA funding (see Chapter 0 for a more detailed analysis of PA financing status and trends). It provides for capital investments, regular and irregular recurrent spending, as well as scientific and research activities. As explained above, capital and recurrent spending is funded under the routine annual budget allocations channelled through MARD and PPCs, as well as national target programmes. Research and scientific funding are administered by the Ministry/Department of Science, Technology and the Environment (MOSTE/DOSTE). In addition, grants, loans and donations provided by overseas governments and international organisations are counted as state budget revenues and administered as such.

Over the last decade, **PFES** have become an increasingly important source of funding for many PAs. There are two ways that PAs can benefit from PFES. One is to receive payments directly, as providers of forest environmental services. The other is to enter into contracts with individuals, households, organizations, and communities, in which case the PA can retain 10% of the payments it administers, as a management fee or service charge. These arrangements, as well as the norms and formulae used to calculate payment levels, are elaborated in Articles 59 and 70 of Decree 156/2018/NĐ-CP detailing the implementation of some Articles of the Law on Forestry.

The majority of PFES funding flows through **National and Provincial Forest Protection and Development Funds** (FPDFs). These are 'off-budget financial funds', defined in Article 4 of the State Budget Law 2015 as 'a fund established by a competent authority and independent from state budget; its revenues and obligatory expenditures are meant to fulfil certain tasks prescribed by law'. As is the case with other off-budget funds, the operating costs of FPDFs are not covered by the state budget, and their revenue and expenditures do not coincide with those of the state budget. According to Article 95 of the Forestry Law 2017, as well as being used to administer PFES payments, FPDFs can be funded from domestic and international sponsorship, donations and capital contributions; payments for reforestation to offset forest conversion; and other authorised non-state budget resources. In practice, PFES currently contribute the major source of funding to FPDFs.

Some PAs also generate revenues from **tourism**, including from entry fees and the provision of various other services and facilities (such as restaurants, accommodation, visitor centres, sales of souvenirs, etc.). Entry fees for provincially-managed PAs are approved by PPCs, while those for national parks under the management of MARD are regulated by Circular 206/2016/TT-BTC issued by Ministry of Finance. Both Article 53 of the Forestry Law 2017 and Article 10 of Decision 24/2012/QĐ-TTg include provisions about how and where PA ecotourism investments should be made.

Article 75 of the Forestry Law 2017 allows for PAMB to lease the forest environment, and to enter into cooperation and partnerships in ecotourism, leisure and recreation services. Similarly, Article 14 of Decree 156/2018 allows for PAs to invest directly in ecotourism projects, or lease the forest environment to others to do so. Decision 24/2012/QĐ-TTg permits PAs that earn revenues of more than VND 3 billion a year to establish joint stock companies, with the PAMB owning the majority share of charter capital. Article 12 allows for the PAMB to lease the special-use forest to organizations and individuals for eco-tourism business for a period of up to 50 years (renewable for up to 20 additional years) at a fee not exceeding 2% of turnover, as well as to issue short-term leases of the forest environment for scientific research.

3. FUND ADMINISTRATION AND MANAGEMENT

Each of the various funding streams available to PAs is administered according to the regulations, guidelines and procedures attached to it, and in support of the expenditures and activities that it is designed to cover. In this sense, different funding sources can be seen as complementary and mutually reinforcing, each with slightly different areas of focus and intended purposes.

Previously, the Forest Protection and Development Law 2004 directed forest policies that "the State invests for protection and development of SUF and PF; protection and development of forests' endangered, precious and rare floral and faunal species; training of human resources for forest protection and development; development of modern systems for forest management; forest monitoring and inventory; investment in infrastructure, techniques and equipment for forest fire prevention and control; and prevention of forest diseases" (Article 10). This was then regulated by Article 1.2 of Decision 24/2012/QĐ-TTg, addressing investment in SUF development that consists of three directions: (i) the State invests for essential infrastructure and facilities, ensures operational expenditures of forest management, protection, conservation and monitoring of biodiversity, scientific research, human resource training, propagation and education of forest protection and improve people's lives in SUFs and their buffer zones; (ii) the State encourages the development of forest environmental services, business of ecotourism in SUFs relevant to existing regulations in order to generate revenues to compensate expenses, improve incomes for PA staff and gradually replace investment sourced from state budget; and (iii) the State provides investment support and benefit-sharing mechanisms in favour of economic sectors and village communities participating in SUF protection and development.

Currently, according to the Forestry Law 2017, “the State shall ensure resources for management, protection and development of SUF and PF” (Article 4) with three forms of investment policies as stated in Article 94: (i) the State to have investment policies for the following activities such as protection and development of SUF and PF; protection and rescue of endangered, precious, rare forest floral and faunal species; supplies of means, equipment and facilities to support forest protection, forest fire warning, construction of works for forest fire prevention and control and prevention of forest disease; construction, upgrade and reclamation of those infrastructure in support SUF and PF management and development; (ii) the State to have support of investment for, for instance, collaboration and engagement of ethnic minority and communities in forest protection and development with socio-economic development programs and new rural development; and (iii) the State to have investment incentives for such as restoration of natural forests;

So that state budget resources are mainly targeted towards funding **core capital and recurrent expenditures**. Decision 254/2017/QĐ-TTg specifies that the following services are to be financed by the state budget: forest protection and development; conservation, rescue, restoration of ecology and forest natural resources; forest inventory and planning; forest sector statistics and monitoring; and forestry museums and specimen collections.

As an off-budget fund, neither the revenue sources nor the obligatory expenditures of FPDFs coincide with those of the state budget. As laid out in Article 95 of the Forestry Law 2017, FPDF resources are intended to be used to support forest protection and development activities that the state budget has not invested in, as well or satisfied the investment requirements for. According to Article 70 of Decree 156/2018, the management fee associated with administering PFES contracts is intended to be used for **forest management**, including silvicultural items, forest protection and development facilities, patrolling and law enforcement, purchase and maintenance of forest protection equipment, technical research and monitoring, salaries and wages for persons who are not paid from the state budget, and other PFES-related training, awareness and communications.

Other self-generated revenues are allowed to be **retained** by the PAMB and used for a variety of purposes. The proportion of retained revenues varies, depending on the funding source and the management status of the PA. According to Circular 26/2016/TT-BTC, 90% of the fees collected from MARD-managed PAs can be kept and spent on forest management activities. For provincially-managed PAs, the percentage of revenues shared is determined by the PPC. Article 14 of Decision 24/2012/QĐ-TTg sets the conditions under which ecotourism revenues can be retained and used. A quarter of revenues is intended to replace the State budget for non-business capital expenditures and forest management activities in the core and buffer zone of the PA in which they are earned. The remaining 75% can be spent on salary increases for management board officials and employees, provided as support to buffer zone community development activities, be re-invested in ecotourism activities, or used set up funds in accordance with government regulations.

These funds also offer the possibility for retained income to be **carried over between financial years**. Although Article 64 of the State Budget Law 2015 generally requires that any unspent allocation is cancelled and returned at the end of the financial year, there are certain exceptions: certain expenditures on development investments, purchase of equipment, sources for the implementation of wage policies, autonomous budgets of public service agencies and national agencies, budget estimates added after September 30, and funding for scientific research. Similarly, Decree No.120/2016/NĐ-CP states that, after fee-collecting agencies have made the final settlement of revenues and expenditures, the amount of fees that have not been utilised in that financial year can be transferred to the following year for continued spending. It allows for PAMBs to set up four types of funds, and to decide how they are spent: development of administrative operations fund (including investing in facilities, equipment and technologies, career development, and investing in joint ventures or partnerships with external agencies and organisations), income supplementation

fund, reward fund, and welfare fund. These funds are designed to absorb any surplus of revenues over expenditures, including taxes and other deductions, at the end of the year.

4. HOW DO EXISTING PA FUNDING PROVISIONS ENABLE OR CONSTRAIN SELF-FINANCING?

The **emphasis on financial autonomy and self-reliance in PNBUs (as described above, in Chapter 0) is echoed in other laws and regulations governing the forest sector**. For example, Article 1.3 of Decision 24/2012/QĐ-TTg explicitly encourages the development of activities relating to forest environmental services and ecotourism with the aim of generating revenues which will 'gradually replace investment from the state budget'. Similarly, Article 2 emphasises 'increasing the initiative of the special-use forest management board … in order to increase revenues.

In many ways **existing PA funding provisions set a good basis for self-financing**. The law permits a fairly broad range of sources to be used to fund PAs, spanning the state budget, as well as donations, grants and loans from external sources (both domestic and international), and various user fees, service charges and other market-based mechanisms. In principle, this allows for PAs to develop diverse funding portfolios, according to their specific needs and circumstances.

Fund administration and management mechanisms also already allow PAMBs some level of flexibility and self-responsibility in financial decision-making. As laid out in Decree 141/2016/NĐ-CP, PAMBs are expected to develop rules and regulations on internal expenses, which define how funding and income will be used. Some or all of the self-generated revenues earned by a PA can be retained, reinvested and, subject to certain restrictions, carried over beyond the end of the financial year. The law allows for PAMBs to enter into business partnerships and leases with the private sector or other external organisations, and also provides incentives for such investments. For example, according to Article 13 of Decision 24/2012/QĐ-TTg, business in services development in SUF will be granted preferential enterprise income tax, and approved investment projects for the development of SUF shall receive 'the highest level of incentive under current regulations of the State'. Article 94 of the Forestry Law 2017 also emphasises that 'the State shall adopt policies on investment incentives' for various forestry activities, including natural forest restoration.

Yet, despite these enabling frameworks, **very few PAs are currently able to earn significant revenues or to make a substantive contribution towards covering either capital or recurrent costs**. As described in detail below, in Chapter 0, average earnings comprise only a tiny proportion of expenditures in most PAs, almost all of which is contributed by just two sources: tourism and PFES. In practice, only a small proportion of the wide range of permissible PA funding sources are actually being captured. A wide range of new and additional PA financing mechanisms have been proposed over the years and, in some cases, tested: for example, biodiversity offsets, trust funds, corporate sponsorship, private-public partnerships, payments for coastal and marine ecosystem services and forest carbon finance (see, for example, Emerton et al. 2011, Hoang Thi Thuy Nguyet 2019, Le Thanh An et al. 2018). In very few cases have any of these sources of sustainable finance progressed beyond the pilot stage, and in many instances have not been developed at all.

IV. PA FINANCING STATUS AND TRENDS 2000-20

1. DATA SOURCES AND ANALYSIS

Several reviews of PA financing status and trends have been conducted over the last two decades. These include studies carried out under the UNDP/GEF 'Creating Protected Areas for Resource Conservation Using Landscape Ecology' (PARC) project (see Emerton et 2002, Emerton et al. 2003) and the GIZ / MARD Programme on Conservation and Sustainable Use of Forest Biodiversity and

Ecosystem Services in Viet Nam (see Emerton et. al 2011). Both of these studies provided raw data sets, which the current study combines, updates and extends.

Figure 3: Coverage of the dataset on PA income and expenditures

Name of protected area	Data source	Years	Name of protected area	Data source	Years
KBTTN An Toàn	GIZ 2020	2015-17	VQG Mũi Cà Mau	GIZ 2020 GIZ 2020	2015-17 2015-17
VQG Ba Bể	GIZ 2011 (MARD)	2000-10			
Khu BTTN Bà Nà	PARC 2002	2000-02	KBT Na Hang	GIZ 2011 (MARD)	2000-10
VQG Ba Vì	PARC 2002	2000-01	Khu BTTN Nam Nung	GIZ 2020	2015-17
	GIZ 2020	2014-19	KBTTN Ngọc Sơn-Ngổ Luông	GIZ 2020	2014-19
VQG Bạch Mã	GIZ 2011 (MARD) GIZ 2020	2000-10 2014-19	VQG Núi Chúa	PARC 2002 GIZ 2011 (VCF) GIZ 2020	2000-02 2003-06 2015-17
VQG Bát Đại Sơn	GIZ 2020	2015-17			
VQG Bến En	PARC 2002 GIZ 2011 (VCF) GIZ 2020	2000-01 2002-06 2015-17	KBT Núi Ông	GIZ 2011 (VCF)	2001-06
			VQG Phong Nha-Kẻ Bàng	GIZ 2020	2014-20
			Khu BTTN Phong Quang	GIZ 2020	2015-17
VQG Bidoup-Núi Bà	PARC 2002 GIZ 2011 (VCF) GIZ 2020	2000-02 2003-06 2015-17	Khu BTTN Phú Canh	GIZ 2020	2015-17
			VQG Phú Quốc	PARC 2002 GIZ 2020	2000-02 2015-17
KBT Bình Châu-Phước Bửu	GIZ 2011 (VCF) GIZ 2020	2001-06 2014-20	Khu BTTN Pù Hu	GIZ 2011 (MARD) GIZ 2020	2000-10 2015-17
VQG Bù Gia Mập	PARC 2002	2000-02	Khu BTTN Pù Luông	GIZ 2011 (MARD) GIZ 2020	2000-10 2015-17
VQG Cát Bà	PARC 2002	2000-01			
VQG Cát Tiên	PARC 2002 GIZ 2011 (VCF) GIZ 2020	2000-01 2002-06 2014-19	VQG Pù Mát	GIZ 2011 (VCF)	2001-06
			Khu BTTN Sơn Trà	PARC 2002	2000-02
			KBT Sông Thanh	GIZ 2011 (VCF)	2001-06
VQG Cúc Phương	PARC 2002 GIZ 2011 (VCF) GIZ 2020	2000 2000-06 2014-19	VQG Tà Đùng-Đắc Nông	GIZ 2020	2014-20
			VQG Tam Đảo	PARC 2002 GIZ 2011 (VCF) GIZ 2020	2000-02 2003-06 2014-19
VQG Chư Yang Sin	GIZ 2020	2015-17			

Name of protected area	Data source	Years	Name of protected area	Data source	Years
KBT Dakrong-Quảng trị	GIZ 2011 (VCF) GIZ 2020	2003-06 2014-20	Khu BTTN Tây Yên Tử	PARC 2002	2000-02
			Khu BTTN Thạnh Phú	PARC 2002	2000-02
Khu BTTN Đất Mũi	PARC 2002	2000-03	Khu BTTN Thượng Tiến	PARC 2002	2000-02
Khu BTTN Đồng Tháp Mười	PARC 2002	2000-02	VQG Tràm Chim	PARC 2002 GIZ 2020	2000-02 2015-17
Khu BTTN Ea Sô	PARC 2002	2000-02			
Khu BTTN Hang Kia-Pà Cò	PARC 2002	2000-02	VQG U Minh Hạ	GIZ 2011 (VCF)	2001-06
VQG Hoàng Liên	PARC 2002 GIZ 2011 (VCF) GIZ 2020	2000-02 2003-06 2015-17	Khu BTTN Vo Doi	PARC 2002	2000-02
			VQG Vũ Quang	PARC 2002 GIZ 2020	2000-02 2014-20
Khu BTTN Hoàng Liên Văn Bàn	GIZ 2020	2015-17	Khu BTTN Vườn Chim	PARC 2002	2000-02
Khu BTTN Hữu Liên	PARC 2002	2000-02	VQG Xuân Sơn	PARC 2002	2000-02
Khu BTTN Kẻ gỗ	PARC 2002 GIZ 2011 (VCF) GIZ 2020	2000-02 2003-06 2015-17	VQG Xuân Thủy	PARC 2002 GIZ 2020	2000-02 2015-17
			VQG Yok Đôn	PARC 2002 GIZ 2011 (VCF) GIZ 2020	2000-01 2002-06 2014-19
VQG Kon Ka Kinh	PARC 2002	2000-02			
VQG Lò Gò-Xa Mát	GIZ 2020	2014-20			
KBT loài & sinh cảnh Nam Xuân Lạc	GIZ 2020	2015-17			

