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VIET NAM BIODIVERSITY FINANCE INITIATIVE

Biodiversity Expenditure Review Policy Brief



UNDP Viet Nam & Nature and Biodiversity Conservation Agency (BCA)

Hanoi, May 2019

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KEY RECOMMENDATIONS

1. To improve the protection of biodiversity resources in the country Viet Nam should **develop a Biodiversity Finance Plan**, endorsed by the Government, that ensures coverage of the forecasted increase in biodiversity expenditures to 2030 under the business-as-usual scenario and elaborates opportunities for maintaining and strengthening government budget finance, by using government-regulated instruments and by mobilizing more financing from social and private sector sources, to ensure an appropriate mixture of already applied and innovative finance solutions supported by education and awareness raising across communities and sectors on the importance of biodiversity and its benefits provided to the economy and society at large.
2. **Focus on realigning existing financial flows**, avoiding unnecessary expenditures, and delivering better on existing biodiversity expenditures in order to ensure that all allocated financing will synergistically support achieving Viet Nam's national biodiversity conservation targets.
3. **Conduct a follow-up BER** that focuses on improving and expanding the quantification of biodiversity expenditure, including for actors for whom biodiversity conservation is of secondary importance, applying appropriate weighting factors, and analyzing the linkages between budgeted, approved, allocated, and actual expenditures.
4. **Improve methodology and data recording practices** in order to ensure better tracking of cash flow allocations to biodiversity-related activities and arrange for a timely adjustment of financial resources needed to achieve national biodiversity targets.

Disclaimer: This policy brief was prepared based on the Biodiversity Expenditure Review compiled by independent consultants for the BIOFIN project in Viet Nam. The opinions expressed herein are those of the report's authors, and do not necessarily reflect the views of United Nations Development Program or Nature and Biodiversity Conservation Agency (BCA).

FINDINGS

- Between 2011 and 2015, Viet Nam spent a total of **VND 22,910,016 million** (USD 1,818 million) on biodiversity related outcomes, equal to an annual average of VND 4,582,003 million (USD 203.65 million). These figures are most likely an underestimation of the total expenditures.
- Financing was **allocated in support of government-prioritized biodiversity conservation targets**, specifically 40% for "sustainable use, fair and equitable access and sharing of benefits derived from ecosystems and biodiversity", followed by 34% for the "conservation of natural ecosystems", 13% for the "control of activities which negatively impact on biodiversity", and less than 10% for climate change mitigation and other targets.
- At the same time, prior studies also indicate that **the overall volume of financial resources made available for biodiversity seems insufficient and inefficient**, as biodiversity in Viet Nam continues to degrade.
- While biodiversity spending aligns overall with the main biodiversity conservation targets, **few key actors actually track these financial flows** by funding source, project components/objectives or by biodiversity target, making sub-target categorization and weighting, as well as assessing the relative contributions towards these achieving targets difficult.
- The vast majority of biodiversity expenditure in Viet Nam, about 77% of total biodiversity expenditures, is provided by government budget sources, implying **a great dependency on the government** to protect the biodiversity resources of the country.
- For PAs, a large amount of the financial resources allocated for the conservation of natural ecosystems (about 65%) is spent on the **salaries and operational costs** for the PA management boards as well as on investment in PA infrastructure, and about 35% is spent on **targeted conservation activities**.

Acronyms

BCA	Nature and Biodiversity Conservation Agency	NBS	National Biodiversity Strategy
BER	Biodiversity Expenditure Review	NGO	Non-Governmental Organization
BFP	Biodiversity Finance Plan	ODA	Official Development Assistance
BIOFIN	Biodiversity Finance Initiative	PA	Protected Area
DARD	Department of Agriculture and Rural Development	PFES	Payment for Forest Ecosystem Services
DONRE	Department of Natural Resource and Environment	PIR	Policy and Institutional Review
FNA	Financial Needs Assessment	PPC	Province People's Committee
GDP	Gross Domestic Product	UNDP	United Nations Development Program
MARD	Ministry of Agriculture and Rural Development	USD	Dollar currency of the United States of America
MOF	Ministry of Finance	VEPF	Viet Nam Environment Protection Fund
MOH	Ministry of Health	VIFARR	Viet Nam Fund for Aquatic Resources Reproduction
MONRE	Ministry of Natural Resource and Environment	CDF	Community Development Fund
MOST	Ministry of Science and Technology	VNFF	Viet Nam Forest Protection and Development Fund
MPI	Ministry of Planning and Investment	VND	Dong currency of Viet Nam

