

CASE STUDY

Viet Nam: Result-based budgeting for Protected Areas

*BIOFIN Viet Nam*¹

In Vietnam, budgeting for Protected Area (PA) systems currently relies on input-based calculations proposed by PAs and management authorities, with inputs converted into budgets using standardized cost norms set by the Ministry of Finance (MOF) and relevant ministries. This method hinders the development of biodiversity output-driven work plans and effective impact assessments. Implementing Result-based Budgeting (RBB) would necessitate transparent procedures, monitoring tools, and reporting systems to track activities and results comprehensively. Recent legal documents demonstrate the state's increasing prioritization of RBB and performance-based budget management, signaling progress towards more effective public finance management.

Under BIOFIN's RBB study, one of the main findings was the application of Result-Based Budgeting (RBB) to certain PA activities, such as labor contracts and forest protection contracts, through the non-state budget revenue stream, is feasible. Through the pilot in Sao La PA, BIOFIN evaluated the feasibility of RBB and developed guidelines for its application. Specifically, a system of evaluation criteria for biodiversity tasks in labor contracts and forest protection contracts has been devised, alongside revisions to the PA's Code of Internal Control and the development of the technical guidelines for RBB replication in similar PAs.

In the coming time, to successfully formalize RBB for biodiversity-positive impacts, it's imperative that competent authorities consolidate the economic-technical norms and the development of procedures and standardized costs applied for biodiversity conservation outputs. In this respect, BIOFIN is supporting to have the standardized costs for biodiversity inventory and monitoring promulgated by the Ministry of Natural Resources and Environment (MONRE) in accordance with the process and indicators of biodiversity inventory and monitoring issued by the Nature and Biodiversity Conservation Agency (NBCA)/MONRE. The standardized costs, once promulgated, would help to ensure transparency and accountability in utilizing the allocated State Budget, enabling appropriate resources and effective implementation of biodiversity conservation work. Standardized cost norms for biodiversity conservation tasks are crucial for transparent and accountable budget utilization, facilitating effective implementation of biodiversity-related regulations. However, challenges remain, including the need for comprehensive legal frameworks, clear guidance and sustained support and commitment from governmental agencies for operationalizing RBB among state budget users in general and in PAs in particular.

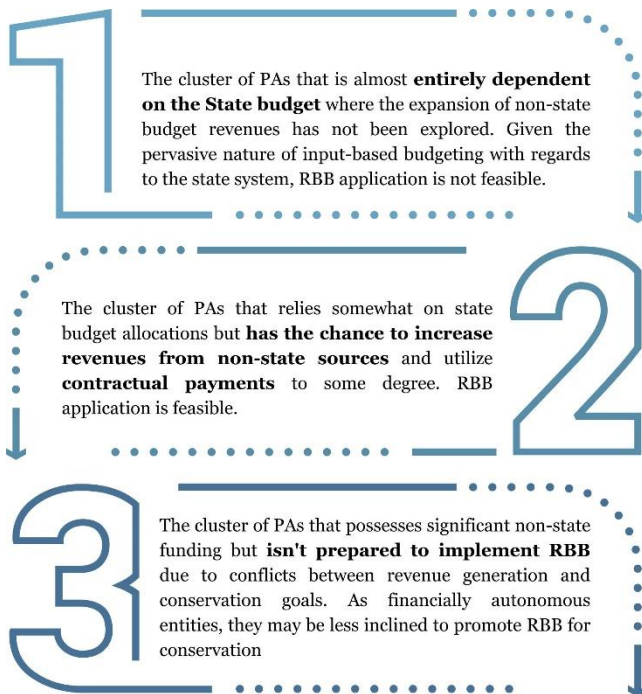
¹ United Nations Development Programme in Viet Nam/BIOFIN reserves the rights over this publication. BIOFIN Viet Nam for this report consists of Vu Cuong, Bui Duc Tuan, Nguyen Quoc Dung, Hoang Thu Thuy, and Michelle (Phuong) Dang. Correspondence and requests for materials should be addressed to Michelle Dang (email: dang.thanh.phuong@undp.org) or Hoang Thu Thuy (email: hoang.thu.thuy@undp.org)

Budget Situation

Budgeting for Protected Area (PA) systems currently relies on input-based calculations proposed by PAs and management authorities. Inputs, which mostly refer to staffing, consumables, hardware among other, are estimated based on technical cost norms promulgated by relevant line ministries and subordinate departments, and provincial authorities, specifically the Provincial People’s Committees. They are then converted into budgets using the technical cost-norm (standardized costs) promulgated by the Ministry of Finance (MOF) or the Provincial Assemblies (aka Provincial People’s Councils). This method has boarded up barriers in allowing for the development of PA annual workplan to be biodiversity output-driven and in effectively assessing the impacts of PA’s undertakings.