The combined dataset spans the period 2000-20. It includes 54 PAs (26 national parks and 28 nature reserves), together covering a total area of 15,081 km^2 (Figure 3). While all of the budget figures are drawn directly from government statistics, they refer to different timeframes, sites, and levels of data aggregation:

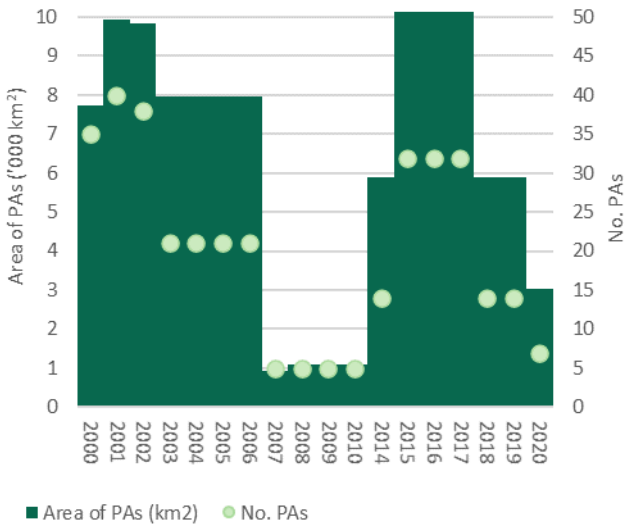
- The **PARC project study** was carried out in 2002, and includes 35 PAs. It draws on MARD and Provincial statistics. For 28 PAs, data are available for the period 2000-02, and refer to both capital and recurrent expenditures, as well as National Programmes. For 7 PAs, data are available for the period 2000-01, and refer to total expenditures only. No income data are provided.
- The **earlier GIZ / MARD project study** was carried out in 2011, and includes 45 PAs. It draws on two sources. For 36 PAs, data were obtained from MARD records, covering the period 2000-10. These refer to both capital and recurrent expenditures, as well as National Programmes and scientific studies. Disaggregated data are available for key categories of recurrent expenditures (including staff, office running and maintenance). Aggregated income data are available. For 16 PAs, data were obtained from Viet Nam Conservation Fund (VCF)

records, covering the period 2001-06. Figures refer only to aggregate recurrent expenditures and aggregate income.

- The **current GIZ / MARD project study** was carried out in 2020, and includes 32 PAs. It draws on VNForest and Provincial statistics as well as data held by individual PAs, and covers the period 2015-20 (although data are not available for all years for all PAs). Figures refer to both capital and recurrent expenditures, as well as income. Disaggregated data are available for key categories of recurrent expenditures (including staff, office running and maintenance). Income data is also broken down into major categories (such as PFES and tourism earnings).

The varying coverage and level of detail of these datasets means that each year of analysis refers to a different sample of PAs (Figure 4). The sample varies from a minimum of 5 PAs and 1,094 km^2 between 2007-10, to 32 PAs and 10,131 km^2 in 2015-17, up to 40 PAs and 9,946 km^2 in 2001. Although no data are available for the three-year period 2011-13, aggregate expenditure estimates from the 2018 BIOFIN expenditure review have been included as a point of comparison (Tran Thi Thu Ha 2018).

Figure 4: Study sample of PAs, 2000-20



As the PA sample size and composition varies between years, it is not meaningful to calculate or compare total annual spending or revenues. The review therefore assesses percentages and average values per unit area (km^2). Analysis of the percentage contribution of different sources to the total refer only to the PAs that state that type of income or expenditure in that year (for example, the results shown for a particular year on average staff spending per km^2 or on staff costs as a proportion of recurrent expenditures refer only to the PAs that record disaggregated recurrent expenditure data).

Because the budget data refer to different years, they cannot be directly compared or aggregated without adjusting for the effects of inflation (for example, VND 1 million spent or earned in 2000 would now be worth more than VND 3.5 million at today's prices). A consumer price index (CPI) deflator has been used to bring all values to 2020 Viet Nam price levels, using the CPI published by the Government of Vietnam each year as recorded in the IMF World Economic Outlook (IMF2020).

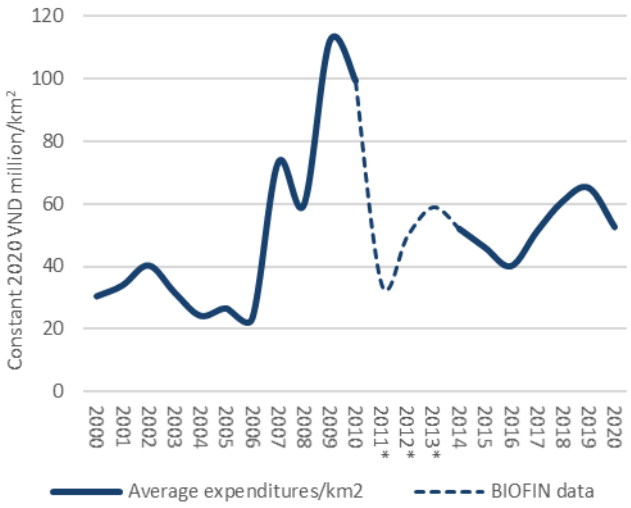
It should be noted that, even with these adjustments and corrections, the different data sets may not always be wholly comparable. This should not be the case, given that all originate from the same source (official government statistics and records held by MARD, provinces and PAs). It is however possible that these statistics have been variably compiled, interpreted and/or analysed by different studies. The validity of the findings, and the extent to which they can be extrapolated or generalised across the whole PA network, also depends on whether the sample of PAs in any given year is a representative one. An addition consideration is that the widely varying sample size and data coverage (in terms of which categories of income and expenditure are recorded) mean that in some years average figures are based only on a very small sample of PAs, while the figures they are being compared with in other years are based on data obtained from many different PAs. For example, in 2000, 2007 and 2008-10 only 5 PAs record income data, as compared to 14 in 2004 and 2018-19, 20 or more between 2001-06, and 32 in 2015-17.

The results of this analysis are compared with the findings of a research project on PA fiscal gaps and financing in Southeast Asia undertaken by the Economy and Environment Program for Southeast Asia (EEPSEA) (Castillo et al. 2015), as well as two assessments made by the UNDP Biodiversity Finance (BIOFIN) initiative: an expenditure review (Tran Thi Thu Ha 2018) and financial needs assessment (Nguyen Thi Minh Hue 2019).

2. PA EXPENDITURES

As noted in earlier studies, **average PA expenditures have generally increased in real terms** over the last two decades, although show a great deal of fluctuation across years (Figure 5). For example, the spikes registered between 2007-10 are largely due to the additional funding received by 60 PAs from the Vietnam Conservation Fund (VCF). This upward trend has continued over the last five years, with average spending rising from VND 45.93 million/km^2 in 2014 to more than VND 65 million in 2019. The apparent dip in the current financial year (to VND 52.5 million) is likely because 2020 figures refer to planned expenditures, rather than (as in previous years) actual spending. It can be expected that the final figures for 2020 will exceed the projected estimates.

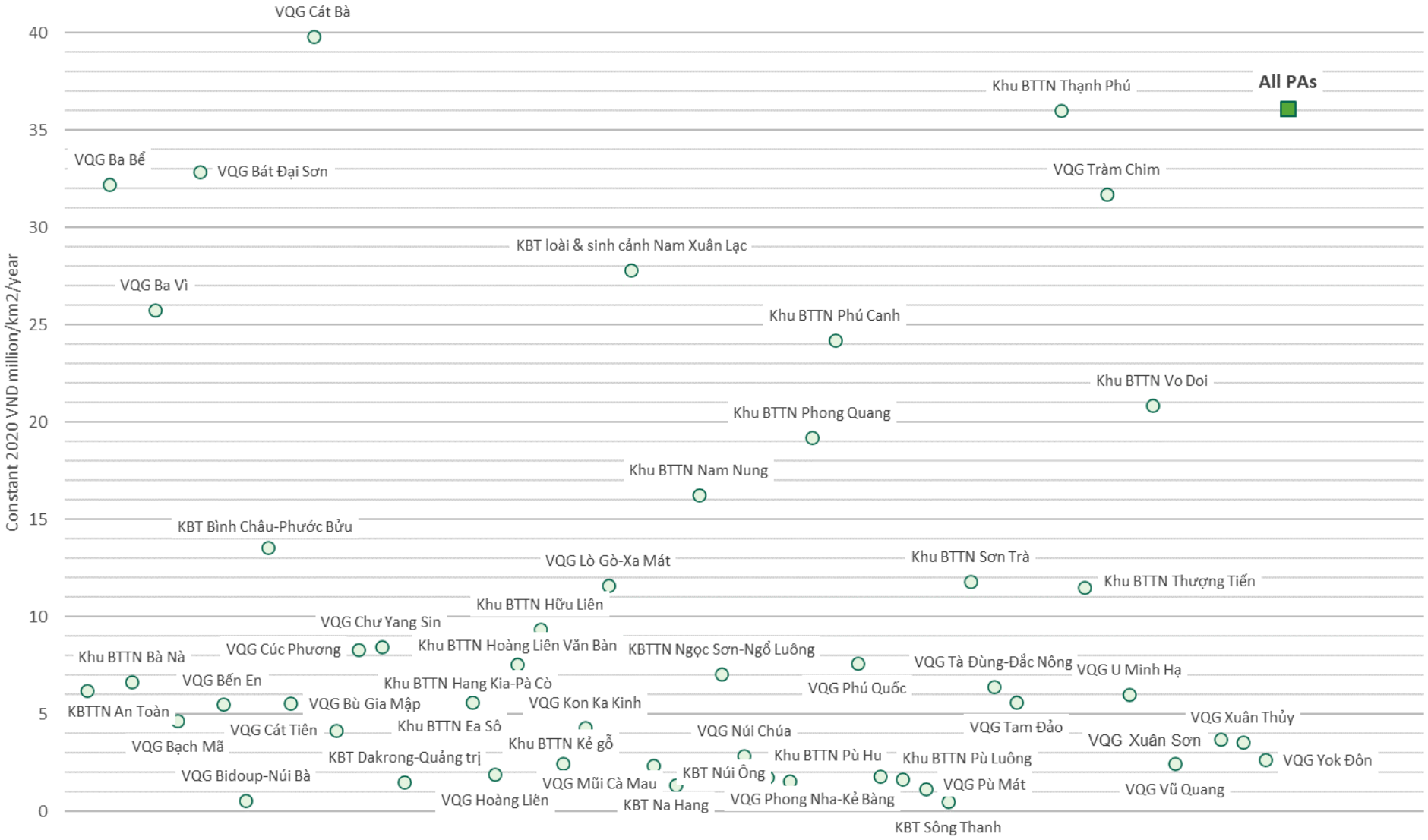
Figure 5: Average expenditures 2000-20 (constant 2020 VND million/km^2)



2000	30.39	31.16
2001	33.91	
2002	40.28	
2003	31.65	
2004	24.20	
2005	26.55	
2006	23.26	73.39
2007	73.03	
2008	59.62	
2009	111.89	
2010	99.16	
2014	51.94	52.48
2015	45.93	
2016	40.01	
2017	51.15	
2018	60.79	
2019	65.02	
2020	52.50	
2000-20	36.07	

** From BIOFIN data (Tran Thi Thu Ha 2018), updated to constant 2020 VND.*

Figure 6: Variation in average annual expenditures between PAs (VND million/km^2/year 2000-20)

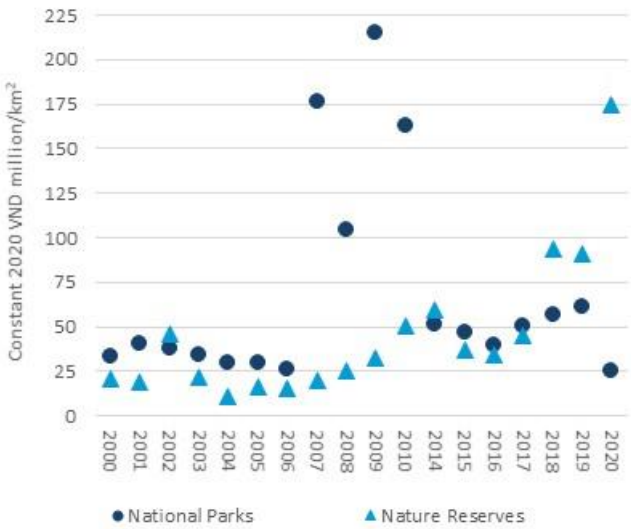


Note: three PAs show very high average annual expenditures, and are not shown on the chart: Khu BTTN Tây Yên Tử (VND 4,250.14 million), Khu BTTN Vườn Chim (VND 2,605.80 million) and Khu BTTN Đồng Tháp Mười (VND 67.67 million). These are also the smallest PAs in the sample (17 ha, 389 ha, 101 ha respectively).

It has already been noted that **PA funding in Viet Nam compares extremely favourably with those in other parts of the world**. Expenditures are significantly higher than in neighbouring Lower Mekong countries and other parts of the ASEAN region, and in several cases are on a par with levels in Europe and North America (Emerton et al. 2002, 2003, 2011). Several studies however argue that **expenditures are insufficient to enable effective conservation** (Le Thanh An et al. 2018, de Queiroz et al. 2013). For example, EEPSEA's 2011 review of fiscal gaps calculates that the then operating expenditures of USD 4.96/ha (VND 11.49 million/km^2 at 2020 prices) were underfunded by between 118-132% (Castillo et al 2015). It is interesting to note that the average of VND 27.27 million/km^2/year for recurrent costs recorded in the current analysis for the period 2014-20 is slightly higher than the resulting 'ideal' benchmark figures proposed in the EEPSEA study (VND 25.04-26.65 million/km^2). It is also close to the VND 32.6 million/km^2 BIOFIN estimate of the level of spending required for optimal biodiversity conservation in terrestrial PAs (Nguyen Thi Minh Hue 2019).
It is however important to emphasise that **expenditure levels vary greatly between different sites** (Figure 6). While a minority of PAs may be relatively well-funded, many faces severe financing gaps, and are able to cover little more than a bare minimum of management and conservation costs (Emerton 2006, Le Thanh An et al. 2018).

As pointed out in the PARC study and earlier GIZ / MARD review, these differences are particularly pronounced between centrally-managed and Provincially-managed PAs. For example, between 1997 and 2001, average annual budgets to MARD-managed PAs per unit area were recorded as being more than 7 times higher than those to Provincial PAs (Emerton et al. 2002. 2003), and almost 3 times higher between 2001-06 (Emerton et al. 2011). The current study finds a similar pattern: aside from the atypical period of 2007-10, when there were large additional inflows of VCF funding to selected PAs, expenditures in Centrally-managed PAs were on average between two and three times as high as those made in Provincial PAs.

