

POLICY BRIEF

Covering the costs of Viet Nam's protected areas



Posing the problem: Can we afford protected areas?

South and South East Asia harbour some of the world's richest biodiversity and contain more than 1,500 protected areas, which together cover more than 760,000 km² or 8.5% of total land area. Yet establishing and running a national protected area network is not a cost-free exercise, and finding sufficient funds to cover these costs is proving to be a major and growing challenge. Maintaining protected areas is becoming a luxury that many countries feel that they cannot afford, in the face of pressing budget constraints and immediate needs for economic growth and poverty alleviation.

Public budgets have long formed the cornerstone of protected area finance, not just in Asia but in most parts of the world. Public funding is however proving to be increasingly inadequate either to meet the physical expenditures required to manage protected areas or to offset the intense and rising opportunity costs of taking land and other resources out of mainstream economic production. Data supplied by national governments and collated by the World Conservation Monitoring Centre show that protected area budgets fall short of requirements by an average of \$400/km²/year in South Asia and \$300/km²/year in South East Asia, so that only about half of required funding is actually available.

It is clear that if Asia's protected areas are to survive in the future then it will be necessary to find new, diversified and sustainable funding sources which go far beyond public budgets and central government subventions. These financial resources will have to accrue to all of the groups who bear the costs of biodiversity conservation in protected areas, including local landholders and the private sector as well as the traditional recipients, government wildlife departments and national park authorities.

Yet the picture for protected area finance in Asia is not completely bleak. All over the region, innovative mechanisms are starting to be deployed to assure that protected areas will face a secure financial future. In Viet Nam, one component of the PARC Project deals with "the establishment of a mechanism to provide long-term funding for biodiversity conservation and community development in the target areas". A financing study was carried out through the project which evaluated the current financial system for protected area management in Viet Nam. It also explored funding alternatives and innovative funding mechanisms to establish long term financial support for biodiversity conservation and community development needs in and around three protected areas.

This policy brief draws on the results of the study to point to key issues in protected area financing, and to illustrate some of the novel steps that are being taken to overcome them.



How protected areas are funded in Viet Nam

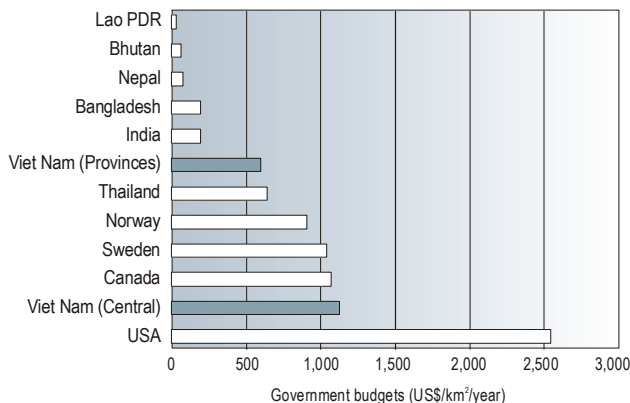
More than 24,000 km² of land in 122 sites have protected status in Viet Nam, and an additional 80 wetland, terrestrial and marine protected areas have been proposed and are in the process of being formally approved.

This brief refers primarily to national parks and nature reserves, being protected areas with a mandate for biodiversity conservation. The protected area network is currently managed and funded entirely by the public sector, through central, provincial and district authorities. Recurrent budgets are calculated on the basis of a funding norm applied to the number of staff employed, and capital budgets are released according to the 5-10 year investment plan that has been approved for a particular protected area. Additional government funds are also made available for specific activities that lie outside these regular budget allocations. These funds may be for supplementary infrastructure and construction, research or loans for revenue-generating investments, or national programmes targeted at specific development needs and activities in protected area core and buffer zones such as reforestation, resettlement and poverty alleviation.

The amount of public funding allocated to Viet Nam's protected areas has remained relatively stable over recent years, in absolute terms, as a percentage of GDP, and relative to other sources of government expenditures. Since 1997, domestic funding to centrally-managed national parks has accounted for a steady average of 0.13% of GDP, 0.5% of total public budget allocations, or between \$3 - \$3.5 million a year. Donor funding, channelled through the public budget, more or less doubles this figure, contributing an average of \$4 million a year. At the same time, while government funding to provincially-managed protected areas has more than doubled to almost \$5 million today, donor funds contribute less than half a percent of this total.