INTRODUCTION TO THE BER

The Viet Nam **Biodiversity Expenditure Review** (BER) was undertaken as part of the global **Biodiversity Finance Initiative** (BIOFIN) project, managed by UNDP in partnership with the European Commission and the governments of Germany, Switzerland, Norway, and Flanders. The overall goal of the project is to explore national- and subnational-level biodiversity expenditures, finance needs, policies and institutions by different government organizations, agencies, ministries, NGOs, and private sector actors, providing inputs for the better implementation of actions to reach national biodiversity targets.

The BER is used to understand how much money is spent for biodiversity, whether budgets and expenditures are aligned with national biodiversity priorities and what the expenditures have achieved. The Viet Nam BER attempts to provide a **comprehensive analysis of biodiversity spending during 5 consecutive years from 2011 to 2015 in Vietnam** following the methodology in the BIOFIN Workbook (2016).

All data quoted in the BER report are presented as current prices.

An exchange rate of USD 1 = VND 22,500 is applied throughout the report.

Background

Viet Nam is ranked 16th among the Earth's most biodiverse countries and is one of the ten richest centers of biodiversity in the world. It is characterized by the presence of an abundance of ecosystems, including terrestrial forests, wetlands, and marine ecosystems, a high number of species that includes 11,458 fauna and 21,017 flora species and varied and unique genetic resources. The country's biodiversity and the goods and services it provides bring significant and valuable direct and indirect benefits to humans, the environment and the economy.

Recognizing the importance of biodiversity, the Government of Viet Nam has made great efforts towards its conservation, protection, and strengthening. To date, some achievements towards biodiversity conservation have been recorded, but many barriers remain to achieving notable and sustainable progress on formulated targets. One significant barrier is the lack of sufficient financial resources. **The overall financial amount available remains insufficient for the full, efficient, and effective implementation of biodiversity conservation targets agreed to in the Viet Nam National Biodiversity Strategy to 2020, with vision to 2030 (NBS).**

The BER approach

The BER provides an analysis of public, social, and private biodiversity expenditures in the recent past, as well as an estimate of the projected financial resources to be allocated in the near future under the business-as-usual scenario, i.e., the baseline with no actions taken beyond already ongoing initiatives to strengthen financing for biodiversity conservation.

The BER in Viet Nam was completed with inputs from relevant sources, assessing public, social and private biodiversity spending over a period of five years at both the national and provincial level. All collected data and information were analyzed following the guidance provided in the BIOFIN Workbook (2016). The BER focused on the expenditure of organizations with legally designated primary functions and tasks for biodiversity management in Viet Nam, including MONRE, MARD, MOST and MOH, PPCs and their subordinate institutions, including specifically PAs. In addition, the BER quantified social expenditures from a variety of Trust Funds as well as private sector contributions of companies, NGOs, etc. Two consultation workshops collected comments

and feedback from relevant stakeholders and interested parties, which were then used to frame the final report and its recommendations.

First, the BER clarified what types of spending are considered biodiversity expenditures. Viet Nam defined **biodiversity expenditure** as any type of direct or indirect spending's aimed at or leading to the achievement of the following targets in the most recent NBS:

- (i) Conservation of natural ecosystems.
- (ii) Conservation of wild and domestic endangered, rare, and precious species of plants and animals.
- (iii) Sustainable use, fair and equitable access, and sharing of benefits derived from ecosystems and biodiversity.
- (iv) Control of activities that negatively impact on biodiversity, and
- (v) Biodiversity conservation in the context of climate change.

Limitations and challenges

The BER study specifically notes the following limitations and challenges:

- (i) In general, data is limited, and availability and accessibility is highly dependent on the biodiversity finance actors. Almost none of these actors had a separate system for monitoring and tracking biodiversity financial flows by funding source or by biodiversity target.

- (ii) Cross-checking for data and information was challenging. There are many biodiversity finance actors involved in the BER analysis and understanding of the term "biodiversity expenditure" differed widely between actors.
- (iii) While overall information on financing for biodiversity-related projects is commonly available, there is very limited quantitative data on financing for individual components/objectives, budget lines, or yearly spending, making it difficult to apply sub-target categorization and weighting percentages.
- (iv) The BER study did not include an analysis of the divergence between budgeted, approved, allocated financing and actual expenditures. As such, no conclusions can be drawn regarding the commitments of the government and/or donors towards actually distributing and spending funding as budgeted and approved.
- (v) Data on private biodiversity expenditure were very limited and difficult to cross-check.

