

FINANCIAL RESOURCE MOBILIZATION

FOR THE IMPLEMENTATION OF THE NATIONAL
BIODIVERSITY STRATEGY AND ACTION PLAN TO
2030, WITH A VISION TO 2050

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Authors

Vu Cuong (Financial Consultant)

Pham Anh Cuong (Biodiversity Consultant)

Contributing Experts

Dr. Hoang Thi Thanh Nhan (Nature and Biodiversity Conservation Agency, Ministry of Natural resources and Environment)

MSc. Nguyen Thi Van Anh (Nature and Biodiversity Conservation Agency, Ministry of Natural resources and Environment)

Tran Thi Thu Ha (Independent Consultant)

Le Ha Thanh (Independent Consultant)

Nguyen Viet Dung (Independent Consultant)

Coordination Team

Hoang Thu Thuy (UNDP Viet Nam)

Michelle (Phuong) Dang (UNDP Viet Nam)

Design

Colorista Viet Nam

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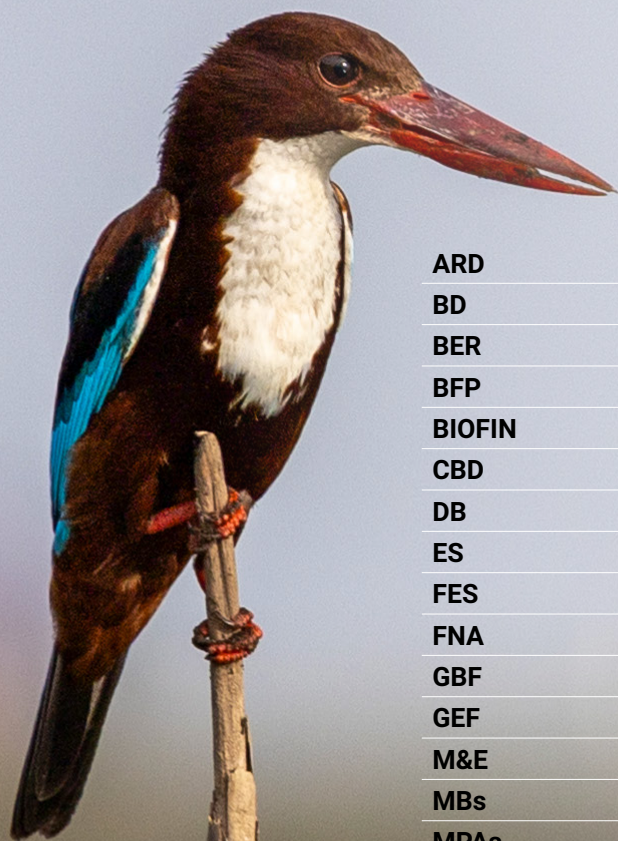
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ACRONYMS

ARD	Agriculture and Rural Development
BD	Biodiversity
BER	Biodiversity Expenditure Report
BFP	Biodiversity Finance Plan
BIOFIN	The Biodiversity Finance Initiative
CBD	The Convention on Biological Diversity
DB	Database
ES	Ecosystem Services
FES	Forest Environmental Services
FNA	Financial Needs Assessment
GBF	The Global Biodiversity Framework
GEF	The Global Environment Facility
M&E	Monitoring & Evaluation
MBs	Management Boards
MPAs	Marine Protected Areas
NBSAP	The National Biodiversity Strategy and Action Plan
NPs	National Parks
NRE	Natural Resources and Environment
NRs	Nature Reserves
NTP	National Target Program
ODA	Official Development Assistance
PAs	Protected Areas
PFES	Payment for Forest Environmental Services
PIP	Public Investment Plan
PIR	Policy and Institutional Review
PMES	Payment for Marine Ecosystem Services
PNBUs	Public Non-Business Units
PPC	Provincial People's Committee
PPP	Public-Private Partnership
PWES	Payment for Wetland Ecosystem Services
RMR	Resource Mobilization Report
S&T	Science and Technology
SBV	The State Bank of Viet Nam
UN	The United Nations
WPAs	Wetland Protected Areas