Interestingly, the financial status of Viet Nam's centrally-managed protected areas compares very well to other parts of Asia and the world. Annual government spending on protected area averages over \$2,000/km² in developed countries, \$150/km² in developing countries and just under \$497/km² in South and South East Asia.

At more than \$1,200/km², Viet Nam's state budget allocations to centrally-managed protected areas are significantly greater than expenditures in other parts of Asia and are comparable to (or even greater than) public budgets allocated to protected area management in Europe and North



Public funding to protected areas in selected countries

From James, A., Green, M. and J. Paine, 1999, A Global Review of Protected Area Budgets and Staff, World Conservation, Monitoring Centre, Cambridge.

America. Provincially-managed protected areas are subject to greater budget constraints and receive just over half of this amount, although they still compare well to many other Asian countries.

Financial constraints to Viet Nam's protected areas

Given this impressive level of public support, one might question exactly why and whether funding is in fact a problem for Viet Nam's national protected area network.

The answer is that yes, Viet Nam's protected areas do face major financial problems, which in turn translate into serious management constraints. There is ample evidence that on-the-ground conservation management activities are under-resourced, equipment is scarce, and that low expenditures are made on operations and maintenance.

These financing problems may seem somewhat paradoxical, given the demonstrably high levels of public funding being allocated. But in fact the major financial issues are not to do with insufficient funding being available for protected areas. Rather, they relate to the ways in which funds are generated, allocated and used to cover the costs of biodiversity conservation.

Capital and recurrent budgets to protected areas in Viet Nam

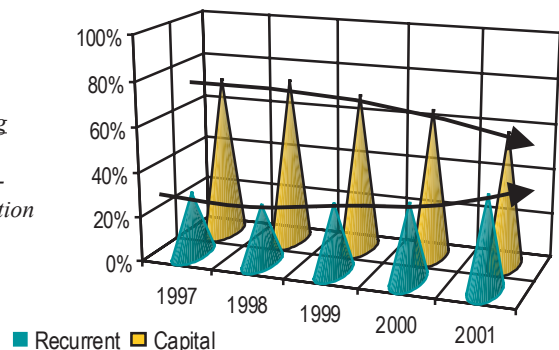
From IUCN Viet Nam, 2002, PARC Financing Study: Synthesis Report, Creating Protected Areas for Resource Conservation using Landscape Ecology (PARC) project, Forest Protection Department/UNDP/UNOPS/IUCN Viet Nam, Hanoi.

Where there is not enough money

One key issue is that even though overall budget allocations to the national protected area system are high, there is great variation in the level of funding received by individual national parks and nature reserves. Although these differences are most pronounced between centrally-managed and provincial protected areas, there are variations across the board. Funding per protected area ranges from a low of \$2,500 to a high of several hundred thousand dollars, i.e. between less than \$100/km² to several thousand dollars. Many protected areas simply do not have enough funds to meet the most basic requirements for effective protected area management.

Balancing capital and recurrent expenditures

Another interesting trend is the change in composition of protected area funding over recent years. Whereas in 1997 almost three quarters of total spending was allocated to capital costs, this proportion has been steadily decreasing over time, and by 2001 less than 60% of total funding was earmarked for investment. Recurrent expenditures are consuming a progressively greater proportion of protected area budgets. Yet whether this trend acts to the benefit, or to the detriment, of protected areas will depend largely on just how these budgets are allocated.



Insufficient spending on conservation

Yet, despite the generally high levels of capital investment and the growing proportion of budgets accounted for by recurrent costs, these figures are not necessarily reflected in high or rising conservation expenditures. For the most part recurrent budgets allow for little more than salary payments, and the bulk of investment expenditures are on heavy infrastructure such as roads, bridges and other construction. Little funding is available for routine maintenance, essential equipment or for the activities that are fundamental to basic park management such as staff capacity development, management planning, boundary demarcation and patrolling, awareness and interpretation programmes, or monitoring and assessment.