National Context of Financing for Environment Protection

During the five-year period covered by the BER, Viet Nam showed an average growth rate of 5.91% annually, while the GDP increased gradually from VND 2,779,800 billion (USD 123.55 billion) in 2011 to VND 4,192,862 billion (USD 186.35 billion) in 2015.



Photo source: Biofin

Biodiversity conservation is one of the priorities in Viet Nam's environmental protection policy, and the government budget includes a budget line for the finance of environmental protection activities. Between 2011 and 2015, following the GDP increase, the total government expenditures on environmental protection almost doubled, from VND 11,264 billion (USD 500.6 million) in 2011 to VND 18,483 billion (USD 821.6 million) in 2015, amounting to an average growth rate of 14% per year. In the same period, the average ratio of expenditure on environment to the GDP and

total budget expenditure was 0.42% and 1.45%, respectively (see **Table 1**).

Allocated funding is spent on (i) legislative-regulatory documents, strategies and action plans, technical guidelines, and regulations; (ii) environmental protection programs; (iii) pollution control and waste management, including disaster abatement; (iv) the management of Viet Nam's PA network; and monitoring, reporting and information disclosure.

Table 1 Expenditure on environment as a share of GDP and other economic indicators

Indicator		2011	2012	2013	2014	2015	Trung bình hàng năm
Expenditure on environment protection	VND billion	11.264	12.919	16.686	15.375	18.483	14.945
	USD million	500.62	574.18	741.60	683.33	821.46	500.62
Expenditure on environmental protection as a proportion of GDP (%)		0.41	0.40	0.47	0.39	0.44	0.42
Expenditure on environmental protection as a proportion of total budget expenditure (%)		1.43	1.32	1.53	1.39	1.57	1.45

Tracked government spending on biodiversity from 2011 to 2015

To answer questions as to who spends on what types of biodiversity-related activities and how much, biodiversity expenditures should be associated with biodiversity categories, organizations and economic sectors. To identify to what degree spending aligns with national priorities expenditures should also be tagged with national biodiversity targets or strategies. These national strategies/targets are identified in the Policy and Institutional Review (PIR) and are used in parallel with the BIOFIN categories in the Finance Needs Assessment (FNA).

In Viet Nam, government expenses for activities related to nature and biodiversity conservation are included in the state budget category of expenditure for environmental protection and

can be tracked under sub-category 287 (see **Table 2**). However, the adopted legal guidance does not specify which types of expenditure should be recorded, nor how they should be recorded.

According to MONRE, government budget spending on environmental protection is one of the key financial sources for biodiversity conservation at both the central and local level in Viet Nam. **However, biodiversity expenditure as a share of the government's overall expenditure on environmental protection is not fixed.** The share varies from year to year, depending on the government budget availability, the government's short-term and long-term biodiversity management plans, and especially the priority given to biodiversity, compared to other areas in the field of environmental protection and economic development.

Table 2 Government expenditure on nature conservation and biodiversity

State budget expenditure		2011	2012	2013	2014	2015	Tổng
Budget line 287	VND billion	230,11	298,31	343,73	388,36	445,37	1.696,82
	USD million	10,23	12,86	15,27	17,26	19,79	75,41

BIODIVERSITY EXPENDITURE BY SECTOR, AGENCY, AND CATEGORY

Public sector

According to the Law on Biodiversity (2008), the government has committed to allocating budget finance for biodiversity-related activities. The government accrues its budget from sources such as taxes, charges, and fees as well as revenues from economic activities of the state, contributions by organizations and individuals, foreign aid and other revenues, as provided by law. The government budget is an important source of biodiversity financing allocated to central and local (provincial) biodiversity state management agencies using five channels:

- Recurrent expenditure** is mainly allocated to formulate strategies, action plans and programs/projects, to manage state-owned conservation facilities, to raise awareness on conservation and sustainable use, and to support biodiversity monitoring and reporting, including Red Lists.
- Development investment** is mainly allocated for the implementation of conservation initiatives, including basic surveys, projects on ecosystem restoration and invasive species.
- Investment** for the implementation of biodiversity-related national strategies and different sectoral programs and projects has always been a priority commitment of the government for the mobilization and allocation of financial resources.
- Regarding **ODA** funds: between 2011 and 2015, Viet Nam was among the highest-ranked recipients of bilateral and multilateral development finance in the world. Many activities would not have been funded if not for their biodiversity-related goals; as such, **ODA financing is a critical source for biodiversity conservation in Viet Nam**, as a significant addition to the government budget both in the past as well as in the foreseeable future.
- The government has committed to establishing, financing, and operating a significant number of trust funds, the purpose of which is to mobilize financial resources for the implementation of development activities in different sectors, including biodiversity conservation.