Result-based budgeting (RBB) has been identified as an alternative to input-based budgeting. According to the Organization for Economic Co-operation and Development (OECD, 2007), RBB/performance-based budgeting is a method of budget management in which resources are allocated based on the measurement and assessment of performance results. RBB encompasses budgeting methods where efficiency influences decisions, blending financial and non-financial information for management and accountability. It’s a comprehensive budgeting system, not a specific method, organized around objectives, programs, and activities. Being output-focused, it integrates measured data to justify targeted budget allocation and employs systems for monitoring and evaluation.

In realizing the application of RBB for the PAs, there exists 3 studied scenarios where differing underpinning budget lines/revenues variably dictate whether RBB is feasible or not.



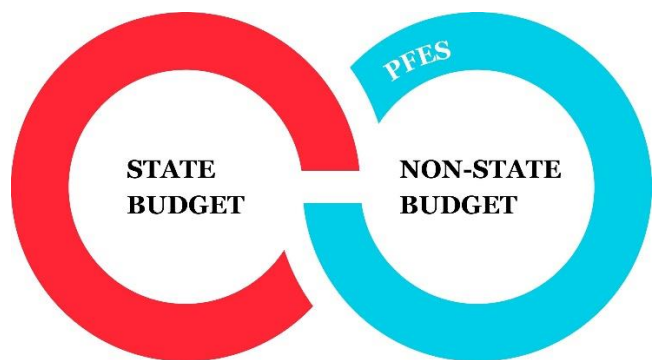
Therefore, for the time being, RBB would be feasible solely for PAs categorized under Group 2. Furthermore, the application of RBB wouldn't extend to the entirety of the PA budgets but would instead target specific areas, particularly the Payment for Forest Environmental Services (PFES). This targeted approach aligns with

existing “performance-based”² agreements, notably those concerning forest protection contracts with households. By concentrating RBB efforts on PFES, which are already structured around performance-related metrics and expanding its performance indicators to include some biodiversity conservation measures, it ensures a seamless integration of RBB principles into established systems.

Policy Background

In Vietnam, the current budget management approach remains traditional, predominantly input-based, lacking accountability for outputs and results. However, recent legal documents demonstrate the state's increasing priority on implementation results, linking budget allocation with the outcomes of the spending units’ undertakings. For instance, the 2015 State Budget Law requires ministries, departments, and localities to gradually apply RBB management (Article 25, Paragraph 15). In other words, ideally, responsible authorities which allocate budgets must refer to the PA’s mandates on biodiversity conservation to specify overall output indicators and unit costs. PAs will autonomously manage funds, ensuring accountability for achieving biodiversity goals. Periodic evaluation will be conducted to ensure adherence to continued commitments to RBB and the amplification of its impacts.

Furthermore, Decree No.163/2016/ND-CP provides the initial guidelines on managing state budgets based on performance results (Article 11). Decree No.141/2016/ND-CP allows for increased autonomy among public service delivery units (PSDUs) in economic and other sectors, particularly nature conservation facilities, regarding the operationalization of associated functions. Most recently, Decree No.32/2019/ND-CP further regulates task assignment, procurement, and provision of services using the recurrent state budget for PSDU. These measures signify monumental steps towards restructuring the financial systems to ensure efficiency, aligning with the State's policies on enhancing the quality and effectiveness of public agencies like PAs. This entails a transition from standardized state allocation to state-enabled procurement or task assignment based on output quality or competitive bidding for public service provision, along with the implementation of capital and asset endowment mechanisms for public agencies.