Figure 7: Average expenditures in national parks and nature reserves 2000-20 (constant 2020 VND million/km^2)



	National parks	Nature reserves
2000	33.17	21.14
2001	40.56	18.97
2002	37.52	45.61
2003	34.61	22.02
2004	29.80	10.96
2005	30.03	16.69
2006	25.77	15.57
2007	176.04	19.61
2008	104.32	25.27
2009	214.75	32.84
2010	162.82	50.24
2014	50.97	59.43
2015	46.74	36.93
2016	40.02	34.19
2017	50.78	44.83
2018	56.51	93.84
2019	61.61	91.37
2020	25.50	174.89
2000-20	38.80	30.11

The BIOFIN assessment finds that funding to national parks between 2011-15 was between 4.5 and 6.75 times higher than for nature reserves (Tran Thi Thu Ha 2018). Although the current study also shows generally higher expenditures in national parks, the differential is not nearly so wide. Over the period 2014-20, national parks received almost 30% more funding per unit area than Nature

Reserves. This gap has generally narrowed over time, although fluctuates considerably year by year (Figure 7). For example, during the period 2007-10, the differential between national parks and nature reserves was substantial, due to the large inflows of funding from the VCF. Conversely, in 2018 and 2019, average annual funding to nature reserves has been a half to two thirds higher than for national parks.

Although capital and recurrent spending[9] vary significantly between years, it is possible to discern some general trends over time. The **proportion of budget allocated to capital costs has decreased substantially** in recent years (an average of 11% between 2014-20 as compared to around half between 2000-2010), although has been steadily rising again over the last 7 years to reach 23% in 2020 (Figure 8). Conversely, the average share of recurrent spending is higher over the period 2014-20 (around a half) than it was in earlier years (just over a third between 2000-05 and 2006-10), although has now decreased to 29% in 2020 (Figure 9). **Staff costs continue to dominate spending**, a point that has also been noted in earlier studies (see Emerton et. al. 2002, 2011). The share of staff in recurrent expenditures has been steadily rising over time, from an average of 44% between 2000-05, to 57% between 2006-10, up to 80% for the period 2014-20 (Figure 10 10).

Figure 8: Share of capital budget in total expenditures, 2000-20

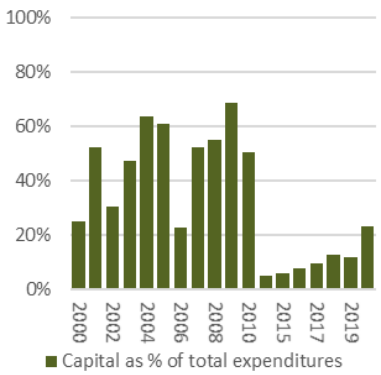


Figure 9: Share of recurrent budget in total expenditures, 2000-20

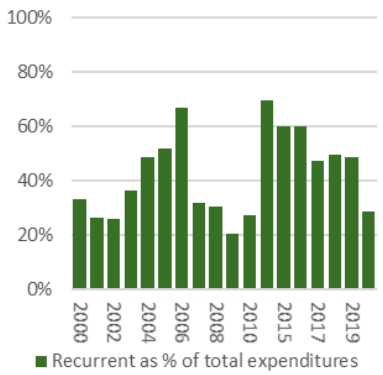


Figure 10: Share of staff costs in recurrent expenditures 2000-20

3. PA REVENUES

Revenues have also risen steadily over time in real terms (Figure 11): from an average of VND 0.83 million/km^2/year a year between 2000-05, to VND 2.65 million between 2005-10, and VND 9.19 million since 2014 (Figure 11). Over the last 5 years, in particular, earnings have increased substantially – from an average of VND 5 million/km^2/year in 2015, to VND 10.5 million in 2018, VND 13.4 million in 2018, and VND 18.7 million in 2019. Income in 2020 is projected to be far lower than the previous year's figure (just under half). As described further below, this is almost certainly due to a sharp drop in tourism earnings.

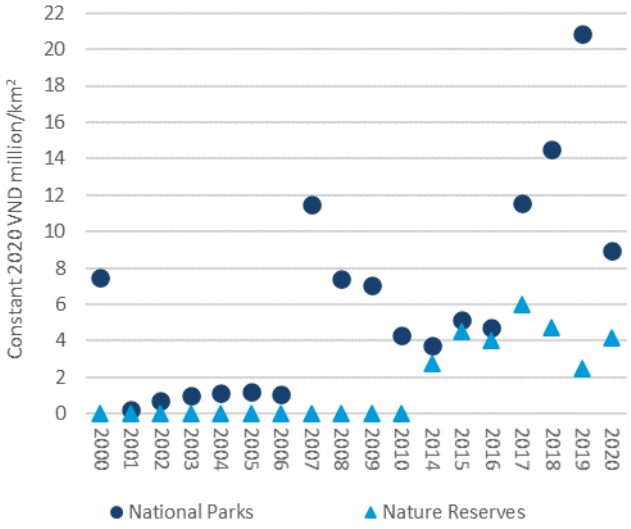
T**here is a great deal of variation in revenues between different PAs** (Figure 13) Just four national parks (Cát Tiên, Tà Đùng-Đắc Nông, Phong Nha-Kẻ Bàng and Ba Vì) together account for 60% of all the income earned between 2000-20 by PAs in the study sample. It is however noticeable that, over recent years, there has been an improvement in the distribution of revenues between sites – although the same national parks continue to account for the lion's share of income. There has been a significant increase in the level of income earned by nature reserves, even though average earnings remain lower on a per unit area basis than for national parks (Figure 12).

[9] In addition to capital and recurrent costs, other sources of expenditures include scientific study, national programmes and other spending.

Figure 11: Average revenues 2000-20 (constant 2020 VND million/km^2)

2000	2.15	0.83
2001	0.15	
2002	0.47	
2003	0.65	
2004	0.76	
2005	0.80	
2006	0.72	2.65
2007	3.93	
2008	3.22	
2009	3.05	
2010	2.33	
2014	3.65	9.19
2015	5.19	
2016	4.74	
2017	10.49	
2018	13.41	
2019	18.74	
2020	8.08	
2000-20	4.07	

Figure 12: Average revenues in national parks and nature reserves 2000-20 (constant 2020 VND million/km^2)



	National parks	Nature reserves
2000	7.49	
2001	0.22	
2002	0.69	
2003	0.97	
2004	1.14	
2005	1.19	
2006	1.07	
2007	11.51	
2008	7.41	
2009	7.03	
2010	4.30	
2014	3.76	2.78
2015	5.15	4.53
2016	4.74	4.05
2017	11.53	5.97
2018	14.54	4.70
2019	20.85	2.47
2020	8.93	4.19
2000-20	5.16	1.46

Disaggregated income data are only available from 2014 onwards. Between 2014-20, both the incidence and value of income generation from tourism have risen. By 2019 half of PAs were earning tourism income, as compared to around 30% between 2014 and 2017, and average

revenues increased from VND 1.3 million/km^2/year in 2014 to VND 5.4 million (Figure 14). The unusually large peak in 2019 is largely accounted for by one national park, Ba Vì, which recorded exceptionally high earnings (VND 17.1 billion). There is projected to be a sharp drop in tourism income in 2020 as compared to previous years, undoubtedly linked to the current COVID-19 pandemic.

Figure 13: Variation in average annual revenues between PAs (VND million/km^2/year 2000-20)

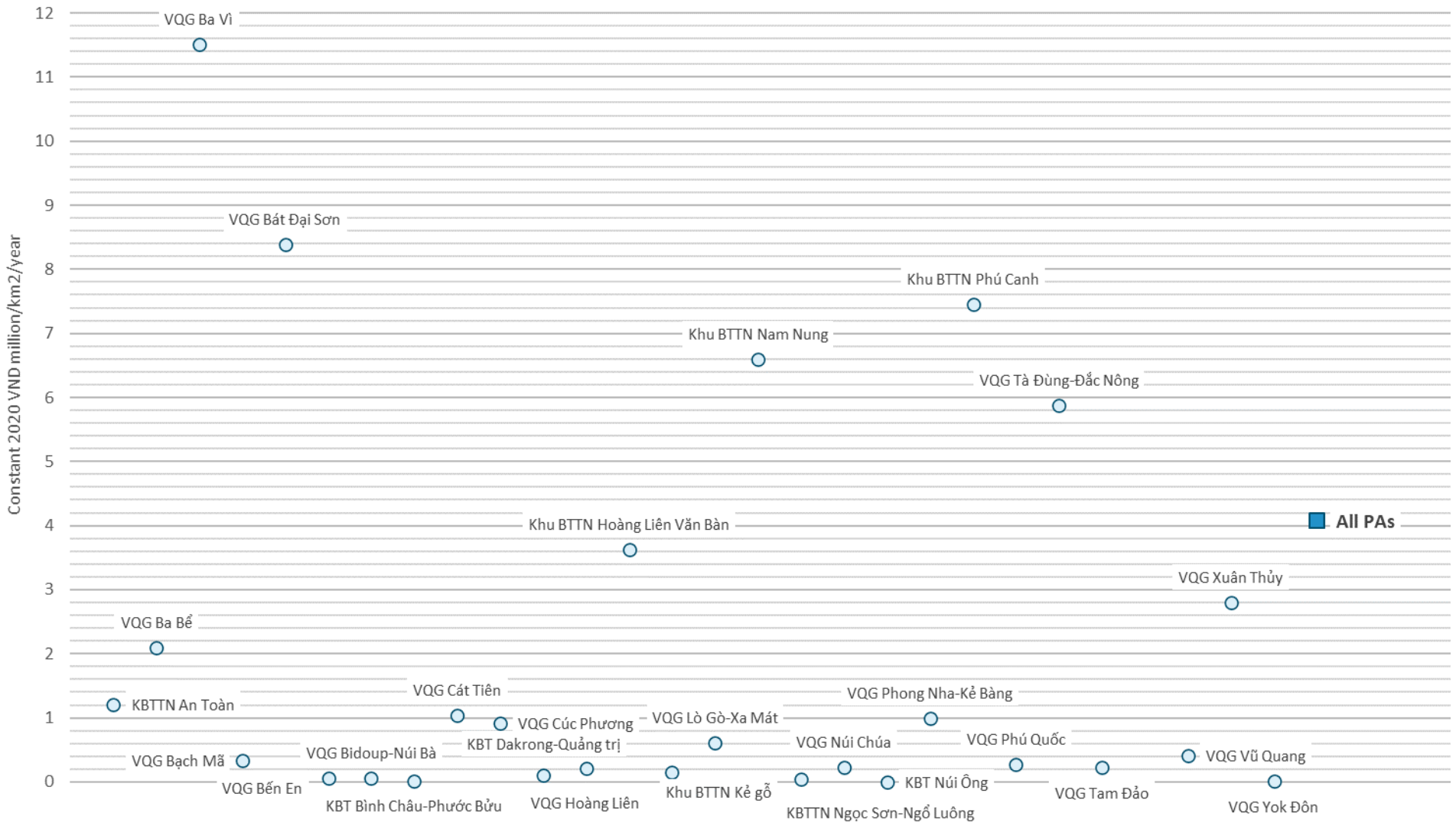


Figure 14: Income from tourism, 2014-20

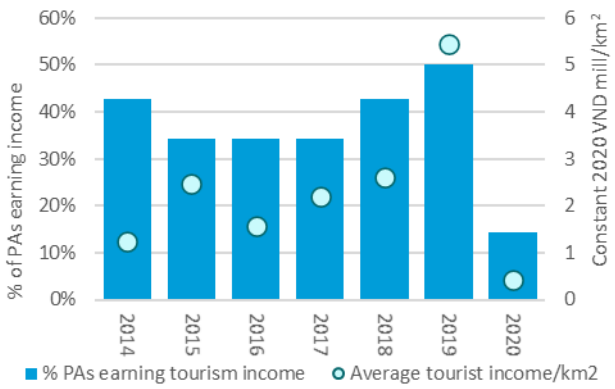
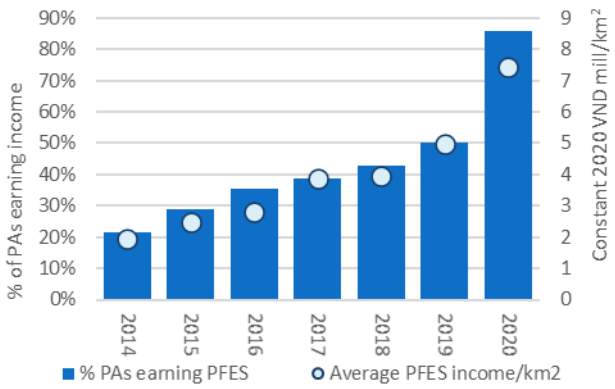


Figure 15: Income from PFES, 2014-20

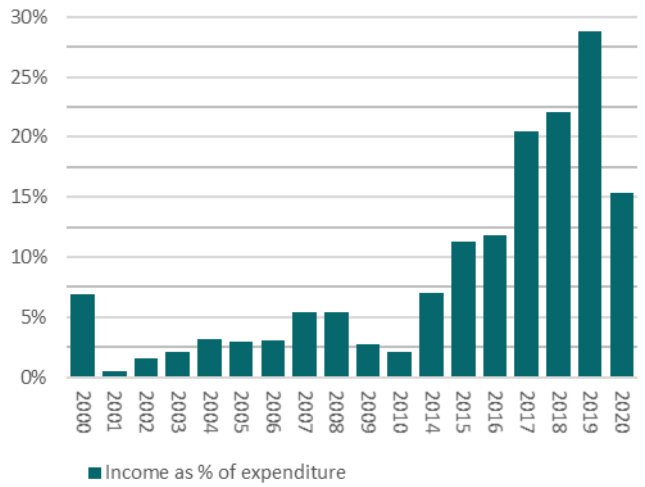


Payments for forest environmental services (PFES) provide another important source of income for PAs. PFES were institutionalised in 2010 via Decree 99, and have been steadily growing up ever since. By 2019 half of PAs received funds from PFES (an average of VND 5 million/km^2), and in 2020 more than 80% expect to generate income at an average level of VND 7.4 million/km^2 (Figure 15).

4. WHAT IS THE CURRENT SITUATION AND PROSPECTS AS REGARDS PA SELF-FINANCING?

The review of PA expenditures and income offers interesting insights in relation to self-financing. It is clear that, on a per unit area basis, average PA expenditures (and thus presumably costs) have been rising steadily in real terms. The number and coverage of PAs is also increasing, including the creation of new categories of conservation area such as biodiversity corridors, landscape protection areas and species-habitat management areas (as allowed for in Decisions 45/2014/QĐ-TTg and 1107/2015/QD-BTNM). This suggests **increasing financial pressures and needs for funding, both at the site level and for the national PA network** as a whole. However, at the same time, **earnings show a steep upwards trend**, with new and additional revenue sources such as PFES and tourism making an important contribution both towards the amount of income and the diversity or range of funding sources available to PAs.