Expenditure from state budget

Expenditure of biodiversity state management agencies at the central level

Total expenditure for biodiversity by MONRE, MARD, and MOST between 2011 and 2015 amounted to VND 1,414,081 million (USD 62.85 million), with the highest amount spent by MARD (46%), followed by MOST (28%), and MONRE (26%). Of these expenditures, about 51% supported the NBS target of "Conservation of natural ecosystems", 33% on "Conservation of wild and endangered, rare and precious species of plants and animals", 9% on "Sustainable use, fair and equitable access and sharing of benefits derived from ecosystems and biodiversity", and less than 10% on "Control of activities negatively impacting on biodiversity", "Biodiversity conservation in the context of climate change" and other targets.

Expenditure of biodiversity state management agencies at the provincial level

The total estimated biodiversity expenditure by all DONREs for 2011-2015 amounted to VND 178,078 million (USD 7.9 million), of which 38% contributed to NBS target "Control of activities negatively impacting on biodiversity", 28% to "Conservation of wild and endangered, rare and precious species of plants and animals", and 18% to "Conservation of natural ecosystems", with the remaining 16% contributing to other NBS targets.

The total estimated biodiversity expenditure by all DARDs for 2011-2015 amounted to VND 792,269 million (USD 35.2 million), of which 42% contributed to NBS target "Sustainable use, fair and equitable access and sharing of benefits derived from ecosystems and biodiversity" and 41% to "Control of activities negatively impacting on biodiversity", and the remaining 17% supporting other NBS targets.

Among the DONREs and DARDs, biodiversity expenditure significantly varied between provinces and years, depending on different factors like funding availability, the existence of approved provincial short-term and long-term plans, the importance of biodiversity to the provincial economy and environment.

Expenditure of protected areas

The BER estimates the total biodiversity

expenditure by all PAs between 2011 and 2015 as VND 5,977,749 million (USD 265.7 million), predominantly allocated in support of NBS target “Conservation of natural ecosystems” (76%), the “Conservation of wild and endangered, rare and precious species of plants and animals” (11%), and “Control of activities negatively impacting on biodiversity” (8%), with about 5% allocated to other NBS targets.

Between 2011 and 2015, the PAs in Viet Nam—regardless of whether managed by MARD or a PPC, terrestrial or marine—spent most of their allocated financing (65–95%) on wages, salary supplements, and on operational costs of the PA management boards, while 5–35% was spent on direct biodiversity conservation and restoration initiatives.

Expenditure from ODA funds

Between 2011 and 2015, estimated biodiversity expenditures from ODA funds amounted to USD 409.5 million, of which the major part was allocated to general environmental protection (65%), followed by forestry (10%), agriculture (9%), water supply and sanitation (5%) and trade policies and regulations (2%).

Biodiversity-related ODA expenditure contributed to mostly achieving NBS target “Sustainable use, fair and equitable access and sharing of benefits derived from ecosystems and biodiversity” (42%), followed by “Conservation of natural ecosystems” (27%), “Control of activities negatively impacting on biodiversity” (19%), with the remaining 12% supporting other NBS targets.

Social sector

In Viet Nam, trust funds such as the Viet Nam Forest Protection and Development Fund (VNFF), the Viet Nam Environment Protection Fund (VEPF), the Viet Nam Fund for Aquatic Resources Reproduction (VIFARR), the Community Development Fund (CDF), and others are representative of social finance resources for biodiversity, of which the VNFF is the most important. VNFF was established to mobilize societal resources and ensure a new, extrabudgetary finance resource sufficiently stable and sustainable for managing, protecting, and developing forests, especially natural forests.