Complex planning and delays in the release of funds

The fact that budgeting and investment procedures are subject to heavy delays and frequent adjustments, tends to exacerbate the inconsistencies between budget allocations and actual expenditures on conservation activities. Although annual budget plans are prepared and submitted by October each year, final approval is usually only given in March-May of the following year, figures are adjusted several times over this period, and funds are actually received and spent towards the end of the year. Given these uncertainties it is difficult to plan or implement a coherent set of conservation activities, and it is frequently easier and quicker to sink money (when it comes) into large capital and infrastructure. The fact that annual budgets are tied strictly to the long-term investment plans prepared when protected areas are first established, which tend to focus on capital and infrastructure, also makes it difficult to build in flexibility or responsiveness to changing management needs and conservation priorities.

Fragmented protected area landscapes

Overlapping management jurisdictions in and around protected area landscapes also pose financing problems. All protected landscapes in Viet Nam consist of a number of management zones, including the core protected zones lying within the gazetted boundaries of the protected area and surrounding buffer zones that are usually occupied by human populations. Protected area core and buffer zones are under the management jurisdiction of different government authorities and line agencies, receive separate budgets, and operate under different management guidelines and goals.

Whereas nature conservation is the primary goal of core zones, which are managed by protected area authorities, land use and investment in buffer zones is under the control of the local administration and line ministries, and are based on achieving socio-economic development objectives. Unfortunately, there is little integration of (core zone) conservation and (buffer zone) development planning and budgeting, or between the multiplicity of government agencies who have jurisdiction over them. In most cases these plans remain unconnected and uncoordinated. And at worst, this results in contradictory or conflicting activities being carried out.



Buffer zone landscape around Ba Be

Partial definition of protected area costs

These overlapping and sometimes disparate management, budgeting and planning responsibilities also influence how protected area conservation costs are defined and funded. In both management and budgeting terms, protected area costs are seen almost exclusively in terms of the direct physical expenditures on the buildings, staff, equipment and maintenance costs that are required to run them. There is little recognition that protected areas also generate substantial indirect and opportunity costs, which for the most part accrue to the buffer zone communities who must limit their land and resource uses in and around protected areas. Arguably, it is the existence of these uncompensated opportunity costs that constitute the most serious, and pervasive, threats to biodiversity.

Put quite simply, unless the poor rural communities who live around Viet Nam's protected areas are given sufficient economic incentives to support biodiversity conservation it is unlikely that they will be willing, or economically able, to do so. Protected area budgets and management plans currently pay little attention to community management and investment needs, and protected area authorities have little jurisdiction over conservation in protected area buffer zones. Meanwhile the budgets and management activities that take place in buffer zones rarely take into account protected area or conservation concerns when they plan for local development.

Narrow and risky funding base

The source and composition of protected area funding also acts as a major financial constraint. Viet Nam's protected areas rely entirely on public budgets (including donor funding, which is channelled through them). This means that the funding base for protected areas is extremely narrow, and potentially risky.

There is a danger that should these two sources of funding diminish or fail, protected areas will face a situation where their already weak financial base is eroded still further. This is a real and valid concern. As is the case in many other countries, external funding to nature conservation in Viet Nam has been becoming tighter over recent years, and donor priorities have been changing. Ongoing economic liberalisation and decentralisation processes are putting increased pressure on government spending. Protected areas must compete against many other pressing needs for domestic and foreign funding, many of which are seen both as being a greater priority in development terms and as yielding higher and more immediate returns.

Limited opportunities to raise or retain funds

Until recently there has been little effort to diversify the protected area funding base beyond these traditional and possibly insecure sources. Aside from very limited revenues from tourism in a few sites, there have been hardly any opportunities for individual protected areas to generate or to retain income so as to supplement their regular budgets. Most revenues and income surpluses were returned to central or provincial government coffers, and not normally retained by the protected area that generated them. This meant that individual protected areas had little responsibility or accountability for covering their own costs, and there were few incentives or prospects for protected areas to generate or retain supplementary revenues for conservation activities. More recently, the situation in many national parks has improved, as they are encouraged to retain revenues and surpluses.