Zooming in on the PA system, there are 2 prominent budget lines that are the state budget and non-state budget. PFES, being one of crucial gateways from the non-state budget line, primarily finances contracts for forest protection with households or rangers, monitored through contracted forest area protection. Patrols are tracked using navigation systems and results are publicly evaluated as a basis for the contract’s final accounting. The primary limitation was that forest

protection contracts solely focus on the contracted area index without addressing biodiversity objectives. Through careful surveying and observation, RBB will be most feasible carried out for this non-state budget line, particularly under the contractual payments for forest protection, despite the limitation.

Pilot in Sao La Protected Areas

During phase 1 in 2019, BIOFIN in Viet Nam attempted to gauge the feasibility of RBB in forest protection which resulted in a pilot in Sao La Protected Area where the initial guidelines on its application were produced. Sao La PA was chosen as the pilot site due to its affinity with the explained Scenario 2. For the Sao La PA, an important source of revenue for the Management Board is derived from PFES. This revenue is mainly used to fund forest protection contracts, some of which are signed with households and others with forest rangers.

The pilot in Sao La was undertaken with the following steps:

- i. The PA Management Board (PAMB) established a Working Group
- ii. The Working Group discussed managing labor contracts with staff and “performance-based” forest protection contracts with households, conditions for applying RBB, and criteria for evaluating their performance results, in which biodiversity conservation objectives were added.
- iii. A set of Criteria, procedures, and methods for evaluating task performance in labor contracts and forest protection contracts were developed, utilizing assessment outcomes for contract management.

The PAMB and Working Group conducted extensive consultations with all staff, contract workers, and forest protection groups regarding the pilot application of RBB for managing labor and performance-based forest protection contracts.



Photo 1: Forest rangers patrolling the forest in Sao La PA

Monitoring results

In the present state of the PA, there are ample and readily available resources for evaluating the performance of RBB, particularly the forest protection contracts in Sao La PA, such as:

- Records from patrol camp and team monitoring logs
- Daily teams’ reports
- Data obtained from SMART mobile devices and satellite imagery for visual patrol records.

Results of the Sao La Pilot

RBB application to forest protection services has transpired in the development of a set of Key Performance Indicators (KPIs) in the performance-based contracts that serve to amplify biodiversity conservation for Sao La PA. This includes indicators in the following 5 groups:

- i. Compliance with working regulations and rules.
- ii. Frequency in patrolling and raiding activities
- iii. Detection and timely reporting of violations of forest law
- iv. Detection and reporting of evidence of biodiversity enrichments and/or losses (added)
- v. Results of biodiversity conservation and forest protection

An open and transparent performance assessment system is established, encompassing steps such as developing assessment criteria, collecting evidence, self-assessment, manager assessment, emulation council assessment, and performance ranking for contract payment. Additionally, a revised Code of Internal Control (Quy chế chi tiêu nội bộ, 2018 version) was issued to ensure transparency and fairness in performance assessment and ranking methods, reinforcing the integration of the National Biodiversity Strategy and Action Plan objectives into RBB practices.

It’s concluded that the application of RBB to certain activities within the PA is entirely feasible. Implementing RBB for labor contracts and forest protection contracts allows for a more accurate and transparent assessment of biodiversity conservation results. However, successful management of these contracts requires support from supervisory authorities, determination from the management boards, and active participation from staff and laborers throughout the trial period. Additionally, the Management Boards need transparent procedures, monitoring tools, and reporting systems to track activities and results comprehensively, from inputs to outputs, ensuring effective conservation of biodiversity.

The results from the RBB pilot under BIOFIN phase 1 are as follows:

1 A system of criteria and indicators for evaluating the performance of forest protection and biodiversity tasks has been developed for labor contracts and forest protection contracts. This system of criteria meets the requirements of being (i) simple, and easy to measure and monitor by existing monitoring and supervision system; (ii) sufficient to increase the responsibilities for the biodiversity conservation of labor contract worker and performance-based contracted households, but not putting so much pressure that workers object to adding these indicators to the contract; and (iii) criteria for assessing the quality of forest and biodiversity conservation indicators and payment for forest protection must be clear, measurable, and equitable.

2 Contract annexes were drafted (labor contract and performance-based contract for forest protection signed in 2019), adding evaluation criteria, assessment methods and classification of performance of forest protection and biodiversity conservation tasks. Since 2020, these items have been expected to be formally added to labor contracts and performance-based contracts for forest protection.