In recent years, the majority of VNFF revenues are provided by Payments for Forest Ecosystem Services (PFES). Between 2011 and 2015, the one central and 37 provincial VNFFs collected VND 5,226,025 million (USD 232.26 million) from PFES

service users and VND 533,026 million (USD 23.69 million) from payments for reforestation. VNFF revenue was mainly used as payment to forests owners as incentives for better management of 5.87 million hectares of forest, as investment in better forest protection, and for reforestation.

Private sector

A number of private domestic and international companies and organizations have provided grants to individuals, NGOs, community-based organizations, research centers, educational institutions, PAs, etc., to support actions for biodiversity conservation and sustainable use. Between 2011 and 2015 there were at least 20 biodiversity-related projects receiving financial support from domestic and international organizations equal to an annual average value of USD 60 million. Several private-sector companies have also contributed to biodiversity in Viet Nam through their own projects.

Overall, the BER estimates total private expenditure on biodiversity to amount to VND 977,562 million (USD 43.4 million), with a focus on the sustainable use of natural resources, strengthening of the ecosystem-based approach to climate change adaptation, and the conservation of wild and endangered species.

Summary of Biodiversity Expenditures

Combining estimates by different sectors shows that between 2011–2015, overall biodiversity-related expenditure in Viet Nam amounted to a **total of VND 22,910,016 million** (USD 1.02 billion), equal to an **annual average of VND 4,582,003 million** (USD 203.65 million) spent on biodiversity-related activities, largely by the public sector (76.7%), followed by the social sector (19.1%) and the private sector (4.2%), with public spending decreasing, social spending increasing, and private spending remaining stable (see **Figure 1**).

At the same time, in recent years distinct changes are noted in the contribution to biodiversity finance by different sectors, with public spending decreasing, social spending increasing, and private spending remaining stable (see **Table 3**). Notably, between 2011 and 2015 biodiversity-related financing from the public sector annually decreased by on average 3.5%.

Table 3 Relative contribution to biodiversity expenditure by sector between 2011 and 2015

Sector	2011	2012	2013	2014	2015
Public sector	87%	73%	78%	76%	73%
Social sector	7%	22%	18%	20%	24%
Private sector	6%	5%	5%	3%	3%
Total	100%	100%	100%	100%	100%

On average, the total biodiversity spending amounted to only 0.16% of the GDP and 0.58% of total government budget expenditure, or 10% of government expenditures on environmental protection. With regard to NBS main tasks, between 2011 and 2015 most financial resources were allocated to "sustainable use, fair and equitable access and sharing benefits derived

from ecosystems and biodiversity" (40%), followed by "conservation of natural ecosystems" (34%), "control of activities negatively impacting on biodiversity" (13%), and less than 10% for other NBS major tasks (see Figure 2), with some variations observed in individual years (see Figure 3).

Figure 1 Trends in biodiversity-related expenditure by sector during 2011–2015 (million VND)

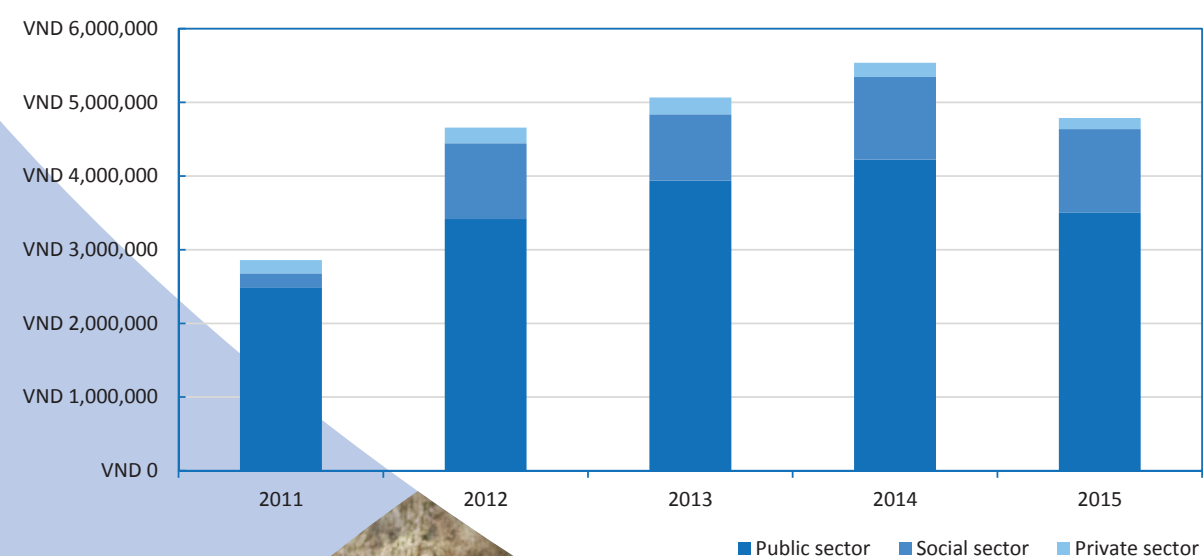


Figure 2 Relative biodiversity expenditure by NBS major tasks overall for 2011-2015