Figure 16: Income as a proportion of expenditure, 2000-20



2000	6.9%	2.9%
2001	0.5%	
2002	1.5%	
2003	2.0%	
2004	3.2%	
2005	3.0%	
2006	3.1%	3.7%
2007	5.4%	
2008	5.4%	
2009	2.7%	
2010	2.0%	
2014	7.0%	16.7%
2015	11.3%	
2016	11.9%	
2017	20.5%	
2018	22.1%	
2019	28.8%	
2020	15.4%	

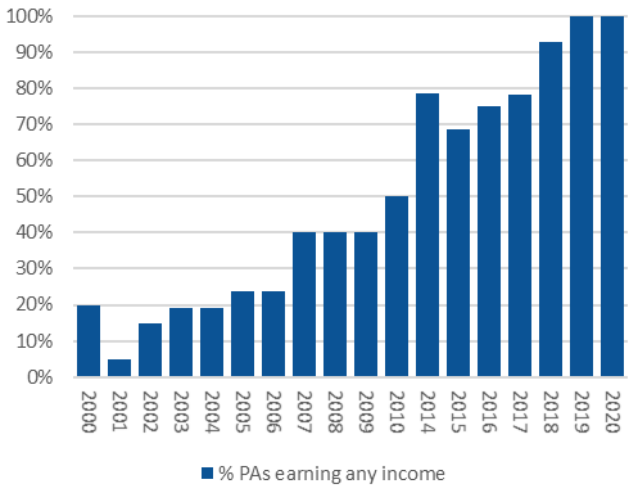
Importantly, the **increase in revenues appears to have outpaced the rise in PA costs or expenditures** in many cases (Figure 16). Between 2000-05, PA income accounted for less than 3% of expenditures on average (among those sites that were able to earn revenues). The very low contribution of self-generated income to PA funding over this period, especially for Provincially-managed PAs, is also noted in the earlier GIZ / MARD study (see Emerton et al. 2011). Between 2005-10, average income as a proportion of expenditure proportion had increased to 3.7%, and since 2014 it has risen from 7% to almost 30% in 2019.

This suggests that PAs **are becoming progressively better-equipped to cover their own costs from self-generated revenues**. However, as explained above, this upward trend may well be flattened or even reversed in 2020 and 2021. It is inevitable that the COVID-19 pandemic will have a major impact on PA revenues, particularly tourism income. In addition, it is highly likely that government spending priorities may be refocused away from biodiversity conservation, towards other sectors that are perceived as being central to short-term economic recovery and revitalisation.

At the same time, there has been **a marked, and sustained, growth in the proportion of PAs that are able to generate revenues** (Figure 17). In 2005, just under a quarter of PAs were earning any income. By 2010, this figure had increased to half. In 2019, all of the PAs in the study sample

reported some form of earnings. Not only (as explained above) are PAs able to cover a greater proportion of their funding needs from self-generated revenues, but more PAs are able to do so.

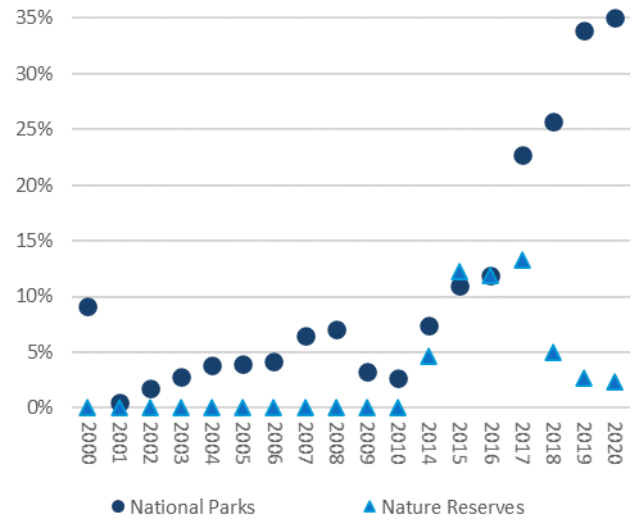
Figure 17: Proportion of PAs earning any income, 2000-20



2000	20%	17%
2001	5%	
2002	15%	
2003	19%	
2004	19%	
2005	24%	
2006	24%	39%
2007	40%	
2008	40%	
2009	40%	
2010	50%	
2014	79%	85%
2015	69%	
2016	75%	
2017	78%	
2018	93%	
2019	100%	
2020	100%	

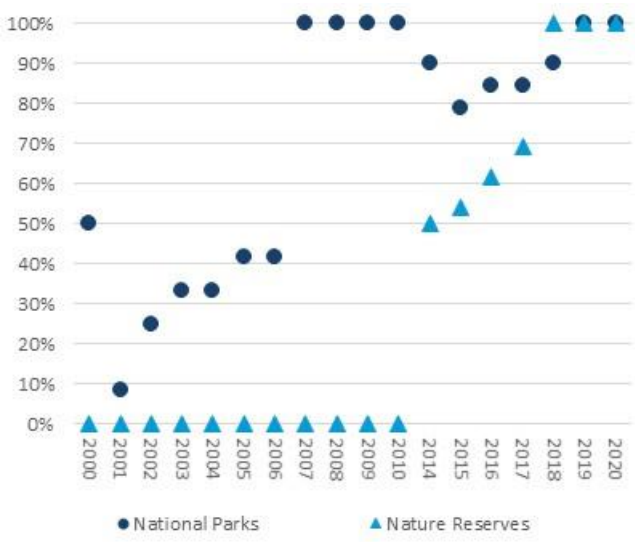
Income-earning possibilities are not, however, spread evenly across all PAs. On average, income accounts for a far higher proportion of expenditures in national parks (more than a third over the last two years) than in nature reserves (5% or less; Figure 18). Whereas the share of self-generated income in overall funding is steadily increasing for national parks, it appears to be declining for nature reserves. On a more positive note, the percentage of sites earning income has risen sharply over the past 5 years for both categories of PA, with all of the sites in the study sample recording earnings over the last two years (Figure 19).

Figure 18: Income as a proportion of expenditure for National Parks and Nature Reserves, 2000-20



	National parks	Nature reserves
2000	9%	0%
2001	1%	0%
2002	2%	0%
2003	3%	0%
2004	4%	0%
2005	4%	0%
2006	4%	0%
2007	7%	0%
2008	7%	0%
2009	3%	0%
2010	3%	0%
2014	7%	5%
2015	11%	12%
2016	12%	12%
2017	23%	13%
2018	26%	5%
2019	34%	3%
2020	35%	2%

Figure 19: Proportion of national parks and nature Reserves earning any income, 2000-20



	National parks	Nature reserves
2000	50%	0%
2001	8%	0%
2002	25%	0%
2003	33%	0%
2004	33%	0%
2005	42%	0%
2006	42%	0%
2007	100%	0%
2008	100%	0%
2009	100%	0%
2010	100%	0%
2014	90%	50%
2015	79%	54%
2016	84%	62%
2017	84%	69%
2018	90%	100%
2019	100%	100%
2020	100%	100%

V. EXISTING KNOWLEDGE AND APPLICATIONS OF FINANCIAL SELF-RELIANCE IN PUBLIC SERVICE PROVISION[10]

1. STAKEHOLDER OBSERVATIONS ON PA SELF-FINANCING

Both academic experts experienced in forestry and economics and PA managers are well-aware of the background and application of autonomy and self-responsibility concepts, as applied to PNBUs.

[10] The information in this chapter is based on Nguyễn Việt Dũng 2020.

A push towards financial self-reliance is generally seen as being a core part of these efforts. It is interesting to note that there are however some key differences in the way in which these two groups of interviewees interpret self-financing.

Forestry and economics experts focus on the ways in which economic entities and non-state institutions are able to manage their business operations and revenues. They see **autonomy and self-responsibility measures as a response to the public budget having become more limited over recent years,** due to increasing needs to fund the public debt and invest in socio-economic development activities. Self-financing is also perceived to be a way of **facilitating and expediting the reduction of staff** in PNBUs, thus taking pressure off scarce government funds, and as a key step in improving the spending efficiency and cost-effectiveness of PNBUs.

Interviewees point to the fact that self-financing processes are driven by the Central Communism Party and the Government, and particularly guided by the MOF, not solely by sectoral ministries such as MARD, underlining the importance of these economic goals. In this sense, it is thought likely that **MOF and MARD may have different expectations and intentions as regards self-financing**. For MOF, the main aim would be to reduce the demands on the state budget (especially through decreasing or transferring responsibility for expenditures on payroll and investment items). For MARD, the focus would be more on improving the revenues and income generated by PAs.

In contrast, PA managers tend to emphasise the government's intention to empower and encourage **PA to finance their own management from self-generated revenues, and take on progressively greater decision-making responsibilities** in financial planning, spending and management. However, it is widely predicted that state budget support will progressively decline over the coming years, meaning that PAs will be required to put more and more effort into generating income and covering their costs. There will be greater needs to apply business-oriented and market-driven approaches to revenue generation, based on user or beneficiary pays principles.

While recognising that the move away from dependence on the state budget towards financial self-reliance would be a gradual transition, PA managers express great concern about the wider impacts of a decline in funding availability on organisational performance and work demands. This is seen as being likely to **place PAs – and their staff – under increasing pressure to balance multiple goals and responsibilities**. As well as delivering mandated forest protection activities and responding to conservation threats and challenges, PAMBs would now also be required to undertake measures to become more effective and proactive in their organisation, operations and marketing – while also facing increasing budget constraints.

PA managers also emphasise that certain key structural constraints remain which act as obstacles to self-financing. One set of challenges relates to gaps in **planning and administrative procedures**. As yet, no assistance has been provided to PAs to assist in developing a roadmap or plan for self-financing. There are also still no guidelines on the economic and technical norms that are required to effectively plan budgets and spending. Another limitation is the inconsistent regulations between provinces regarding how much revenue PAs are allowed to retain, and how much must be remitted to the state budget.

There is also a critical need to **invest in the basic infrastructure and facilities that are required to attract new business and generate additional revenues**. This is seen as a particular constraint in relation to developing tourism earnings. The problem is compounded by the lack of incentives, attractive partnership models or long-term rights which would encourage private investors to collaborate with PAMBs to develop profitable economic activities.

PA managers also highlight **capacity constraints**. They express the opinion that forestry and conservation staff lack the training and experience to develop business plans, or to conceptualise

and manage revenue-generating activities such as tourism. Short contracts and low salaries also act as a constraint to hiring and retaining qualified and dedicated staff.

2. EXPERIENCE FROM OTHER SECTORS

The experience of PNBUs in the science and technology sector suggests a **'conditional autonomy'** process, which has depended on the provision of clear legal guidance, strong leadership, a supportive R&D policy with non-refundable provision of technology and equipment, a favourable business environment to enable and facilitate PNBUs to increase self-financing and autonomy. Moves towards greater financial self-reliance have also yielded **positive effects on organisational functioning and effectiveness**. A recent review of the experience of science and technology units or departments in universities (Tran Thi Hong 2019) shows that self-financing policies have strengthened capacity and attitudes with regard to competitive bidding for research funding, and also created new sources of finance that could be used to expand the staffing base to include contractors and non-permanent researchers. It has also improved the degree of self-determination in financial decision-making, and allowed for greater flexibility in managing revenues and spending. It is however worth noting that processes of autonomy and self-responsibility can also place a strain on organisational competence and functioning. For example, efforts to bid and win large funding proposals can raise governance-related issues (for example in relation to bribery and corruption), and can overstretch the limited implementation capacities of many research units.

Interviews carried out by the current study with a successful self-financed R&D centre at Hanoi National University largely reinforce these conclusions. Interviewees suggested that one of the greatest advantages of transforming to a self-financing unit is that the centre has **become much more proactive, expanding its remit beyond conventional research** work to the provision of consultancy, training and technology transfer services. It has likewise enabled broader opportunities for international cooperation and collaboration with the private sector. Being equipped with greater decision-making power about the use of funds and hiring of staff has also had a beneficial effect on human resources capacities. It has opened up new possibilities for investing in staff training, and for bringing in experts to develop new projects or to supplement the existing skills base in the organisation.

Experiences from the education and training sector paint a similar picture. The public university system in Viet Nam has been applying autonomy and self-financing principles for more than a decade now, responding to Resolution 35/2009/QH12. A recent review (Do Minh Thong 2019) suggests similar lessons to those noted in the science and technology sector concerning **the importance of establishing broader enabling conditions**. Here, financial administration and management were particularly important. Self-financing processes were generally accompanied by proactive efforts by universities to formulate new internal expenditure management rules based on output-based budgeting and management. Increased self-reliance also provided the impetus and means for universities to **diversify the range of services offered**, including, for example, in-service training, distance learning, and collaboration with other international and domestic partners. This made it possible to self-finance a significant portion of salary payments, and to better align staffing with the reform of organisational structures and management processes.

Several factors have however acted as **barriers to universities being able to achieve greater autonomy and improved self-financing**. One important challenge has been the inability to increase tuition fees, which remain fixed. Another constraint is that, so far, universities still have only limited autonomy as regards curriculum development and course design, meaning that it is not always possible to meet external demands for tailored training programmes, or to respond to requests to engage in collaborative activities. Both of these factors place limitations on the extent to which it has been possible to increase the amount of income earned. As a result, most universities

have only been able to improve self-financing in relation to regular spending (primarily salary and staff costs), and continue to rely on the state budget for investments.

A strong recommendation is **the need for adequate investment by the state to build up the facilities that are required to enable universities to meet market demands**. It is also important that universities be permitted to set the price of the training services they provide, as well as to enter into partnerships and joint ventures with other partners, so as to **mobilise the investment capital that is required** to increase the quality and range of educational and training services offered. In addition, universities need to be able to **determine how best to use their capital and property, and reimburse their staff** according to a performance-based system, so as to utilise these resources to deliver high-quality and competitive educational and training opportunities.

3. WHAT INSIGHTS DO THESE PERSPECTIVES OFFER FOR PAS?

The consultation with key PA, forestry and economics stakeholders uncovers a number of important insights which have bearing on PA self-financing processes. Perhaps most important is the need for broader support to be provided to PAMBs, as they attempt to undertake the measures and effect the changes that will help in achieving a greater degree of autonomy and self-responsibility. Experience from science, technology, education and training sectors similarly points to the importance of this kind of 'conditional autonomy process'. It highlights that, **with sufficient support and enabling conditions in place, greater financial self-reliance can act as a powerful catalyst for PNBUs to improve and extend their operations and capacities take on new ideas and ways of working, and extend their reach and partnerships**.

This need for broader support has several aspects:

- The need to **communicate clearly** the targets and intended outcomes of the process towards self-financing. While understanding the principles and applications of autonomy and self-responsibility, many PA managers remain uncertain as to how this will affect their operations and financing base, Specifically, it is necessary to take steps to investigate and to inform PA managers and local authorities about:
  - Given the increasing threats to biodiversity and the challenges to PA management, together with the hardships faced by many PAs in carrying out forest protection activities, should provincial PAMBs always be expected to apply the principles autonomy and self-responsibility?
  - If taking steps to improve financial autonomy is a must, what extent of threats and risks to PA sustainability might a PAMB face if there was an immediate reduction/cut-off of recurrent budget and permanent staff? How would the conservation and stakeholder engagement responsibilities of PAMBs be impacted, and how would the PAMB be held accountable, should failures in PA management and biodiversity conservation occur?
  - Which conditions should be in place to ensure that PAMBs can proactively generate additional income and achieve a substantive level of self-financing? Which criteria should be used to determine whether a PAMB is suitable to pursue financially autonomy, which would also ensure that management and conservation outcomes are maintained and/or enhanced?;
  - What extent of power / authority needs to be fully and legally given to a PAMB that enables and motivates it to generate, mobilize, manage, use/distribute off-budget income sources in order to effectively support their operation, management and conservation?
- At the strategic planning level, there is both a regulatory requirement and an on-the-ground need to ensure that a step-by-step **roadmap and plans** are developed at both system and site

levels. These would outline the process for rolling out self-financing, as well as identifying the means by which it might be accomplished in different contexts. To do this:

  - MARD/VNForest need to study and develop a proposal to demonstrate and pilot self-financing mechanisms that are linked to the implementation of SFMPs, focusing on those PAs that have a high possibility to generate and expand additional off-budget revenue sources;
  - Efforts should be made to convince MoF and provincial authorities to grant the management boards of national parks and nature reserves (under MARD and provinces respectively) rights to manage and use revenues collected from PFES as off-budget finance, including (entrance) fees and charges collected from tourism activities as a form of direct service payment.