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EXECUTIVE SUMMARY



Biodiversity and its diverse ecosystems are essential for sustainable development. For decades, Viet Nam has been recognized as one of the world's biodiversity centers with a rich and endemic diversity of ecosystems, species, and genetic resources (Viet Nam's 6th National Report to the CBD, 2019). However, Viet Nam's biodiversity has been declining rapidly (Ministry of Natural Resources and Environment - MONRE, 2021) due to many different drivers such as human activities (overexploitation of resources, deforestation, habitats loss, environmental pollution, etc.), biological invasion, and climate change (CC). Recognizing the importance of nature and biodiversity conservation, and in line with the Convention on Biological Diversity (CBD) calling on Member States to develop their national biodiversity action plans, on the January 28, 2022, the Prime Minister signed Decision No. 149/QĐ-TTg approving the National Biodiversity Strategy and Action Plan (NBSAP 2030) to 2030, with a vision to 2050. With the support of the global Biodiversity Finance Initiative (BIOFIN) phase 2, a FINANCIAL RESOURCE MOBILIZATION for the implementation of the NBSAP (hereafter "the RMR") has been prepared to forecast mobilization capacity and propose feasible solutions to maximize financial resources for NBSAP implementation.

This RMR was built on the results of synthesizing and analyzing existing literature, legal documents and research, combined with stakeholder consultations and field surveys. In particular, the RMR was built on relevant research carried out under BIOFIN. Through the review of the traditional financial sources for biodiversity and the feasibility assessment of finance solutions proposed in the Biodiversity Finance Plan (BFP), the RMR projects the mobilization potential of each source and recommends implementation solutions.

The international and national context presents both opportunities and challenges for mobilizing financial resources for NBSAP 2030. Key opportunities include, among other, the government's strong political commitments, effective engagement of relevant ministries, growing awareness and proactive engagement of the private sector and financial institutions in green production, consumption, and finance, as well as the emergence of innovative market-based biodiversity financing initiatives. Conversely, major challenges arise from competition for resources between economic investment projects and conservation activities, conflicts between

development objectives and biodiversity conservation goals, and the absence of a comprehensive, robust database and effective monitoring tools for biodiversity and natural ecosystems. These challenges hinder the development of evidence-based policies and mechanisms for biodiversity conservation. Nonetheless, the effective implementation of the NBSAP 2030, which is viewed as relatively aligned with the Global Biodiversity Framework (GBF), will contribute significantly to actualizing Viet Nam's global commitments.

The Financial Needs Assessment (FNA) for biodiversity in Viet Nam prepared under BIOFIN, based on national biodiversity targets and the NBSAP monitoring and evaluation indicators, has identified interventions and their associated cost estimates. According to the FNA, the total minimum financial need (in the Business-As-Usual (BAU) scenario) for implementing some key targets of the NBSAP in the period 2024-2030 is VND 114,718 billion. Comparing this financial need with the state budget allocation for biodiversity (taking into account GDP elasticity of expenditure for biodiversity), the report estimates an annual financial shortfall of 17 - 33 % relative to the total need. This begs the question: How can this significant finance gap for the NBSAP 2030 be bridged?

The findings on each source of biodiversity finance in Viet Nam, together with their institutional, policy and technical advantages and specific barriers are as follows:

1. Financial sources from the state budget

- a. Budgets for recurrent expenditure and capital expenditure from the central government and local budgets are customarily adjusted upwards over the years, but are unlikely to see any breakthrough increases for the period of 2024-2030.
- b. Off-budget funds will not be used directly for biodiversity conservation activities as their scope of expenditure must not overlap with that of the state budget (including expenditure for biodiversity).
- c. No significant increase in ODA and concessional loans due to the fact that ODA grants are shrinking sharply, while ODA loans and concessional loans tend to focus on projects that generate early and direct benefits, which do not typically include biodiversity conservation initiatives.