The cases of Ba Be, Na Hang and Yok Don

Recognising that there is a pressing need to overcome these financial problems, and to address the management constraints that they give rise to, Viet Nam is in the process of rethinking the way in which protected areas are funded. Sustainable financing strategies have recently been prepared for Ba Be National Park, Na Hang Nature Reserve and Yok Don National Park. These aim to develop additional and innovative funding and financial mechanisms that can strengthen, and supplement, existing public and donor budgets.

How funding problems have hindered protected area management

Almost all of the financial constraints that have been described above apply to Ba Be National Park, Na Hang Nature Reserve and Yok Don National Park. And, as is the case for many other protected areas in Viet Nam, these constraints translate into

problems for on-the-ground park management. At least for the two national parks, Ba Be and Yok Don, the funding needs specified in original protected area investment plans have been met. But these relatively high budgets have mainly been sunk into the construction of guest houses, roads, restaurant facilities, car parks and concrete paths, and recurrent budgets (calculated at around \$1,000 per staff member per year) run to little more than basic salary costs. There has been little flexibility, on a year-to-year basis, to meet additional needs for equipment, maintenance and conservation activities, and little link between the specified investments and protected area management priorities. In the case of Na Hang, funding received to date has been only enough to cover about a quarter of the budgets requested.

Aside from PARC Project, almost no other funding has been forthcoming for the three protected areas. The only supplementary source of income is from tourism. At best, a very small proportion of this revenue is retained at the protected area level or re-invested in conservation activities. Ba Be National Park paid out 25% in tax on the \$13,000 it earned from running tourist facilities in 2001. Yok Don National Park Management Board retained under a third of the \$5,000 it collected from visitor



Dry season forest, Yok Don National Park



Forest in Na Hang Nature Reserve

charges. All of the \$10,000 generated through tourist activities in Na Hang Nature Reserve were gathered by the District Tourism Department, not the park authorities. Tourist earnings account for just 2% of Ba Be National Park's annual funding, and less than 0.5% in Yok Don National Park.

It has been possible to make only modest efforts to manage or fund the three protected area as broader landscapes. There are villages in the core zones of all three protected areas, as well as substantial human populations in adjacent buffer zones (more than 50,000 people live in and around each of Na Hang Nature Reserve and Yok Don National Park, and just under 10,000 in Ba Be National Park). These rural communes are among the poorest in the country. But protected area annual budgets do not provide for working with communities or for carrying out conservation activities in buffer zones, which are seen as being the responsibility of other local government authorities. In turn, provincial, district and commune budgets allocated to socio-economic development pay scant attention to protected area concerns nor conservation goals. They are principally concerned with spending on infrastructure development, agricultural improvements and basic health and education.

A new approach to financial and management planning

Protected area authorities in Ba Be National Park, Na Hang Nature Reserve and Yok Don National Park were faced with a situation where it had become increasingly difficult to reconcile funding requirements for park management operations with either the longer-term investment plans and annual budget allocations, or with the needs for action in protected area buffer zones. So, with the support of PARC Project, they decided to try to establish a more integrated approach to management and financial planning. For the first time in Viet Nam, medium-term operational plans and associated village resource use plans were developed to bridge these gaps, specifying the management activities required to manage the broader protected area landscape effectively, in an integrated way and according to conservation priorities.

This new approach to operational planning also recognised that financial concerns were of critical importance. Management effectiveness required sufficient and sustainable funding that was targeted to real conservation priorities in the protected areas, and could be flexible enough to respond as these management needs changed. For this reason, sustainable



The headquarters of Ba Be National Park

financing strategies were developed alongside operational plans. These had two aims:

1. to specify both the additional sources of funding that could be raised to cover operational costs with the means of setting them in place; and,
2. to deploy new administrative and allocative mechanisms that could help to overcome the financial constraints to effective protected area management that were apparent in the three protected areas.

In this context, protected area financing and operational management are two sides of the same coin each, without the other, would be unlikely to be implemented, nor have any appreciable effect on the management of the protected areas. It was clear that operational management required adequate and sustainable financial resources, while financial planning and budgeting for the protected areas needed to be tied closely to their actual management needs.