- At the operational level, there is also a requirement for MARD to develop the **guidelines and norms** that are required to effectively plan budgets and spending, and guide PAMBs in the process of achieving greater autonomy and financial self-reliance;
  - Specifically, PAMBs need to be provided with economic and technical norms defined for each type of work/activity as well as public service they are assigned to create and supply (such as biodiversity inventory and monitoring, forest patrolling and protection, tour-guide and nature interpretation, etc.) These need to be developed and guided throughout all activities and work aligning to operational packages of works/activities defined for SFMP development and implementation.
- There is a critical need to ensure that structural and enabling conditions are in place to empower PAs to develop new revenue streams and increase their financial self-reliance. It is particularly important to ensure that **sufficient investments are made to establish (or upgrade) the basic infrastructure and facilities that are required to attract new business and generate additional revenues**.
- At the same time, efforts are required to ensure that broader policy and regulatory frameworks provide a **supportive environment and incentives to encourage and facilitate increased investment, especially from the private sector.** Such investment in making infrastructure and conditions would target to support PAMBs to facilitate and operationalize market-oriented financial mechanisms and private engagement such as ecotourism, extended PFES including carbon credit transaction, green bonds, lease of forest environmental services, and other suitable landscape financing schemes.
- PA systems, procedures and staffing are oriented towards forest management and conservation. Many PAs have limited technical and organisational capacity to plan for and apply business-oriented and market-driven approaches, or to manage revenue-generating activities such as tourism. There is a need to **build this capacity and assist in providing external expertise where required**, so as to avoid placing an undue burden on PAMB staff, or deflecting scarce time and effort away from core conservation mandates. Responding to that need, PAMBs should be well introduced and strengthened their capacity in public relation and image-building by different means (social media, online base, communication, education, etc), highlighting values of PAs and extracting interests of public and investors. More important, PAMBs should be provided with regular platforms where they can meet, exchange and partner with private sectors and authorities interested in nature-based business such as ecotourism and/or lease of forest environmental services. Based on this platform, PAMBs could also be empowered with training/capacity building in marketing, business planning or investment issues.

VI. INTERNATIONAL EXPERIENCES, LESSONS LEARNED AND BEST PRACTICES

1. EFFORTS TO DIVERSITY PA FUNDING

The laws governing PAs in most, if not all, ASEAN and Mekong countries, allow for income to be generated from a variety of sources. These typically include the government budget, international-funded projects, entry fees, concession and lease fees, other land and resource use charges, penalties, fines, sales of souvenirs, corporate sponsorship and private donations. Over recent years many of these lists have been expanded – or reinterpreted – to incorporate additional financing mechanisms. For example, most countries are now making efforts to capture some form of payments for ecosystem services (PES), and to develop carbon finance, biodiversity offset, as well as to attract sponsorship and support from the private sector.

For the most part, **these new, extra-budgetary PA financing mechanisms however remain at the planning stage or are only being piloted at a very limited scale**. With few exceptions, PAs continue to rely on government budgets and international development assistance for the vast majority of their funding. For example, a recent study found that Myanmar's PAs generated just USD 57,000 in revenues in 2018/19, equivalent to only 4.1% of total funding needs (Emerton et al. 2020). In Thailand, too, the vast majority of PA funding – an estimated 80% – continues to be provided from public budget allocations (Leangcharoen 2011). Even in the Philippines, which allows for a relatively wide range of self-generated revenues, only just over a half PAs are generating any revenues, and the primary source of PA funding (61%) remains national budget allocations (Anda and Atienza 2013).

Protected areas in most other parts of the world face a similar situation. **With few exceptions, PAs rely overwhelmingly on the public budget**. For example, in the USA, core public budget allocations contribute 88% of the National Park Service's annual funding, and fees, donations, and other funding sources around 12% (GAO 2015). Similarly, more than 87% of Parks Canada's funding comes from government appropriations, and only 13% from internally-generated revenue that may be reinvested directly into park services and facilities (LeRoy and Green 2005). In Australia, user charges such as visitor fees, tour operator licences and photographic licences make up less than 5% of PA funding (Commonwealth of Australia 2007).

There are very few examples of countries in which PAs do not receive funding from central government. In Macedonia, for example, PAs are variously managed by 'public institutions' and 'public enterprises' specially created for the purpose, or delegated to municipalities and even in some cases NGOs. None of these management authorities receive any central budget support, and are therefore responsible for finding their own funding (Emerton 2010). In Montenegro, only national parks can receive transfers from central government – other PA categories receive no core budget at all. Even national parks, which function as public enterprises, are expected to cover most of their operating costs from self-generated revenues; over recent years the figure has varied between two thirds and three quarters of annual spending (Emerton et al. 2011). In practice, this means that there is a heavy reliance on income generated from tourism, forestry, hunting and other extractive uses of PA lands and resources– which often creates an ongoing source of tension as regards conservation objectives.

Aside from government and donor budgets, entry charges and other fees for the use of PA lands and resources remain the main source of PA self-generated revenues in the region (although, as discussed in the next section, these revenues are not always retained for spending by the PAs in

which they are generated). Almost all of these are linked to tourism. There have, as yet, been very few attempts to diversify this fee base.

In other parts of the world there are however some interesting experiences of developing **non-conventional PA user fees and service charges**. For example, Yosemite National Park in the USA offers a variety of fee-paying activities, including a special use permit of USD 150 for holding weddings and commitment ceremonies in the PA. In response to increased pressure to self-finance, PAs across the Caribbean are also coming up with new income sources that can supplement existing tourist entry fees, diving charges, land leases and concessions – for example hosting special events such as weddings, as well as concerts, theatre performances and even an International Jazz Festival in St. Lucia. In New Zealand, even though the Department of Conservation is not permitted to charge park entry fees, it is able to fund almost a fifth of its operations through other charges such as fees for filming, tourist concessions, the provision of trails and other hiking facilities, and farming fees. Several PAs in India offer the opportunity for visitors and companies to pay to adopt an animal. For example, in Sanjay Gandhi National Park near Mumbai, sponsorship packages are offered which display the name of the sponsor publicly, and allow a visit to be made to the park once a month, free of charge. Varying rates are paid to sponsor animals, running as high as USD 4,500 or more a year for a lion or a tiger, to a more modest USD100-200 for a deer.

Another way of optimising self-generated PA revenues is to ensure that user fees and charges are **priced at high enough levels to recover costs**. PA fees are routinely revised and updated on an annual basis across most of Europe and North America. In Canada, for example, charges for PA services and facilities are set at market rates, with a considerable degree of flexibility allowed for prices to be determined at the site level, reflecting the real costs of providing services, as well as consumer demand, and ecological values (LeRoy and Green 2005). The 2017 Service Fees Act allows for automatic annual fee adjustment in line with the consumer price index, so as to ensure that fees keep pace with inflation.

Similar procedures are applied the USA to ensure that national park fees are in line with current price and cost levels. This makes a significant difference to earnings. The US National Parks Service's income from fees and charges increased by 39% after prices were adjusted for inflation. This included an increase of 26% in recreation fees (entrance and amenity fees for facilities such as campsites), while revenues from concessions and commercial authorisations nearly tripled. These are particularly important sources of income: currently, there are around 575 concession agreements and 6,000 commercial use authorisations in national parks for tourist lodging, transportation, meals and recreation, generating annual revenues of approximately USD 1 billion. The National Parks Service has recently developed a new policy which goes beyond cost recovery (the traditional method used to set fees for commercial use authorisations), and offers the opportunity to increase revenues still further. It is now possible to charge businesses a fee that is either based on a percentage of gross receipts or on the recovery of administrative and management costs, whichever is more (GAO 2015).

Efforts to diversify PA financing also extend to finding **new sources of public funding that are supplementary to, and managed outside, core annual budget allocations**. Three instruments, in particular, have been tried with particular success: ecological-fiscal transfers, fiscal earmarking, and park bonds. While all are beginning to be tried and tested in the ASEAN and Mekong regions, most working examples come from other parts of the world.

Ecological-fiscal transfers (EFT) are a way of accounting for conservation costs in sub-national budget allocations. Several countries have integrated PAs into the formulae that are used to determine vertical budget transfers. Portugal is perhaps the most well-developed example. Since 2007, the Local Finances Law has specified that 5-10 per cent of the General Municipal Fund

(public tax revenues) will be distributed to municipalities as lump-sum payments according to the amount of territory under PAs or land with Natura 2000 status (Ezzine de Blas et al. 2017, Illes et al. 2017). Transfers per hectare are higher if protected area coverage in relation to municipal area is beyond 70% (Ring et al. 2011). Well-developed systems for EFT which take some account of PAs also exist in Brazil, France, Germany, Poland, Portugal and Switzerland. For example, in Brazil, the Federal Constitution allows for a quarter of the revenues from a tax imposed on the circulation of goods, services, energy and communications to be allocated to municipalities; of this share, 25 per cent is distributed according to criteria defined by each state, including as compensation for land-use restrictions associated with conservation (May et al. 2002).

There is growing interest, although as yet only limited application, of EFT in Asia. For example, EFT is under development in Indonesia, and have been discussed in Malaysia and the Philippines. In India, the allocation formula used to calculate the grants-in-aid provided to different states was formally modified in 2015, adding forest cover to the existing criteria used to determine the ratio of central tax revenues shared. Each component of this 'devolution formula' is accorded a weight, including the state's area (15 per cent), population in 1971 (17.5 per cent) and 2011 (10 per cent), fiscal capacity and income distance (50 per cent), and forest cover (7.5 per cent) (Verma et al. 2014). These forest-based revenue transfers work out to about USD 120 per hectare per year (Busch 2015).

Fiscal earmarking describes the process of setting aside public revenues for a particular purpose, recipient or location (in this case PAs). They may have been generated by sectors, agencies or users that depend or impact on that PA, or by other sectors, agencies or sites. For example, in both Estonia and Ireland, fishing fees are directly used to protect fish habitats through conservation funds (Ezzine de Blas et al. 2017). In Belize, all air, land and sea travellers are required to pay an international departure tax of USD 39.25, of which USD 3,75 is designated as a conservation fee and paid into the national Protected Areas Conservation Trust fund. In the USA, a variety of tax revenues are earmarked for spending on PAs and nature conservation. For example, a 10-11% excise tax on hunting and angling equipment and 3% tax on sport fish supplies are used to fund USA Federal Wildlife Program. In California, 10% of tobacco tax revenues are earmarked for parks and wildlife habitat, and 0.05% of Missouri's tax on sales of personal property and retail services is allocated to the Department of Conservation. The Nebraska Environmental Trust Act and Great Outdoor Colorado programme are both funded from proceeds from the State lottery.

Similar principles have been applied in some countries to generate additional public revenues for PAs through the introduction of voluntary or market-driven conservation surcharges or levies. These are extra fees that are added on to the retail price of products or services. For example, several states in the USA offer vehicle owners the opportunity to purchase higher-cost licence plates, with the surcharge being directly earmarked for conservation funding. The additional USD 30 fees associated with Minnesota's 'Critical Habitat Plate' are channelled to the Reinvest in Minnesota Critical Habitat Program, and similar schemes operate via Nevada's 'Conserve Wildlife' license plate, Maine's 'Conservation and Support Wildlife' plate, and Ohio's 'Conservation and Sportsman's' plates.

Bonds have long been used by governments and companies all over the world to raise capital to fund investments. They offer investors a way of lending money for a specified period of time, earning interest as well as recouping their initial investment. Green bonds are now becoming relatively well-established in East and Southeast Asia as mechanisms for raising public (and private) climate finance. For example, more than USD 36 billion in labelled green bonds was issued from China in 2016. In 2014, the Export-Import Bank of Korea unveiled a USD 500 million green bond, intended to be used to finance low carbon and climate resilient growth projects. In 2017, Indonesia's Financial Services Authority launched a regulatory framework for green bonds,

and several issues have been made, both sovereign and corporate. The Finance Ministry produced a green Islamic bond (*sukuk*) in February 2018, raising USD 1.25 billion for environment projects. As yet, bonds have not however been used to raise funding for PAs in any ASEAN or Mekong countries.

In the USA, 'general obligation bonds' are widely used to finance locally-run public parks and recreational facilities, including PAs. These are a form of debt obligation that are sold to investors, and repaid through the imposition of a dedicated debt service levy on taxpayers. The proceeds can only be used to fund the capital costs of park facilities and infrastructure (including land acquisition), and are not permitted to be used for their everyday operating costs, such as salaries or maintenance (these are funded from core budget allocations, or other sources). For example, in 2019, a USD 150 million 'Doral Parks for Tomorrow Bond' was issued by the City of Doral in Florida. This is being used to finance the expansion and upgrading of recreational parks (green spaces, skate parks, network of trails, other visitor facilities, etc.).

A Parks Bond was also issued last year by the town of Clayton in North Carolina, raising USD 18 million to finance the implementation of the city's Parks and Recreation Master Plan. California has a particularly long history of parks bonds, with the first State Parks Bond Act of 1928 raising USD 6 million for park acquisition, and funding the growth of the new state park system. In 1986, the Community Parklands Act authorised a bond issue of USD 100 million for 'acquiring, developing, improving, rehabilitating, or restoring urgently needed local and regional parks, beaches, recreational areas and facilities, and historical resources'. Most recently, the Parks and Water Bond Act of 2018 authorised a USD 4 billion bond, to be used by the Department of Parks and Recreation to fund state and local parks, environmental protection and restoration, water infrastructure and flood protection projects.

2. MECHANISMS FOR RETAINING FUNDS FOR PA SPENDING

It is now relatively common to develop some kind of a financial retention mechanism or revenue-sharing arrangement, at the same time as making efforts to diversify the PA funding base. The aim is to ensure that funds can be kept by the PA that generated them, and reinvested in conservation. This represents something of a departure from the traditional system of remitting all revenues to central government, and relying on an annual budget allocation that is largely delinked from the amount of income earned by a PA.

The **Philippines** provides one of the most well-developed examples of a PA financial retention mechanism. As early as 1992, the National Integrated Protected Areas System Act established the 'Integrated Protected Area Fund' for retaining, administering and reinvesting PA revenues. Its provisions have been revised and updated several times over the last 30 years. Today, both a central IPAF and site-level sub-funds are in place. A law was enacted in 2013 allowing for 75% of income from entry charges and user fees, leases and concession fees, and other revenues derived from the operation of the PA to be retained by the management board of the PA in which they were generated. The remaining 25% is remitted to the central IPAF (operated by the Department of Environment and Natural Resources, the agency with overall national responsibility for PA management and coordination) to support non-earning PAs and the operation of the fund's governing board. All donations and endowments are retained by the PA in which they were generated, and are granted tax-free status. The IPAF has generally functioned well as a mechanism to improve PA funding autonomy and cost-recovery, and to ensure that that self-source revenues are not mingled with core annual budget allocations (Anda and Atienza 2013).