- d. Revenues of public non-business units (Management Boards of protected areas (PAs)) from payment for forest ecosystem services (PFES) has almost exhausted its potential and no significant change is anticipated until the carbon credit market is operationalized (tentatively in 2028) to unlock a new group of entities obliged to pay for carbon sequestration services for the PAs.

2. Revenue-raising solutions as proposed by the BFP

- a. Revenues from tourism and ecosystem services (mainly forest ecosystem services) in PAs are highly potential with many willing investors. However, it is necessary to address some constraints and barriers in the legal framework regarding natural forest management. In addition, revenue potentials also vary among different PAs.
- b. Operationalization of payments for marine and wetland ecosystem services is not feasible within the timeframe of this NBSAP due to complex institutional and technical requirements and Viet Nam has not been fully prepared to meet all necessary conditions. Therefore, for the period of 2025-2030, the focus will be on implementing pilot models on payments for natural ecosystem services to support the valuation of natural ecosystem services. Lessons learned from the pilots will inform the institutionalization of these payments in the following period.

- c. The private and non-public sectors are expected to play the most prominent role: since the demand for investments in ecotourism and other ecosystem-based projects is increasing sharply and businesses and banks are gradually shifting towards green credit. Co-management models are proving to be effective to improve the livelihoods of fishing communities and strengthen community-based biodiversity conservation.

- d. Other sources of revenue include income from Access to Genetic Resources and Benefit-Sharing (ABS) and fishery resource protection fees. In fact, ABS has been implemented since 1997, but its scale remains limited due to reliance on projects using genetic resources for commercial purposes and difficulties in collecting payments¹. Fishery resource protection fees can be legally enforceable if provided in a guiding Circular. However, the revenue from this source would not be substantial, since the Government is cautious in expanding the scope of application to include more payers, and the revenues (if any) will be shared among different stakeholders in the management and protection of fishery resources.

3. For solutions aimed at avoiding future biodiversity expenditures:

Future biodiversity expenditures can be avoided by promoting and enforcing biodiversity offset mechanisms. This has been mentioned in some

This RMR proposes three key objectives to mobilize financial resources for NBSAP:



- (1) allocating and effectively using state budget to establish and strengthen the legal framework, technical guidelines and biodiversity management information system;



- (2) placing the mobilization of private sector and community participation at the heart of the RMR; and



- (3) diversifying revenue streams at national parks (NPs) and PAs to ensure additional resources for on-site conservation efforts.

¹ For ABS revenue, even though stipulated in the Law on Biodiversity since 2008 (effective from 01/7/2009), ABS rules only became enforceable with the Government's Decree No. 59/2017/ND-CP dated 12/5/2017 on management of access to genetic resources and sharing benefits from the use of genetic resources (effective from 01/7/2017). However, this revenue is still limited and there is no clear prospect of expansion to 2030 due to a number of difficulties and constraints such as: few organizations and individuals accessing and using genetic resources for commercial purposes (up to now, in Viet Nam, MONRE has only granted licenses to 05 ABS applicants for commercial purposes); Benefit-sharing is a difficult and complicated process since it depends on the level of commercialization of the products using the genetic resources, which in turn, generates revenue for the users of the genetic resources. In some cases, benefit sharing can be delayed by years. Up to now, the Ministry of Finance has not yet issued any document detailing the provisions of Decree No. 59/2017/ND-CP on financial aspects. This will be further elaborated in section 4.2.5.

legal documents, however, due to the lack of a complete legal framework and technical guidance, biodiversity offset is not feasible in this stage of NBSAP implementation.