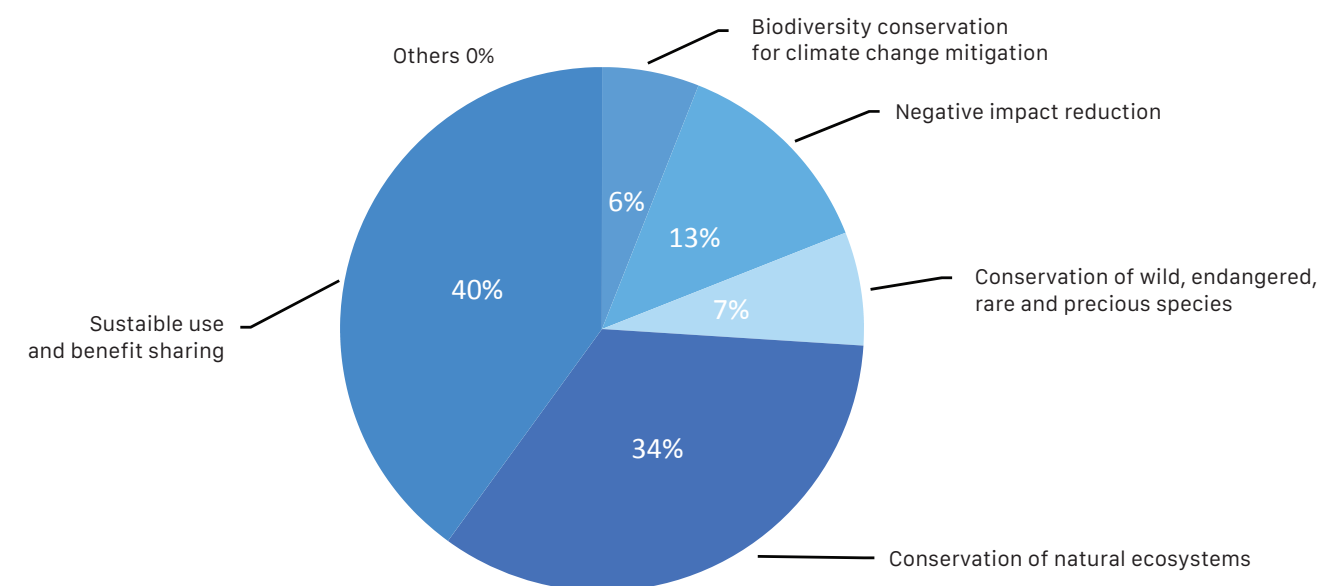
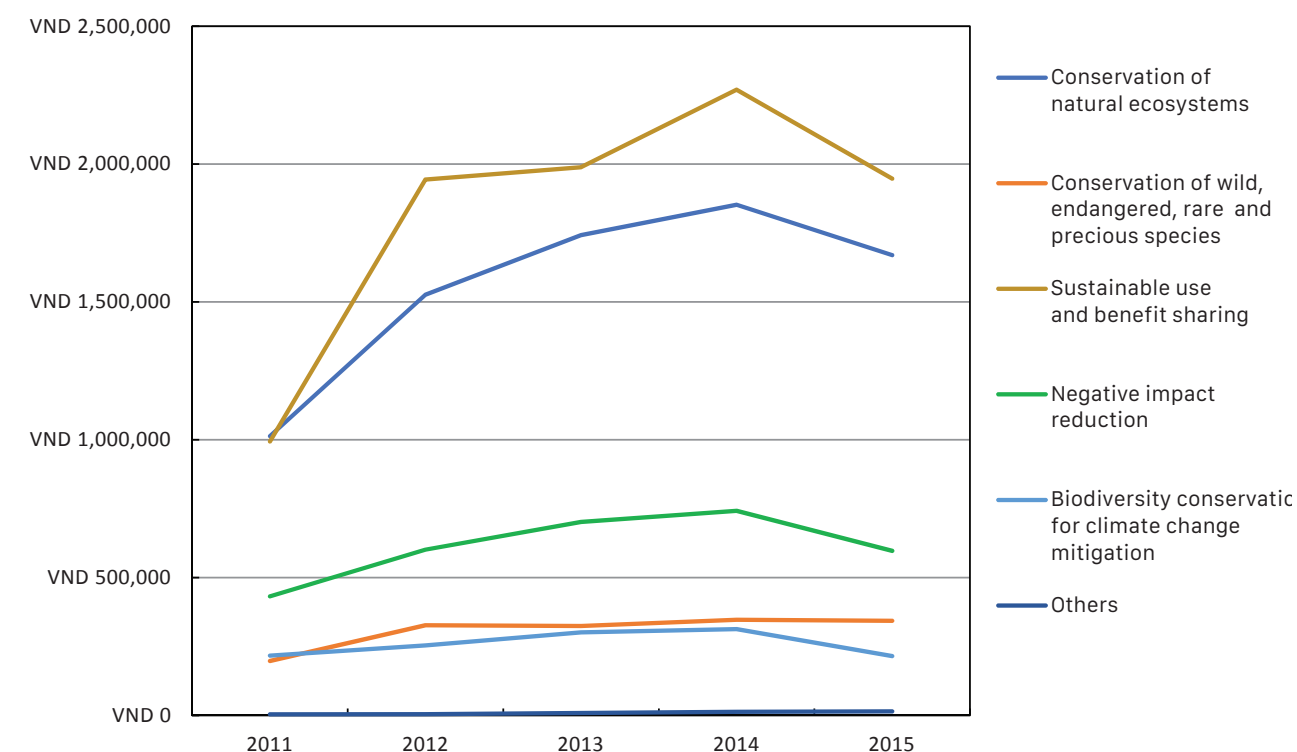