A PA revenue retention fund has also been created in **Malaysia**. The Marine Park and Marine Reserve Trust Fund was established in the late 1980s, in order to earmark and separate self-

generated income from core annual budget allocations. It is mainly resourced from the proceeds of a conservation charge levied on all visitors to marine protected areas, as well as from donations from companies and the general public (Ali et al. 2013). The retained revenues are administered by the Department of Marine Parks, and spent on the management of education, awareness and tourist facilities.

Several other ASEAN/Mekong countries also allow for some level of revenue retention at the site-level, although have not yet developed separate funds to manage the resulting income. In **Thailand**, a proportion of self-generated revenues (mainly entry fees, charges for accommodation and other recreational facilities, concession fees, fines and penalties) are returned to the PA that generated them. They must however first of all be remitted to the central account of the Department of National Parks, Wildlife and Plant Conservation. Here, they are classified in five sections: 20% is reserved for spending by the department at the national level, up to 50% is available to PAs for projects and can be accessed by submitting a proposal, 15% is returned to the PA that generated it for spending on tourism management and infrastructure, 10% is allocated for capacity-building in the PA, and 5% is distributed directly to the district or local authorities (Leangcharoen 2011).

In **Myanmar**, too, revenue retention and earmarking arrangements have recently been negotiated, and are currently in the process of being legislated. The draft Conservation of Biodiversity and Protected Areas Rules allow for a portion of entrance fees and other tourism-related revenues to be retained by the PA that generated them (Emerton et al. 2020). The proceeds are to be used to fund infrastructure, equipment and maintenance costs, and to support community activities.

Similar arrangements exist in other parts of the region, although in many cases are still only being implemented at the pilot level or for selected PAs – usually those that generate large revenues from tourism. For example, from December 2019, a 'tariff to support environmental services' of USD 32-65 has been charged to visitors to in **Indonesia** Raja Ampat Marine Park (in addition to the visitor entry ticket that is collected by the Tourism Office for spending on infrastructure). All of the revenues are retained at the site level. The local government is allocated 20-30% for general development activities, and 70-80% is used to fund the operational costs of PA management and to support community conservation and development programmes. Similar systems of site-level retention and administration exist in Komodo and Bunaken National Parks (Mous et al. 2004, Rodriguez 2014, UNDP 2012).

3. DECENTRALISED SYSTEMS FOR PA FINANCIAL PLANNING AND MANAGEMENT

Throughout most of the region, PA financial planning and management remains highly centralised. While annual workplans and budget requests are mainly prepared (and reported on) at the site level, these are usually consolidated, and funding decisions are made by national or sub-national government. This is also the case in many other parts of the world, especially where PAs are centrally-funded. For example, in the USA, PA budgets are requested, received and allocated by the National Park Service headquarters, even though regional directors and site-level managers are responsible for the management and implementation of conservation activities.

However, **where site-level revenue retention mechanisms have been set in place, more decentralised financial planning and management systems have usually evolved** – and, to a large extent, are required, in order for such mechanisms to function effectively. For example, the IPAF system in the Philippines allows for each PA management board (PAMB) to exert

considerable influence over how retained revenues are allocated and spent, in line with the management plan prepared for the site. The Expanded National integrated Protected Areas System Act of 2018 authorises PAMBs to allocate financial resources for the implementation of conservation activities and to manage the IPAF retention income account, as well as to set fees and charges.

Similarly, the national parks in Indonesia which are piloting revenue retention arrangements have also developed decentralised financial planning and management systems. In Raja Ampat Marine Park, a Technical Service Unit has been established as a Regional Public Technical Service Agency for Raja Ampat Marine Protected Areas, which functions as an autonomous unit within the Dinas Kelautan dan Perikanan (the provincial government Department of Oceans and Fisheries). It is authorised to collect and administer the entry permit fees. Its status enables it to flexibly use non-tax revenues to cover PA management costs. Discussions are currently being held to see if this system could be replicated for other PAs in Indonesia.

These arrangements are similar to the more decentralised, or even semi-autonomous, financial management models that have emerged in several European countries, where a diversity of PA categories exist, many of which are allowed a considerable degree of autonomy as far as financial planning and management is concerned. For example, although all national parks in the UK are funded by central government, each is governed and administered by an independent, multi-stakeholder authority that largely determines how this money is spent. The authorities are also responsible for approving each national park's financial policies, business plans, annual budgets, and other financial statements and reports.

Financial strategies, business plans and investment plans have become widespread over the last two decades or so, across much of the world. As well as decentralising financial planning and management, they also serve as a mechanism with which to promote greater accountability – and in some cases responsibility – for fundraising and fund management. For example, in the USA, National Park Service regional directors and PA managers are responsible for developing annual strategic business plans for each National Park. These identify the levels of funding needed for each park, and provide a way of informing Congress and the public about the way in which funds have been spent and used. Similarly, Parks Canada local field units and service centres present annual busines plans.

Protected area financial and business planning practices are also beginning to be adopted in ASEAN and Mekong countries, although – as is the case with fund diversification and retention efforts – largely on a pilot basis. For example, several PAs in Indonesia have developed financing strategies and business plans (see, for example, Bappenas 2019, Katz et al. 2015, Gallegos et al. 2005). In Myanmar, a conservation investment plan was recently developed for Htamanthi Wildlife Sanctuary (MONREC 2020), and there are plans to scale up this approach to other priority PAs.

Over the past few years, several PA business planning frameworks have been tested in Thailand, mainly under the auspices of internationally-funded projects. Business plans have been developed in several sites (including Doi Inthanon National Park and Lanta, Similan and Surin Islands Marine National Parks) – although none are yet formally approved or being implemented. Similarly, project-supported business plans have been produced for Taman Negara National Park, Royal Belum State Park and Endau-Rompin National Park in Malaysia, and are under preparation in Dong Phou Vieng National Protected Area, Phou Xang He National Protected Area and the proposed Ong Mang Protected Area in Lao PDR.

4. WHAT ARE KEY LESSONS LEARNT AND BEST PRACTICES FOR PA SELF-FINANCING?

The review makes it clear that PAs all over the world, including in the ASEAN/ Mekong region, are facing increasing pressures to self-finance, in the sense of reducing their dependence on central government budgets. Although there is a growing experience of revenue diversification and retention and, to a lesser extent, financial decentralisation, it remains fairly limited. In most cases, self-financing measures are still being tested on a pilot basis, and are not yet institutionalised across the PA system. A number of useful lessons learnt and best practices are however beginning to emerge, which have relevance for Viet Nam.

One important point is that **new PA funding sources should not be seen as a substitute for public funding, but rather as a supplement.** Self-financing is not the same as (and should not be taken to mean) withdrawing state budget support altogether. It is neither realistic nor desirable to expect PAs to be able to generate all of their own income, or to entirely cover their expenditures. The state has both the mandate and responsibility to act in the public interest to maintain the PA network, so as to secure national and global conservation benefits.

Self-financing does not just refer to efforts to generate revenues from external sources, but also **includes efforts to mobilise new and additional, extra-budgetary public funding**. A variety of financing mechanisms have proved successful in leveraging additional income for PAs from other sectors and sources, including fiscal earmarking, ecological-fiscal transfers and bonds.

It is increasingly recognised that, as part of decreasing the reliance of PAs on the public budget, **self-financing also goes along with (and to some extent requires) other aspects of fiscal and financial decentralisation**. Requiring PAs to generate their own funding also implies assigning them more responsibility to plan, manage and allocate the resulting funds, and to make decisions about their own budget and spending needs.

Earmarking and retention are an important part of self-financing. If PAs cannot retain the income and revenues earned, then efforts to broaden and diversify the funding base will have little effect on funding availability and financial sustainability at the site level. Developing a diversified funding portfolio usually **requires establishing a mechanism for receiving, retaining and administering self-sourced revenues separately** from core annual government budget allocations. In most cases, some kind of extra-budgetary PA fund or account is set up as part of the self-financing process.

Self-financing processes are commonly accompanied by the **adoption of a more 'business-like' approach to PA financial management**. This typically includes promoting greater efficiency and cost savings, applying market pricing and cost recovery principles, and an increased emphasis on financial accountability and transparency. New PA staff capacities and skillsets are usually required to develop and sustain self-financing efforts.

Most PAs that have diversified their funding base away from the pubic budget have also adopted more streamlined financial planning approaches, in the sense of being simpler and more efficient or effective in conservation and spending terms. The extend beyond conventional budget preparation and reporting procedures. Self-financing efforts are commonly accompanied by the development of annual and medium-term **PA financing/business strategies and plans, as well as marketing and fundraising plans**. As well as enabling PAs to accurately estimate their funding status and gaps, and identify potential new sources of income, these typically serve to communicate and promote these financing needs to funders and donors.

VII. KEY CONSIDERATIONS AND WAYS FORWARD FOR PA SELF-FINANCING

It is now almost 20 years since Decree 10/2002/NĐ-CP formalised the concept of financial autonomy for self- financing PNBUs, and 15 years or more since Decrees 115/2005/NĐ-CP and 43/2006/NĐ-CP came into force, encouraging PNBUs to become more financially self-reliant, 'socialise' service provision, and shift towards more business-oriented models. The wish to reduce dependence on the core state budget, including decreasing the number of permanent staff on the payroll, continues to provide a major motivation for these reforms. In response, autonomy and self-responsibility principles have gradually started to be incorporated into the operations and organisation of many different economic sectors and public service units.

The regulations and guidance on PNBU autonomy and self-responsibility have been updated periodically, and particularised for specific sectors. Decree 141/2016/NĐ-CP guides these processes for agriculture and rural development sector organisations, but is still at a relatively early stage of implementation in SUF and PF. It remains **a major challenge to ensure that the process of extending autonomy, self-responsibility and financial self-reliance across PAs is both feasible and sustainable from an organisational and financial standpoint, and also continues to support conservation and management effectiveness goals**. The paragraphs below present conclusions about challenges, risks and opportunities in the development of measures to operationalise principles relating to PA self-financing, and provide concrete recommendations about needs, options and next steps in identifying selection criteria, developing a roadmap of actions, and revising policy and legal frameworks to support this process.

1. CONCLUSIONS: CHALLENGES, RISKS AND OPPORTUNITIES

1.1. It is important to recognise that PAMBs differ from many other public service providers

One important consideration is that PAMBs cannot be treated like many other PNBUs[11], as PA services differ in a number of important respects from most other public services. Many, if not most, of the services that PAs provide (and that PAMBs are mandated to manage and deliver) have some or all of the characteristics of public goods: they are non-rival, non-excludable, non-divisible, are often indirect or non-material, have no clear or enforceable market or price, and typically accrue to multiple beneficiaries and users over a wide geographical scale. Special use forests and protection forests are public assets which are managed by the state in the broader national and global public interest, and the state is committed to ensure resources for their management, protection and development.

These characteristics means that many, if not most, PA services fall into the category of 'public services funded by the state budget' as defined in Article 3 of Decree 141/2016/NĐ-CP and listed in Decision 254/2017/QĐ-TTg. Relatively few meet the criteria of public services not funded by the state budget, i.e. are amenable to private sector involvement, have high potential for socialisation, or can be priced according to market mechanisms. Obvious examples include conservation of nationally and globally significant biodiversity, provision of habitat to rare and endangered species, and generation of ecosystem services that secure essential life support, disaster risk reduction, regulate hydrological and other physical processes, or safeguard heritage and cultural values.

[11] An additional point, which needs to be clarified, relates to the question of whether, in fact, PAMBs are legally designated as PNBUs in the first place (as discussed above, in Chapter 0).

Another critical feature of PAs is that their services are, by definition, tied to landscapes with extremely high biodiversity value, which are typically highly sensitive to human impacts and disturbance, and contain a concentration of species and habitats which are vulnerable, threatened and/or of special conservation concern. Increasing the level of service provision, introducing additional uses and users, or developing new income-generating business activities is not necessarily in the best interests of biodiversity conservation, which remains the core mandate of most PAs. At the same time, many PAs are occupied and/or used by ethnic communities and other vulnerable and disadvantaged populations. There is always a need to take active and stringent measures to ensure that any financing mechanism or revenue source that is introduced or used in a PA is first subject to proper social and environmental assessment procedures and safeguards, and will not in any way act in contradiction of biodiversity and ecosystem conservation goals, impact negatively on local communities or serve to undermine their livelihoods and social/economic wellbeing. Wherever possible, efforts should be made to ensure that new financing mechanisms do not only generate additional funding for conservation, but have additional positive effects on the status of biodiversity, ecosystems, local livelihoods and community socio-economic status.The unique situation of PAs means that there is a risk to promoting a unitary model of financial self-reliance, or assuming that the processes and targets applied to other sectors can be easily and unthinkingly transferred to PAs. The ability of a PA to generate cash revenues should neither be taken as an indicator of its worth, nor of a PAMB's performance or effectiveness as a public service provider. It should also not be conflated with it having 'earned' the right to greater autonomy, self-responsibility or devolution of decision-making authority.

In fact, there is a risk to doing so. Some of the PAs that are most important in biodiversity conservation terms, generate the most beneficial or wide-ranging ecosystem services, and are most effectively and efficiently managed, have the lowest potential for self-finance. Allowing those PAs to become financially and operationally marginalised (because of their inability to 'qualify' for enhanced autonomy, or due to a lack of budget support) would pose a clear threat to biodiversity and ecosystem conservation, and thus to the core mandate of the PAMBs, MARD, Provincial authorities, and the government more generally.

These characteristics place obvious practical limits on the extent to which forest public services can (or should) be monetised or 'socialised' – and thus on the degree of autonomy that SUF and PF can expect to be granted. It means that many PAs can never transition successfully to 'level 1' PNBUs that are fully able to cover their capital and recurrent costs, and some may be unable to generate any revenues at all. One clear conclusion is therefore that **efforts to apply autonomy and self-responsibility principles need to recognise, and be tailored to, the specific characteristics and circumstances of PAs**. Not every PA has the potential (or will ever have the capacity) to become even partially self-reliant in financial terms – and should not be expected to transform towards a business model.

1.2. There are both needs and opportunities to develop new pa funding sources

Even though only a limited proportion of SUF and PF services have the potential to be categorised as 'public services not funded by the state budget' (as defined in Article 3 of Decree 141/2016/NĐ-CP), **there are undoubtedly some opportunities for 'socialisation'. In this respect, there are clear needs – and possibilities – to identify and develop new PA financing mechanisms and funding sources. It should however be emphasised that these opportunities are not universal, and do apply equally to all PAs.**

To date, only a small proportion of the sources allowed for in the Budget Law 2015, Forestry Law 2017, Decrees 16/2015/NĐ-CP and 141/2016/NĐ-CP are actually being used at any significant level to fund PA management. Self-generated revenues are dominated by PFES and ecotourism

– and these two funding sources also tend to form the focus of most PA self-financing discussions and plans. Both undoubtedly offer great possibilities to increase the financial self-reliance of some PAs. In these instances, there is a clear need to undertake the market research and secure the investments to enable ecotourism to emerge where it does not yet exist, or to improve the quality, scale or profitability of current business operations. There is also the potential to improve the degree to which PAMBs are authorised to make decision about how PFES income should be used to cover conservation and forest management costs in a given site. However, although these are already important income sources in some sites, and undoubtedly have the potential to be improved and further extended, not every PA has the conditions and potential to earn income from PFES and ecotourism. Even those PAs that do operate PFES and ecotourism are usually unable to cover more than a small proportion of their funding needs from these sources.