Key solutions proposed in the RMR include:

1. Regarding the state budget funding:

- a. The Government to consider adjusting the criteria and norms for allocating public investment capital and ensure the balance between the central and local budgets for the new 2026-2030 fiscal stabilization period to incorporate the tasks of biodiversity conservation.
- b. The state budget allocation to focus on the implementation of the priority tasks of the Strategy (as listed in the appendix to Decision No. 149/QĐ-TTg by the Prime Minister) to complete the legal and institutional framework for the mobilization of financial resources for the NBSAP 2030 implementation.
- c. The Government to provide specific regulations to make biodiversity and natural ecosystem impacts a mandatory criterion for the consideration, appraisal and approval of investment projects, including both public and private investments. The Government should take drastic moves to empower MONRE to perform its function as a focal agency in completing the national biodiversity and ecosystem services database, ensuring its interoperability and compatibility with existing databases of ministries, localities, and PAs in order to establish a unified information system for biodiversity management in Viet Nam.
- d. Integrate biodiversity conservation considerations into different programs and projects under the national target programs (NTPs) and relevant sectoral or ministerial programs and objectives.
- e. Continue to promote the mobilization of ODA capital for biodiversity to supplement the financial sources from the State budget.

2. Regarding private sector and community engagement:

- a. Continue to finalize mechanisms, policies and guidelines for commercial banks to promote green finance and credit initiatives with a greater focus on nature and biodiversity conservation, establishing innovative and bold mechanisms

to attract and recognize the contributions of the private sector and communities in afforestation and biodiversity conservation projects.

- b. Explore mechanisms to promote the autonomy of PA Management Boards to attract private capital in ecosystem services concessions in the PAs and to use the additional revenue for biodiversity conservation.
- c. Promote community participation in co-management models in fishery resource protection, expanding to other ecosystem services while diversifying income for local communities by combining fishing and aquaculture with community-based tourism development or other innovative livelihood models.

3. Regarding the mobilization of other feasible revenue streams in the NBSAP timeframe:

- a. Continue to address technical barriers and enhance institutional framework to create a harmonized legal basis for implementing the ABS mechanism.
- b. Expedite the issuance and implementation of a Circular on fishery resource protection fees.
- c. Promote the operationalization of the carbon credit market as scheduled and expand the PFES payers to include GHG emitters.

4. Getting ready for the implementation of other BFP financing solutions from 2030 onwards:

- a. Fulfill conditions such as criteria and methods for valuation, baseline maps, technical guidelines and manuals, mechanisms and policies to expand the scope of payment for ecosystem services to include marine and wetland ecosystems.
- b. Build on international experience and lessons in applying “biodiversity credit” and conservation banking to develop and pilot biodiversity offset mechanisms, ultimately refining the legal framework for implementation.



01

INTRODUCTION

1.1 Background

Biodiversity and diverse natural ecosystems are essential for sustainable development since they play a vital role in sustaining human life. Natural ecosystems constitute critical natural capital that support socio-economic development and human well-being through 4 main types of ecosystem services: (i) Provisioning Services: the benefits humans directly obtain from ecosystems, such as food, water, timber, and raw materials; (ii) Regulating Services: the benefits derived from the regulation of ecosystem processes, including natural disaster prevention and control, water regulation, water purification and waste treatment, climate regulation, pollination, and human disease control; (iii) Cultural Services: the non-material benefits humans obtain from ecosystems, including recreation, spiritual enrichment, sense of place, and aesthetic values; and (iv) Supporting Services: the services that are necessary for the production of other ecosystem services, such as soil formation and retention, primary production, nutrient cycling, and provisioning of habitats. These services indirectly affect human well-being by maintaining the processes necessary for the provisioning, regulating, and cultural services².

With its unique location and natural conditions, Viet Nam boasts myriad picturesque natural landscapes and is known as a world biodiversity center with rich and diverse ecosystems, with many wild, rare, and endemic species; and valuable genetic resources. Viet Nam boasts 22 UNESCO-recognized heritages, including some Natural World Heritage Sites.