Figure 3 Trends in biodiversity expenditure to NBS major tasks between 2011-2015 (million VND)



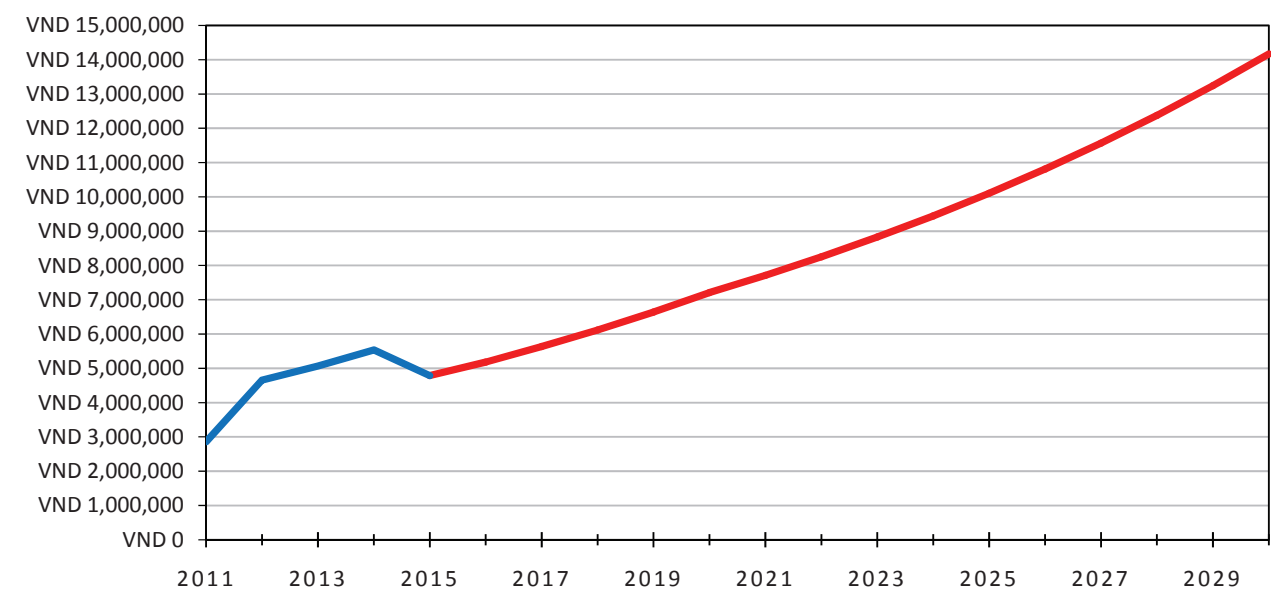


PROJECTION OF FUTURE BIODIVERSITY EXPENDITURE

Based on the forecasted average annual GDP growth rates of Viet Nam for the periods 2010–2020 and 2020–2030 periods, being 5.7% and 5.3%, respectively, the BER estimated the future