It is therefore also necessary to focus on the development of other PA financing mechanisms which are enabled by law. Many PAs sustainable financing options have already been recommended by earlier studies, and in some cases have been piloted at a limited scale. These provide a mechanism for 'socialising' a broader range of services then just tourism and watershed services (the focus of PFES to date) and include, for example, biodiversity offsets, trust funds, corporate sponsorship, private-public partnerships, payments for coastal and marine ecosystem services and forest carbon finance. It is also important to consider new ways of mobilising and directing public funding towards PAs, for example through fiscal earmarking and transfers from other sectors that depend or impact on PA services. Given the conservation mandate and goals of PAs, it is also crucial — as mentioned several times above —to ensure that proper environmental and social safeguards are followed. As far as possible, funding sources and financing mechanisms that depend on non-extractive uses and applications are always preferable, as compared to those based on the active utilisation of PA lands and resources.
While it goes beyond the scope of the current study to identify or assess the feasibility of specific PA financing mechanisms – this is the subject of a separate, focused, exercise – it is clear that a range of more innovative funding sources and PA service fees could be further developed, especially those which leverage funding or investments from the private sector, local households and public-interest organisations. It should be noted that some of these potential funding sources will be site-specific, and can be used directly to improve the financial self-reliance of the PA that delivers the service. Others may generate system-wide funding, which can then be divided between PAs, including those that have less potential to develop site-level self-generated revenue streams.

1.3. Structural barriers and disincentives to financial self-reliance must also be addressed

A third conclusion is that – even when there is potential for greater financial self-reliance or for the development of new revenues and funding streams – **current policy, planning and economic frameworks do not always serve to empower or facilitate PAMBs to transform themselves from state budget-dependent units to self-financed models**. The conditional model of autonomy that has proved to be successful in other sectors and countries demands that these broader enabling conditions and incentives are set in place.

It is important to remember that increasing the level of PA financial decentralisation and devolution is not the same as (and should not be taken to mean) withdrawing state budget support altogether, or requiring PAs to generate all of their own income and cover all of their expenditures. PAs provide certain core functions that are critical in public interest terms, and are an inseparable part of the state's mandate and responsibilities to deliver services to wider society and economy. As described above, examples include securing biodiversity values and delivering key ecosystem regulating and cultural services. In most cases, the provision of these services cannot and should not be expected to be self-financed or to rely on market forces, but needs to be maintained under public funding. There are grounds to argue that the activities required to deliver such services

should be ring-fenced and protected from budget cuts or removal of core support – for example forest protection forces, law enforcement, awareness and education, research and monitoring, and support to buffer zone communities. In this respect, there remains a need is to develop the guidelines, norms and pricing frameworks for budget-funded activities, as demanded in Decree 141/2016/NĐ-CP. Until these are in place, it is difficult to see how PAMBs will be able to progress in planning for greater financial self-reliance.

Another set of enabling conditions relates to establishing the readiness and capacity of PAMBs to take on the challenge of progressing towards greater financial self-reliance (or, as discussed below, at least to improve the financial sustainability of their operations). It is necessary to commit the public funding to make the pre-investments that are required for PAs to build their future funding portfolio and extend their revenue base. This encompasses both 'hard' investments (e.g. in the infrastructure and facilities that are required to establish revenue-generating enterprises and attract external investment and funding), and 'soft' investments (e.g. building PA staff capacities in financial and business skills, providing communications and marketing support, as well as developing the financial planning frameworks mentioned above). The latter is particularly important, and yet is often ignored or underplayed. Even though PA staff are increasingly expected to take on business planning and management roles, they are not typically trained to undertake these tasks, and are rarely recruited on the basis of such qualifications and experience.

Related to this, a third area of need relates to the development of legal, economic and fiscal incentives to attract private investors and facilitate market-based approaches to service generation and pricing. Current regulatory and policy frameworks in the forestry sector provide only limited support to this, and the provisions that do exist for allowing partnerships and profit-sharing, joint rights to manage and use facilities and services, or granting tax privileges, preferential credit and other support are often not fully developed or applied. While a wide range of incentives and stimuli are offered for private investment and market development in other sectors of the economy and to other PNBUs, PAs and PAMBs are often excluded.

1.4. A strategic approach to sustainable finance planning is required

A fourth conclusion is that autonomy and self-responsibility measures undoubtedly offer a number of positive opportunities to catalyse PAMBs to streamline financial and operational management processes, achieve more effective and efficient public service delivery, and adopt more innovative staffing and partnership models. However, **there is a need to take a strategic and well-planned approach to improving financial self-reliance and sustainability, if these benefits are to be realised.**

For those PAs that do have the possibility to capture additional self-generated income, potential sources of new funding and revenues need to be systematically identified, assessed, designed and implemented. While ecotourism is still widely considered to be the best option to engage with outside investors and increase income, it remains inaccessible for many PAs. There is a need to identify and develop other financing mechanisms which are achievable, and suit the needs and opportunities of different PAs.

All PAs have the potential to adopt sustainable financing principles, and to move towards more business-oriented models – for example, through better harmonising budget preparation and conservation planning, seeking to achieve cost savings, utilising existing resources more efficiently, or looking to attract new external grant-based funding. There may also be possibilities to develop new funding mechanisms that operate at the level of the PA network as a whole, rather than being tied to one particular site. These funds can then be channelled to PAs that lack their own income sources.

Identifying the needs, niches and opportunities to capture new revenue streams and improve financial performance and sustainability requires careful planning at both system and site levels. Financial solutions must meet national goals, as well as being tailored to the specific conditions and circumstances of each PA. The prescribed content for SFMPs and other operational forest and conservation plans does not however currently incorporate sustainable financing aspects, or include a business plan that lays out how the PA will seek to develop financial self-reliance. There is a need to expand these planning frameworks, if PA financial self-reliance is to be improved.

2. RECOMMENDATIONS: NEEDS, OPTIONS AND NEXT STEPS

2.1. Criteria for selecting PAs to develop self-financing and business-oriented models

It is recommended that 'financial autonomy' should be flexibly interpreted and understood in relation to PAs, to encompass a spectrum of goals and outcomes which do not just aim to achieve full financial self-reliance and socialisation, but also focus on improving PA financial sustainability at a broader and more systemic level. While it is highly desirable that all PAs should seek to improve their financial sustainability, this does not automatically translate into the need to aim for full cost-recovery, become fully financially self-reliant, or 'socialise' the provision of all public services. As described above, there are in fact many risks to unthinkingly applying the principles of autonomy and self-responsibility across the national PA network, and it is unrealistic to think that it will ever be possible (or desirable) for all PAs to transition to self-financed, business-oriented units. Indeed, Decree 141/2016/NĐ-CP, Decision 254/2017/QĐ-TTg, Resolutions 19-NQ/TW and 08/NQ-QP, and Circular 145/2017/TT-BTC allow for key public services to continue to be funded, fully or partially, by the state budget**.**

In order to formulate appropriate definitions and measures for financial self-reliance, is therefore necessary to assess and respond to the variable needs and circumstances of different PAs. For these reasons, it is strongly recommended that **criteria are developed and applied to determine which PAs have the best chance of achieving financial autonomy, and can be prioritised and supported in their transition to self-financed units**. This should not necessarily attempt simply to replicate and transfer the targets and indicators laid out in Resolutions 19-NQ/TW and 08/2018/NQ-CP for the reduction in payroll and direct budget spending units, or increase in self-financing units, or completed transformation to business units. Rather, it should identify those PAs that have the potential and ability to transition to level 3, 2 or 1 PNBUs, and work to set in place strategic plans to facilitate this process. These strategic plans would focus specifically on mechanisms and measures for increased financial self-reliance and autonomy, including a measurable and timebound plan for operationalising these principles and actions.

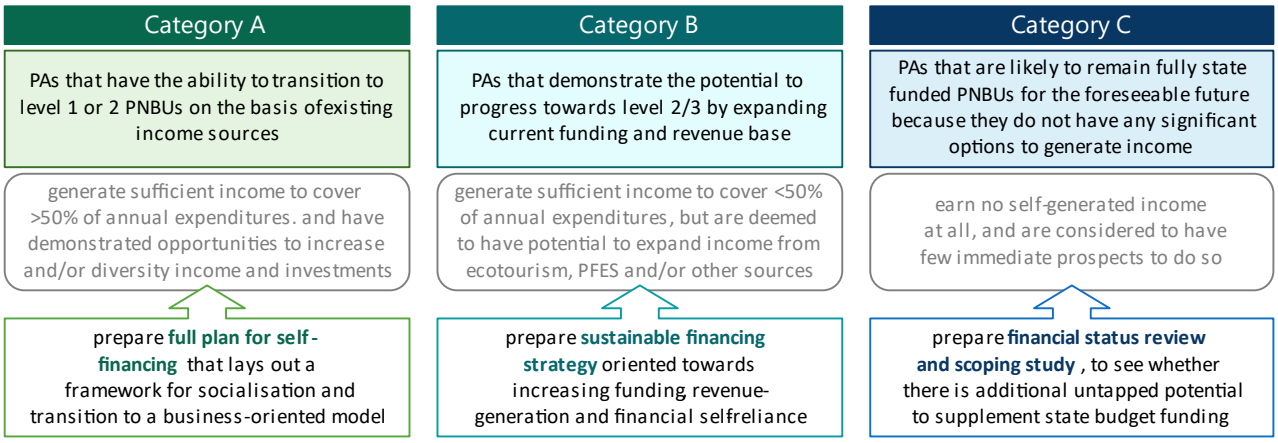
For other PAs, more generalised sustainable financing strategies should be developed which would determine how and where it is possible to overcome financial constraints to effective biodiversity conservation, generate more funding, and achieve greater cost-effectiveness and value-for-money. These plans would not explicitly seek to promote increased financial self-reliance and autonomy, but would look at more general mechanisms and measures to enhance financial sustainability. In some cases, this would help PAs to become 'self-financing ready', and to transition in the future towards fully or partially self-financed units.

This will **require some level of financial assessment**, so as to determine which PAs are currently ready to initiate a process to move towards financial self-reliance and autonomy, and which will be maintained as primarily state budget-funded units. A tripartite system is recommended (Figure 20), differentiating between PAs that have the ability to transition to level 1 or 2 PNBUs on the basis of existing income sources (category A), those that demonstrate the potential to progress towards level 2 or 3 by expanding their current funding and revenue base

(category B), and those are likely to remain fully state-funded PNBUs for the foreseeable future because they do not have any significant options to generate income (category C):

- **Category A** includes PAs that currently generate sufficient income to cover at least 50% of their annual expenditures and have demonstrated opportunities to increase and/or diversity income and investments still further. These PAs would prepare full plans for self-financing that lay out a framework for socialisation and transition to a business-oriented model.
- **Category B** includes PAs that generate sufficient income to cover less than 50% of their expenditures, but are deemed to have the potential to expand income from ecotourism, PFES and/or other sources. These PAs would prepare a sustainable financing strategy that oriented towards increasing funding, revenue-generation and financial self-reliance.
- **Category C** includes PA that currently earn no self-generated income at all, and are considered to have few immediate prospects to do so. These PAs would prepare a financial status review and scoping study, to assess whether there is additional untapped potential to supplement state budget funding.

Figure 20: Criteria for selecting PAs to develop self-financing and business-oriented models

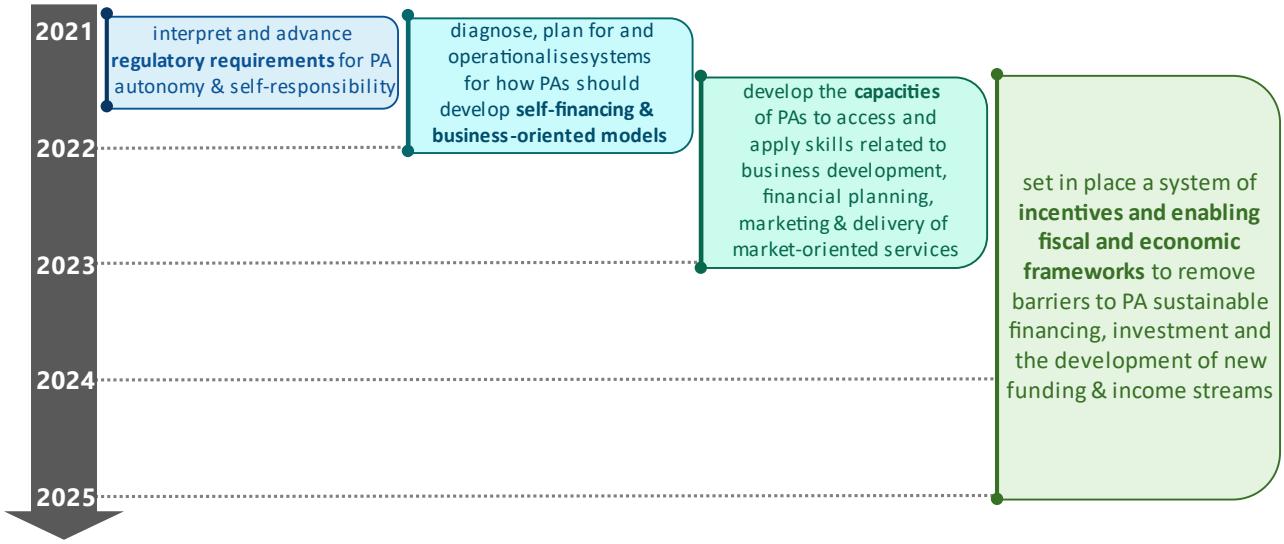


Ideally, these self-financing assessments and response plans will be developed alongside, and as an integral part of, SFMPs and/or investment plans. They would be revised and updated on a rolling basis, to respond to each PA's changing circumstances. In some cases, new income-generating opportunities may emerge, while in other instances PAs that currently have high income earning potential and realisation may face a situation where these sources diminish or contract. In addition to providing a diagnostic tool, these **periodic assessments also serve as the basis of monitoring the progress** of individual PAs in relation to self-financing goals, and aggregating results across the entire network to track trends over time. They would also **guide state budget investments** over each PA's SFMP or investment plan period.

2.2. Roadmap of actions towards improving PA financial autonomy and self-responsibility

Four main sets of actions are proposed to support and advance the process of improving PA financial autonomy and self-responsibility over the next 5 years, each feeding into and mutually reinforcing the others. These address regulatory requirements, planning frameworks, capacity development, and incentive systems (Figure 21).