However, in recent years, Viet Nam's natural ecosystems and biodiversity have been declining at a rapid rate. The report on "Evaluation of the results of the implementation of the 5-year socio-economic development plan 2011-2015 and the orientations and tasks of the 5-year socio-economic development plan 2016-2020" by the Party's Central Committee (Communist Party of Viet Nam, 2016a) highlights the decline in the area and quality of many natural ecosystems, especially forests and wetlands, with many species of organisms and precious genetic resources facing high risk of extinction. The report also highlights the importance of green growth, environmental protection and biodiversity conservation, setting a target of 42% forest cover by 2020. Directive No. 13-CT/2017/

2 Millennium Ecosystem Assessment, 2005. Ecosystems and Human Well-being: Synthesis. Island Press, Washington D.C. Retrieved from [F-356Txt\(wri\).indd \(millenniumassessment.org\)](#)

Viet Nam boasts 22 UNESCO-recognized heritages, including some Natural World Heritage Sites.

TW dated 12 January 2017 on "Strengthening the Party's leadership in forest management, protection and development" of the Party Central Committee reaffirms the critical role of forests and calls for strengthened leadership of the Party in forest management, protection and development. It calls for innovative approaches to forest management, holding Party organizations and Party committees at all levels accountable for oversight of the forest management, protection and development. Subsequently, the contents of the Directive are institutionalized in the Law on Forestry 2017. "Polluters pay" and "users of ecosystem services pay" are the principles reaffirmed in Conclusion No. 02-KL/2016/TW dated 26 April 2016 of the Central Secretariat of the Communist Party on reviewing 10 years of implementation of Resolution 41-NQ/2006/TW on environmental protection in the industrialization period. According to MONRE (2021), drivers of biodiversity loss include low awareness of its value to economic growth and social welfare, as well as the conflict between short-term economic gains and long-term biodiversity conservation benefits.

Acknowledging the vitality of nature and biodiversity conservation as well as to promote awareness and proactivity of relevant ministries, sectors and localities, on 28 January 2022, the Prime Minister issued Decision No. 149/QĐ-TTg approving the National Biodiversity Strategy to 2030, with a vision to 2050 ("NBSAP 2030"). The strategy affirms that "biodiversity conservation is the right and responsibility of all organizations and individuals. The benefits from biodiversity and ecosystem services should be shared reasonably and equitably in accordance with the level of participation and contribution of organizations and individuals" and that "resources allocation should be strengthened, with priority given to investments in biodiversity conservation, restoration and development; mobilizing non-state resources and international cooperation on conservation should be promoted."

NBSAP 2030 establishes an effective framework

to identify different values associated with natural ecosystems and biodiversity, setting out key tasks and solutions to mitigate biodiversity loss, and move towards effective recovery and conservation of natural ecosystems, endangered species and rare genetic resources.

However, NBSAP 2030 cannot be successfully implemented unless sufficient resource allocation for its implementation is secured. Halting biodiversity loss would require both strengthening existing financial mechanisms and developing new mechanisms to diversify financial resources for biodiversity conservation. In addition, mobilized financial resources also need to be used effectively, focusing on priority objectives with broad-reaching and positive impacts, as a catalyst to unlock new financial sources. With a vision to 2050, many new financial mechanisms may not be immediately operational during the NBSAP timeframe; however, up until 2030, proactive preparation is much needed to enable their realization after 2030.

The Biodiversity Finance Initiative (BIOFIN) is a global initiative managed by UNDP. Guided by a Steering Committee representing its partners, BIOFIN aims to develop a quantitative methodology to identify biodiversity finance gaps at the national level, improve cost efficiency through the integration of biodiversity

into sectoral and national development planning, and develop comprehensive national finance plans. In Viet Nam, BIOFIN is managed by UNDP Viet Nam in cooperation with the Ministry of Natural Resources and Environment (MONRE) and other partners.