Innovative mechanisms for raising and allocating conservation finance

The fact that Ba Be National Park, Na Hang Nature Reserve and Yok Don National Park currently rely on a relatively narrow funding base is not because they lack revenue-raising capacity. In fact all three protected areas generate a wide range of economic goods and services which have potentially high market values.

At the same time, Viet Nam's national regulatory and policy framework contains a number of important provisions which can be applied to enable some of these benefits to be captured and returned to conservation, and provides strong support for improving the diversity, sustainability and effectiveness of protected area funding sources.

Improving existing revenue streams formed one component of the financing strategy. Ba Be National Park, Na Hang Nature Reserve and Yok Don National Park are all popular visitor destinations, and tourism currently provides their only source of extra-budgetary income. Yet at present tourism revenues are extremely low, and their potential to provide either funding for the protected areas or incentives for conservation remains largely untapped.

Raising additional funds both by rationalising fees for park entry and visitor services (such as camping, trekking, boat and elephant rides) and by developing ecotourism concessions in both core and buffer zones could be an important means of simultaneously engaging - and benefiting - a much broader constituency in protected area conservation, as well as increasing financial flows to protected area management.



Domesticated elephant in Yok Don National Park

The protected areas also provide a number of services of economic importance. Forests in Na Hang Nature Reserve provide catchment protection to a network of streams, rivers and lakes. A major hydropower scheme is now under construction on the Gam River in Na Hang Nature Reserve. It is proposed that a Natural Resources Tax, as specified in

national law, is levied on sales of electricity from the Gam River Dam and used at least partially for environmental management.

Yok Don National Park lies in the heart of Viet Nam's Central Highlands, an important coffee growing area. In turn, land clearance for cash crops constitutes a major cause of deforestation around the park. Promoting a more sustainable form of organic shade coffee production, combined with export marketing under a Yok Don eco-label, provides an opportunity both to contribute royalties to the protected area and encourage more environmentally-friendly land use practices in the buffer zone.

Together, these additional sources of finance have the potential to increase current protected area funding substantially, as well as providing tangible local economic incentives for conservation. An additional source of funding, and sustainable financing mechanism, was also

proposed as part of the sustainable financing strategies for the three protected areas; the development of endowment funds for the administration of these new income streams through the state budget.

To be capitalised from domestic and foreign sources, and in the case of Na Hang Nature Reserve by a one-off payment from the Gam River Dam, these trusts would be managed, planned and used jointly by park authorities, provincial agencies and local communities in order to meet protected area core and buffer zone conservation needs. According to financial models developed as part of the sustainable financing strategies, the combination of additional funding sources, assured state budgets and trust fund income would be more than adequate to ensure long-term financial security for the implementation of operational and village resource use plans.

Financing Viet Nam's protected areas in the future ... Where do we go now?

The cases of Ba Be, Na Hang and Yok Don provide a number of useful insights into protected area financing in Viet Nam. One of the most important lessons learned is the fact that contrary to received wisdom a lack of funds is frequently not the greatest financial constraint for protected areas. Therefore, simply generating more funds is not necessarily the way to ensure a secure financial future for them. Instead, improving protected area financing means simultaneously considering the quality, administration and target of funding.

Developing sustainable financing strategies can be a valuable mechanism not just for improving the funding base of protected areas, but also for overcoming some of the constraints in budgeting, financial planning and benefit distribution that act as constraints to biodiversity conservation. It is



essential that financial strategies are, in turn, linked closely to both operational management planning and the socio-economic development processes of park-adjacent areas.

Ba Be National Park, Na Hang Nature Reserve and Yok Don National Park are still in the early stages of implementing operational plans and sustainable financing strategies. Whether this kind of approach can be judged successful will only be seen in the future, when it becomes apparent whether or not it has led to protected areas which are better and more effectively managed and financed.

Many other protected areas in Viet Nam face similar financial constraints to Ba Be, Na Hang and Yok Don, and many other forms of innovative finance are beginning to be tested in the country. This is requiring substantial changes in the way that protected area costs are conceptualised, calculated and met, and in the way that public and private sectors, and local communities, are dealing with covering the costs of conserving biodiversity.