annual biodiversity expenditure of Viet Nam to increase steadily, to reach VND 10,104,979 million (USD 449.1 million) by 2025 and VND 14,170,107 million (USD 629.8 million) (see **Figure 4**).

Figure 4 Estimated biodiversity expenditure of Viet Nam up to 2030 in million VND



CONCLUSIONS AND RECOMMENDATIONS

Conclusions

- Between 2011 and 2015, Viet Nam spent on average VND 4,582,003 million (USD 203.65 million) per year on biodiversity related outcomes. These figures are **most likely an underestimation of the total expenditures**. Due to limited access to data in some sectors, institutions and departments part of the country's direct and indirect expenditures could not be included in the review.
- The results of the BER show that the vast majority of biodiversity expenditure in Viet Nam is provided by government budget sources (77%), followed by social resources (19%) and the private sector (4%). This implies a **great dependency on the government** to protect the biodiversity resources of the country, as also observed in many countries across the globe.
- In recent years, expenditure for achieving the targets of Viet Nam's National Biodiversity Strategy is increasing. During this time, the total biodiversity expenditure accounted for 0.16% and 0.58% of GDP and total government budget expenditure, respectively. Yet, this is still insignificant compared to the benefits received by humans, the economy and the environment of the country. Independent studies indicate that **the overall volume of financial resources made available for biodiversity seems insufficient and inefficient, as biodiversity in Viet Nam continues to degrade**.
- The BER analysis shows that between 2011 and 2015 that annual public spending on biodiversity was decreasing, while social spending was increasing, and private spending remained largely stable. With future biodiversity expenditure forecasted to increase, it is expected that to 2030 the relative contribution by the public sector will continue to decrease between 1-2% annually, while the relative contribution from the social sector will increase by 1-2% annually, and the contribution from the private sector will on average increase by 1%, in response to targeted international and national programs for strengthening private sector support to biodiversity.
- Specifically for PAs, of the financial resources allocated for the conservation of natural ecosystems, a large amount (about 65%) is spent on the salaries and operational costs of the PA management boards as well as on investment in PA infrastructure, while only a relatively small amount (about 5-35%) of the financial resources allocated is spent on direct biodiversity conservation and restoration initiatives.

Recommendations

- **Improve methodology and data recording practices** in order to ensure better tracking of cash flow allocations to biodiversity-related activities and arrange **for a timely adjustment of financial resources** needed to achieve national biodiversity targets. Viet Nam already has a separate line in the state budget index to record and track government spending on biodiversity. However, due to an unclear and inconsistent methodology, data recording is inaccurate, resulting in much lower biodiversity expenditure recorded (VND 1,696.82 billion) compared with the total biodiversity expenditure as estimated in the BER (VND 22,910 billion) using improved categorization and weighted tagging, and notwithstanding the common opinion that the BER estimation of total actual spending remains an underestimation.
- **Develop a Biodiversity Finance Plan** to ensure coverage of the forecasted increase in biodiversity expenditures to 2030 under the business-as-usual scenario, elaborating opportunities for maintaining and strengthening government budget finance, i.e. by using government-regulated instruments, as well as strengthening the mobilization of financing from social and private sector sources, making use of an appropriate mixture of already applied and innovative finance solutions.
- **Focus on realigning existing financial flows**, avoiding expenditures, and delivering better on existing biodiversity expenditures in order to ensure that all allocated financing will synergistically support achieving Viet Nam's national biodiversity conservation targets.
- **Conduct a follow-up BER**, building on the findings of the current BER, focusing on (i) expanding the quantification of biodiversity expenditure by public, social or private sector actors to include such actors for whom biodiversity conservation is of secondary importance, and applying appropriate weighting factors to incorporate such expenditures across national biodiversity targets, and (ii) analyzing the linkages between budgeted, approved and allocated, and actual expenditures



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