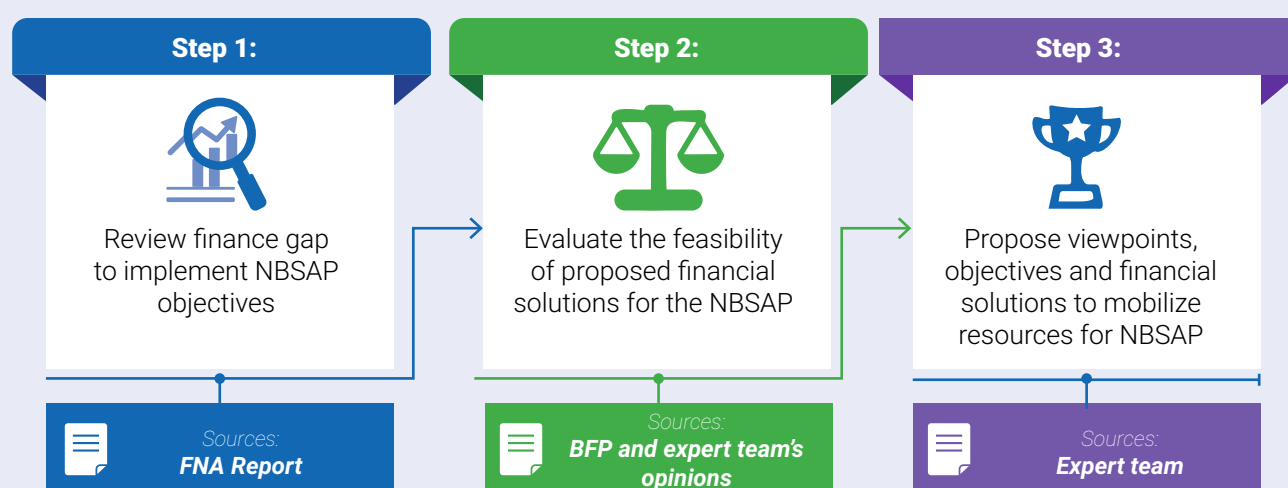
During the BIOFIN Phase I in Viet Nam, many studies were conducted to support the implementation of the National Biodiversity Strategy and Action Plan to 2020, with a vision to 2030 (NBSAP 2020). Upon the issuance of the NBSAP 2030, with a vision to 2050, this Resource Mobilization Report was prepared to support the implementation of the new Strategy.

1.2 Methodologies

1.2.1 The overall approach

In line with the The 2018 BIOFIN Workbook (UNDP, 2018)³, financial resource mobilization for the NBSAP is considered a key step in implementing the Biodiversity Finance Plan (BFP). Within the scope of this assignment, the expert team's overall approach focuses on assessing the feasibility of financial sources and identifying priority financial solutions for the implementation phase of the NBSAP, detailed as follows:

Figure 1. Approach to Developing the RMR for NBSAP



³ In practice, the 2018 BIOFIN Workbook does not provide explicit guidance on developing a financial resource mobilization report, but only on the development of the Biodiversity Finance Plan (BFP). The expert team thus considers the Financial Resource Mobilization Report to represent the next step in implementing the BFP. Consequently, the guidance provided in Chapter 7 of the Workbook was adopted to frame the team's research methodology and analytical approach.

Other components in line with the 2018 BIOFIN Workbook will be implemented by agencies responsible for nature and biodiversity conservation, following a specific plan approved by competent authorities. Therefore, they are not within the scope of this report.

1.2.2 Study methodology

To implement the NBSAP 2020, BIOFIN Phase 1 already developed a number of baseline reports. Building upon these early studies, the team used the following methods to develop NBSAP 2030's RMR:

Desk review. The expert team focused on reviewing legal documents and regulations related to existing and potential funding sources for the NBSAP, analyzing strengths and constraints of the current legal framework to assess the feasibility of each proposed financial source for the NBSAP.

During phase 1 of BIOFIN, the following useful financial documents were compiled:

	Biodiversity Finance Policy and Institutional Review (PIR)
	Biodiversity Expenditure Review (BER)
	Financial Needs Assessment (FNA), and
	Biodiversity Finance Plan (BFP).

The National Implementation Strategy for BIOFIN Phase 2 and its extension affirmed: *“The key priority of this phase is to implement the financial solutions proposed in the BFP, and to ensure that these solutions are integrated and cohesive, in order to contribute to the implementation of the NBSAP to 2030, with a vision to 2050”.*

Thus, the core documents used as the basis to develop NBSAP 2030's RMR (hereinafter referred to as the RMR) are the NBSAP 2030 issued with Decision No. 149/QĐ-TTg by the Prime Minister, along with prior studies conducted by BIOFIN Viet Nam.