Perhaps the most critical determinant of the future financial security of Viet Nam's protected areas will be the degree to which all stakeholders, from central to local levels, are willing and able to take on board the challenges and changes that are required to move to a more integrated and innovative approach to protected area financing. However not investing adequately in protected areas now may ultimately lead to costs that neither the government nor the people of Viet Nam can afford to bear over the long-term. ■

This policy brief was originally published to be presented at the 2003 World Park's Congress in Durban, South Africa. It has been reprinted as part of the series of PARC Project policy briefs. Most of the content remains exactly the same. A few minor changes have been made to bring the style of this policy brief into line with the others in the series.

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Related PARC Project reports:

Available from:
www.undp.org.vn/projects/parc

Financing Study: Covering the costs of Viet Nam's protected areas. A summary of lessons learned, May 2003

Sustainable Financing Mechanisms for Yok Don National Park, January 2003

Sustainable Financing Strategy for Ba Be National Park, July 2002

Sustainable Financing Strategy for Na Hang Nature Reserve, July 2002

Options for the Establishment of Trust Funds for Ba Be National Park and Na Hang Nature Reserve, June 2002

PARC Project Sites

in Viet Nam



■ Ba Be National Park

Ba Be National Park was originally gazetted in 1977, then established as a national park in 1992. It covers an area of 7,611 ha including the 500 ha Ba Be Lake, the largest natural lake in Viet Nam. The national park was administered by the Ministry of Agriculture and Rural Development before being transferred to Bac Kan Province in 2002.

A network of rivers and streams connect the lake to evergreen forests that cover adjacent ranges of limestone karst mountains, giving the park a spectacular landscape. There is a high diversity of flora and fauna, in particular there are over 300 species of butterfly and about 80 species of freshwater fish. The national park is noteworthy for its small resident population of endangered Francois' Langurs.

■ Na Hang Nature Reserve

Na Hang Nature Reserve covers an area of 41,930 ha, comprised of limestone mountains under tropical moist forest, with smaller areas of mixed lowland evergreen and semi-evergreen broadleaf and bamboo forest.

The nature reserve has global biodiversity significance as the only known protected area with extant populations of the critically endangered and endemic Tonkin Snub-nosed Monkey. This species, once thought extinct, was rediscovered in 1992, which led to the forests of Na Hang being designated a nature reserve in 1994. It is managed by Tuyen Quang Province.

■ Yok Don National Park

Established in 1991, Yok Don National Park lies in Dak Lak Province in the Central Highlands of Viet Nam, next to the border with Cambodia. It is managed by the Ministry of Agriculture and Rural Development. In 2002, the park was expanded to cover a core zone of 115,545 ha (twice its original area) and a buffer zone of 133,890 ha. Most of this area was formerly managed as production forests.

The park occupies a relatively flat area with two small mountains to the south of the Srepok River. It is mainly under natural forest and includes the only protected area of dipterocarp forest in Viet Nam, as well as evergreen hill forests and riverine forests. The national park is an important site for the conservation of large mammals and regarded as one of the most important areas in the country for birds.

PARC Project

Creating Protected Areas for Resource Conservation using Landscape Ecology

PARC is an Integrated Conservation and Development Project of the Socialist Republic of Viet Nam. From 1999 to 2004, the project has piloted a landscape ecology approach for conserving Viet Nam's diverse biological heritage. This approach integrates conservation and development by using resource use planning as a basis for project activities at three sites: Yok Don National Park, Ba Be National Park and Na Hang Nature Reserve.

The project is co-financed by the Global Environmental Facility and the United Nations Development Programme. It is implemented by the Forest Protection Department of the Ministry of Agriculture and Rural Development and the United Office for Project Services. IUCN - The World Conservation Union provides technical assistance at the national level and Scott Wilson Asia - Pacific Ltd. provides technical assistance at the site level.

PARC Project policy briefs

This series of policy briefs describes the planning approaches taken by PARC Project as part of its framework of integrating biodiversity conservation and socio-economic development. As such, the series should serve to strengthen policy for protected area management in Viet Nam by sharing the experiences gained from the project. This policy brief is one of four that have so far been produced:

1. **Covering the costs of Viet Nam's protected areas**
2. Biodiversity conservation through landscape ecology
3. Integrating conservation and development through participatory resource use planning
4. Management planning for protected areas in Viet Nam

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