Figure 21: Roadmap of actions towards improving PA financial autonomy



1. **Over the next six months, interpret the regulatory requirements for autonomy and self-responsibility laid out in Decision 254/2017/QĐ-TTg and Resolution 465-NQ/BCSĐ as they apply to PAs, and advance their operationalisation**. This requires collaboration between VNForest/DOPAM, other MARD units and Provincial authorities, under the advice and guidance of MOF, to:

   a) Decision 254/2017/QĐ-TTg specifies that the list of state budget-funded public non-business services provided under MARD includes 'forest protection and development' activities as well as 'conservation, rescue, restoration and ecology and forest resources'. It remains a priority to elaborate this list in the specific context of PAs, including at the Provincial level, in order to determine which services (and associated tasks and responsibilities) should be categorised as funded by the state budget and which might be socialised, subjected to the principles of market pricing and full cost recovery, and/or delivered through partnerships according to the definitions in Article 3 of Decree 141/2016/NĐ-CP and guidance provided by Circular 145/2017/TT-BTC. This involves:

      - Formulating a list of budget-funded activities for PAs managed by Provincial authorities;
      - Developing the guidelines, technical and economic norms and pricing frameworks for the identified budget-funded services and activities provided by PAMB in MARD and Provincial PAs;
      - Operationalising market-based pricing procedures for the services and activities in MARD and Provincial PAs that are not funded by the state budget, including specifying how these may be provided by PAMB in partnership with other organisations or investors.

   b) Resolution 465-NQ/BCSĐ (promulgating Resolution 19-NQ/TW) lays out broad action plans and targets for the agriculture and natural resources sector. These need to be translated into a series of on-the-ground processes to be adopted and applied by PAMBs.

2. Over the next year, **diagnose, plan for and operationalise systems for how different types and categories of PAs should develop self-financing and business-oriented models**. This requires collaboration between VNForest/DOPAM and Provincial authorities, under the advice and guidance of MOF, to:

   a) Agree the criteria for determining PA self-financing status and prospects, and differentiating between PAs that have the potential and ability to transition to level 1 or 2 PNBUs (category

A), to progress towards level 3 PNBUs (category B), and are likely to remain fully state-funded PNBUs for the foreseeable future (category C);

b) Conduct a network-wide financial assessment of PAs, to determine which category each currently falls under;

c) Formulate appropriate responses in the form of specific measures, mechanisms and targets for autonomy and self-financing for category A PAs, sustainable financing strategies and plans for category B PAs, and scoping studies for category C PAs. These will also identify state budget needs for the medium-term (5 year) planning period;

d) Support the operationalisation of these plans, including the provision of state budget support.

3. Over the next three years, **develop the capacities of PAMBs to access and apply skills related to business development, financial planning, marketing and the delivery of market-oriented services**. This requires collaboration between VNForest/DOPAM and Provincial authorities, organisations from other sectoral agencies (including MOF), and educational and research organisations and non-government partners to:

   a) Conduct a capacity needs assessment at the system level and for each PA (tailored to the self-financing assessments and response plans outlined in action 2. above),

   b) Identify which skills and capacities should be developed within the existing PA staff base, which can be provided from other MARD/Provincial units, and which should be accessed from external partners;

   c) Develop and budget for in-service training as well as external contracting to deliver these skill-sets;

   d) Roll out training and skills development programmes, outsourced as required.

4. Over the next five years, **set in place a system of incentives and enabling fiscal and economic frameworks to remove the barriers to PA sustainable financing, investment and the development of new funding and income streams**. This requires collaboration MOF, MARD and Provincial authorities to:

   a) **Identify the main barriers and constraints** to the development of new funding and income streams and investment opportunities, paying particular attention to disincentives to external collaboration and private sector investment in the provision and socialisation of key services such as ecotourism, leases and payments for forest environmental services.

   b) **Formalise and where necessary regulate a system of economic, fiscal and other instruments** that will directly promote PA financial self-reliance, investment and the development of new funding, income streams and investment opportunities;

   c) Provide **support to priority PAs in the promotion and actualisation** of these incentives and enabling measures.

2.3. Policy and legal frameworks

Two key legal documents which are central to the process of PA self-financing are currently in the process of being updated: Decision 24/2012/QĐ-TTg (the SUF investment policy for 2011-20) and Decree 16/2015/NĐ-CP (on the autonomy mechanism for PNBUs). These revisions may also have implications for Decree 141/2016/NĐ-CP, which relates specifically to the autonomy mechanism for PNBUs in the agriculture and rural development sector (including PAMBs), as well as Decision No. 254/2017/QĐ-TTg, and Resolution No. 465-NQ/BCSĐ. It may also be useful to develop subsidiary guidance, procedures or regulations in support of Decree 141/2016/NĐ-CP,

which are specifically concerned with elaborating financial and other autonomy mechanisms for PAMBs.

It is important that any amendments deal adequately with PA financial autonomy and self-responsibility, and incorporate the directions identified above concerning selection criteria, self-financing assessments and response plans, capacity development, and investment incentives. Key points to be addressed include:

- **Clarify whether PAMBs are PNBUs** could be inserted into the general provisions of Decision 24/2012/QĐ-TTg (Article 1.1, as well as Article 4.1 which currently only states that SUFMB is defined as a 'forest owner'). Rather than being included in Decree 16/2015/NĐ-CP, it would be more appropriate to specify this point in any subsidiary guidance, procedures or regulations that may be developed in support of Decree 141/2016/NĐ-CP to elaborate autonomy mechanisms for PAMBs.
- **Recognise that PAs provide many unique public services that cannot be socialised, monetised, priced or governed according to market principles, and that not all PAs will be able to become financially self-reliant** could be included in the general provisions of Decision 24/2012/QĐ-TTg (Article 1.1, also qualifying 1.3 and 2.1 to allow that the state also encourages and invests in the provision of non revenue-generating public services in recognition of the non-market yet economically important benefits they provide). The list of responsibilities for MARD and PPCs mentioned in Article 15 could be extended to include ensuring adequate funding for the provision of non revenue-generating public services. It could also be mentioned specifically in Articles 4 of Decrees 16/2015/NĐ-CP and/or 141/2016/NĐ-CP, and in any subsidiary guidance, procedures or regulations that may be developed in support of Decree 141/2016/NĐ-CP to elaborate autonomy mechanisms for PAMBs.
- **Allow for different categories of PA financial self-reliance, and related planning processes, targets, and forms of organisational and financial autonomy** (along the lines of the categories A, B and C proposed above) could be included in list of responsibilities mentioned in Article 15 pf Decision 24/2012/QĐ-TTg, which could be extended to require MARD and PPCs to regularly review and allocate these designations across PAs. It could also be mentioned in Article 11.1 alongside the list of public services funded by the state budget in Decrees 16/2015/NĐ-CP and 141/2016/NĐ-CP, and in any subsidiary guidance, procedures or regulations that may be developed in support of Decree 141/2016/NĐ-CP to elaborate autonomy mechanisms for PAMBs.
- **Incorporate and enshrine the list of state budget-funded PA services** could be included in Article 7 of Decision 24/2012/QĐ-TTg on non-business funds, and/or in the responsibilities for MARD and PPCs mentioned in Article 15. It could also be specified or annexed to any subsidiary guidance, procedures or regulations that may be developed in support of Decree 141/2016/NĐ-CP to elaborate autonomy mechanisms for PAMBs.
- **Commit investments in support of financial self-reliance, including establishing the infrastructure and facilities required to develop revenue-generating activities and to attract outside investment** (especially for ecotourism) should be specifically mentioned in Decision 24/2012/QĐ-TTg through adding a clause to Article 2 referring to such investments, and incorporated into the prioritisation of investment items in Article 6. It could also be emphasised in any subsidiary guidance, procedures or regulations that may be developed in support of Decree 141/2016/NĐ-CP to elaborate autonomy mechanisms for PAMBs.

- **Specify the requirement for MARD and PPCs to develop the guidelines and norms that are needed to effectively plan budgets and spending, and guide PAMBs in the process of achieving greater autonomy and financial self-reliance** could be included in the list of responsibilities for MARD and PPCs mentioned in Article 15 of Decision 24/2012/QĐ-TTg include in responsibilities for MARD and PPCs. Article 4 of Decrees 16/2015/NĐ-CP and/or 141/2016/NĐ-CP should refer specifically to these guidelines and norms. It could also be emphasised in any subsidiary guidance, procedures or regulations that may be developed in support of Decree 141/2016/NĐ-CP to elaborate autonomy mechanisms for PAMBs.
- **Allow for and support a wider range of income streams and funding sources** (including specific mechanisms such as forest carbon finance, biodiversity offsets, new sources of public revenues from other sectors that depend or impact on PA services, etc.) could be incorporated into the general provisions of Decision 24/2012/QĐ-TTg (extending Articles 1.3 and 5.1 to mention other revenue streams in addition to ecotourism and PFES). This would also require amending other related legislation, such as the 2017 Forestry Law, and could also be emphasised in any subsidiary guidance, procedures or regulations that may be developed in support of Decree 141/2016/NĐ-CP to elaborate autonomy mechanisms for PAMBs.
- **Remove other legal, fiscal and economic barriers that currently hinder the development of new revenue streams, private investment and financial self-reliance** could be mentioned in Chapter 3 of Decision 24/2012/QĐ-TTg (which is concerned with encouraging SUF investment and development). Article 13 on investment incentives, in particular, currently mentions only a very small selection of stimuli (preferential enterprise income tax, building approval). This should allow for the development of other types of incentives to encourage investment and partnerships to develop and socialise SUF services. Such provisions should also be included in any subsidiary guidance, procedures or regulations that may be developed in support of Decree 141/2016/NĐ-CP to elaborate autonomy mechanisms for PAMBs. It may also be desirable to revise and update the percentages specified for how retained ecotourism revenues can be used stated in Article 14 of Decision 24, and/or the distribution of retained revenues mentioned in Articles 12, 14 and 15 of Decrees 16/2015/NĐ-CP and 141/2016/NĐ-CP. Incentives could also be mentioned specifically in Articles 4.1 and 4.7 of Decrees 16/2015/NĐ-CP and 141/2016/NĐ-CP.
- **Integrate and require sustainable finance planning (including, but not limited to the development of plans for self-financing) as an integral component of SFMPs and other PA operational plans** could be specified in Article 5 of Decision 24/2012/QĐ-TTg on planning and investment projects for SUF development. It could also be added to the list of duties or tasks to be carried out by the state as mentioned in Article 4 of Decrees 16/2015/NĐ-CP and 141/2016/NĐ-CP, and/or specified in the duties of management boards mentioned in Article 8.3. Sustainable finance planning should also be specified in any subsidiary guidance, procedures or regulations that may be developed in support of Decree 141/2016/NĐ-CP to elaborate autonomy mechanisms for PAMBs, and would also require amending other related legislation prescribing SUF planning, such as the 2017 Forestry Law.

2.4. Specific recommendations on PA self-financing

A number of additional, specific recommendations were generated from the assessment of policy and legal frameworks for autonomy and self-responsibility, the consultation process with key

government officials, and the review of experiences of other sectors (see Nguyễn Việt Dũng 2020). These include:

1. In the medium and long run (up to 10 years, by 2030) there is **no convincing rationale to consider and advocate self-financing to be mainstreamed in most PA management strategies and plans**. It is necessary to bear in mind the considerations mentioned above, and it must also be recognised that the policy of self-financing and 'socialisation' may pose a potential threat to conservation, if it results in worsening funding shortfalls and financing constraints to PAs. Financially, it is critical that GoV and provincial authorities should ensure all PAs are adequately and effectively funded by the state budget, as stated by the Constitution and Forestry Law, in order to conserve biodiversity and ecosystems, enforce the law, and maintain PAs' integrity and core biodiversity values. Politically, all natural resources in PAs are deemed to be owned by the state and managed in the public interest by the government (on behalf of all Vietnamese), This means that maintaining effective operation of PAMBs, as PNB organizations, is a core (and stated) part of the central and provincial governments' responsibilities and obligations.
2. Implementing the current policies on financial autonomy policies **should not result in any decline in the number of budget-funded permanent 'professionalized forest protection forces' employees** (formerly known as PA forest rangers). This would obviously expose PAMBs to severe capacity risks, and seriously restrict law enforcement. Sufficient core budget should be provided to enable PAMBs t recruit the full complement of employees specified by staffing norm levels;
3. At the current time, improving PA self-financing could be further improved by the following considerations:
   a) As most PAs are developing sustainable forest management plans, MARD/VNForest and provincial authorities, especially Department of Finance and DARD, have **to ensure that the budget/financial proposals for the first 5 years (2021-2025) or even to 2030 are fully accounted and realistic,** and will strengthen the achievement of PA management and conservation targets;
   b) As a service provider, **PAMB should be treated as the owner of annual PFES revenues**. This should include granting all rights and authority to use this non-budget source of income to implement the required management and conservation tasks, based on actual situation and needs, rather than requiring that PFES revenues are used in the same way across all sites. This should allow for flexible spending on activities such as biodiversity monitoring, community engagement. management of land encroachment, forest restoration and staff training;
   c) **PFES revenue, by regulations, should be treated as an additional source of finance to be used to benefit the PA**, instead of seeing it as an alternative source of annual budget which central and provincial authorities are obligated to commit and use to fund PA management and conservation;
   d) **PAMBs should be empowered and motivated, so as to be capable of communicating (and advocating with) key stakeholders, both state and non-state actors, to support their conservation efforts.** This requires a process of awareness-raising among provincial leaders and other key actors (especially Department of Finance, Department of Investment and Planning, and Department of Culture, Sports and Tourism), to make the case for the necessary of allocating sufficient funding. It also should involve initiating communication and marketing campaigns which would engage the business sector in conservation, for example calling for donations to realize the national campaign of 1 billion trees for the period

2020-2025. PAMBs also should be motivated to communicate and cooperate with international and local NGOs working in PA management and biodiversity conservation, especially in developing and piloting new financing mechanisms. For example, this might involve NGOs that have been granted forest leases to fund and demonstrate conservation activities, or jointly developed and operated wildlife rescue stations or visitor/education centres;

4. It should be agreed among policy makers, particularly MARD / VNForest, that **not all PAs in Vietnam can or should be immediately or universally required to apply the self-financing or autonomy principles as guided by current regulations**. In reality, it may only be possible for a limited number of national parks which have potential to expand tourism and other income sources. Some strategies below could be considered:

   a) VNForest should carefully review and categorize the entire PA system to verify the potential for income generation from ecosystem services at each site, focusing on three main sources: (i) expansion of PFES supply, including carbon sequestration services; (ii) tourism development; and (iii) eligible income raised from appropriate land-use and non-timber forest product development, for instance mushroom, medical herbs, ornamental specimens, etc.

   b) Central and provincial authorities should consider allocating funding to make investments to enable either the expansion of PFES supply (from forest restoration) or build the capacity for PAs to develop tourism services;

   c) PA managers should be clearly informed and motivated to approach and apply for funding from non-forestry budget sources, particularly annual budget, both central and provincial levels, allocated for science and technology and environmental protection, and to mobilize conservation funding from the general public and the private sector;

   d) Training and building capacity for PA managers on various skills related to business development, planning, marketing and implementation in order to assist in accessing potential sources of financing and non-financing contribution to PA conservation;

5. It is recommended **MARD/VNForest collaborate with provincial authorities to identify and demonstrate how selected PAs might be allowed to invest and develop commercial plantations in their administrative/ service zones**. This would be done without land-use payments, in order to generate revenue as a self-financing business. This kind of pilot could require 10 years operation, corresponding to sustainable plantations with a longer rotation period. As already noted above, it should however be emphasised that this – and other – revenue-generation mechanisms should be subject to proper and stringent environmental and social safeguards. For example, such land uses should never be carried out in ecologically sensitive areas, conservation zones or already (naturally) vegetated areas, and will not be acceptable or appropriate in all cases and sites. Equally, at no time should any financing mechanism impact negatively on local communities or serve to undermine their livelihoods and social/economic wellbeing.

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2. LAWS AND REGULATIONS

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