3

The PA's Code of Internal Control (Quy chế chi tiêu nội bộ, 2018 version) was revised to be consistent with changes in the piloted method of evaluating the performance of biodiversity and forest protection tasks. This Code serves to ensure a transparent and predictable performance assessment system as well as encourage stakeholders' participation in this assessment.

4

A technical guideline to apply RBB to forest management and protection through labor contracts/performance-based contracts for forest protection to be replicated to other PAs with similar conditions was developed.

Standardized cost norms for biodiversity inventory and monitoring across PAs

Moving into phase 2, BIOFIN is pursuing the issuance of standardized cost norms for biodiversity inventory and monitoring across PAs. According to Decision 1990/QĐ-TTg dated December 11, 2017, on government-commissioned public services, biodiversity inventory and monitoring is posed to be MONRE's prime function. Therefore, it's expected that RBB is applied for the inventory and monitoring of Viet Nam's biodiversity status in PAs.

The economic-technical norms consist of three basic components: labor norms, material norms, and equipment norms, which will serve as the basis for the competent authority to determine the budget estimate for implementing tasks and projects on biodiversity conservation. The standardized costs for biodiversity inventory and monitoring are aimed to be promulgated by the Ministry of Natural Resources and Environment (MONRE) in accordance with the process and indicators of biodiversity inventory and monitoring set out in a Guideline issued by the Nature and Biodiversity Conservation Agency (NBCA) under MONRE. The standardized costs, once promulgated, would help ensure better transparency and accountability in utilizing the allocated State Budget in this task of biodiversity inventory and monitoring across PA.

Conclusion

Despite the establishment of sufficient monitoring tools and frameworks for the Sao La pilot, which serves as a model for implementing RBB across Viet Nam's PA system, significant challenges persist in advancing the comprehensive application of RBB. While the legal framework for RBB is solid, there is a need for the MOF to issue clear instructions and mandate RBB as a compulsory requirement as a budgeting method across all sectors.

While the conceptual framework for RBB in Sao La is justified and sound, there are obstacles that need to be addressed for the practical implementation of RBB.

- i. Vietnam's public finance management framework does not fully back RBB across sectors. The MOF persists in favoring

input-based cost norms for annual budget planning, rendering RBB unfeasible for state funding sources.

- ii. For non-state funding sources, RBB can be applied to activities and tasks that have (i) specific objectives and targets; (ii) earmarked funding; and (iii) doable set of performance measurement. In PA's mandates and tasks now, only PFES-based forest protection service can satisfy those conditions. Thus, the scope of RBB application is limited.
- iii. The pilot's sustainability relies on PAMB's willingness to adapt, as they can still manage current contracts without RBB. Only results-oriented leaders support the pilot. Given the high turnover rate in public agencies, there is no guarantee that the pilot will be continued if an official guide from supervisor agencies (say, Ministry of Agriculture and Rural Development - MARD) has not been issued.



Photo 2: The Saola, a forest-dwelling bovine, was restored and is currently protected in the PA

Continued BIOFIN's support to upscale Result-based budgeting in Viet Nam

Presently, the Government has enacted Decree 32/2019 concerning performance-based task assignment, direct contracting, and bidding for designated public services utilizing state recurrent budget, which is another bold step in government's commitment to RBB. For PAs, result-based direct contracting will be more relevant and represents a significant stride towards RBB integration. To facilitate this approach, Decree 32 stipulates that:

- Competent authorities, such as MONRE, MARD, or provincial bodies, must issue technical specifications, cost norms, and costing methodologies.
- Clear guidance on output indicators/measurements and monitoring procedures and incentives for RBB application are necessary.

The on-going support on the development of the standardized cost norms for biodiversity inventory and monitoring across PAs as earlier mentioned will contribute to the operationalization of Decree 32 for more effective RBB application in Viet Nam.

Footnotes:

2. The existing “performance-based” criteria have only been rested on the size of the contracted area (in hectare) and the observable state of the forests, rather than incorporating criteria specifically focused on biodiversity. (page 2)

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Author contributions

Vu Cuong, Bui Duc Tuan, and Nguyen Quoc Dung conducted the research and Sao La pilot under BIOFIN’s phase 1. Michelle (Phuong) Dang (UNDP) was responsible for the primary drafting and design of this case study. All authors including Michelle Dang, Vu Cuong, and Hoang Thu Thuy (UNDP) contributed to the writing of the paper.

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