“Biodiversity conservation is the right and responsibility of every organization and individual. The benefits from biodiversity and ecosystem services are shared fairly and equitably, in accordance with the participation and contributions of organizations and individuals.”

Stakeholder Consultations combined with field surveys. In addition to desk review, the expert team conducted consultations, including multi-stakeholder consultation workshops, direct communications with relevant stakeholders, and field surveys.

With the support of the Nature and Biodiversity Conservation Agency (NBCA), the expert team conducted exchanges with 31 agencies, organizations and units across the Ministry of Natural Resources and Environment (MONRE), Ministry of Agriculture and Rural Development (MARD); international organizations and donors in Viet Nam (UNDP, WB, ADB, GIZ, IUCN, WWF); localities (Lao Cai, Lam Dong), communities, businesses, and non-governmental organizations (NGOs). The list of conducted consultations is in Annex 1 and interview questions in Annex 2. At the local level, the expert team conducted meetings with relevant government agencies, local authorities, and public non-business units (PNBUs) directly implementing the task of biodiversity conservation (management boards of NPs and PAs). The Team also met with relevant programs and projects (e.g., UN projects, etc.), enterprises and commercial banks in related fields (e.g., green finance), and other development partners.

Due to the limited scope of field surveys, the expert team also drew on a wide variety of practical reports from other BIOFIN-related activities, including activity reports and compiled results of other field surveys conducted by the team members beyond the BIOFIN project. Therefore, the illustrative content in this RMR is not limited to the results of the consultations conducted directly under this assignment.

1.3 Scope of the Report

Eight (8) out of 26 financial solutions (see Annex 3) were unanimously selected by relevant stakeholders to be included in the BFP, as below:

Table 1. Financial Solutions for implementation of NBSAP 2030 set out in the BFP

No.	Solution Group	Specific solutions
1	Solutions that generate revenue	• Generate revenue from sustainable tourism and service fees in PAs • Expand payment for ecosystem services to Marine Protected Areas • Promote public-private partnerships in biodiversity conservation • Increase ODA financing for natural and biodiversity conservation
2	Solutions that avoid future biodiversity expenditures	• Promote biodiversity offset mechanisms
3	Solutions that deliver finance resources more efficiently	• Apply an environmental accounting system • Add new state budget index codes for nature and biodiversity conservation • Adopt results-based budgeting

Source: UNDP (2019), *Biodiversity Finance Plan (BFP)*.

Among 8 solutions, the 3rd group of solutions that is focused more on efficient use of funding is not directly associated with resource mobilization and will therefore not be covered in this RMR. The RMR goes beyond merely evaluating the other 2 solution groups by also reviewing the traditional financial sources for environmental protection expenditures, including nature and biodiversity conservation, such as state budget and off-budget funds. In addition, in the new context of financing for development and with the promulgation of the new NBSAP, previous solutions may face implementation challenges or require specific enabling conditions. This report provides a detailed feasibility assessment of said financial solution.

1.4 Limitations of the Report

Although efforts have been made to compile and analyze issues related to financial resource mobilization from different sources, this remains

a broad and complex matter, subjected to the institutional constraints, technical intricacies, and cross-sectoral linkages. Some of the proposed financial solutions in the BFP are relatively novel, and in need of better-established legal basis and methodologies for implementation, even in the international context. In addition, financial information is often scattered and difficult to collect in a systematic way. .

Therefore, the RMR is unable to provide highly reliable forecasts on the scale and growth rate of each financial source during the NBSAP 2030 implementation period. Instead, the expert team can only offer normative assessments, combined with evidence from earlier studies and surveys, about the trends and the ability to mobilize each resource. Nevertheless, these observations can provide a reliable basis to shape up robust financial solutions to leverage each source of biodiversity finance for the 2025-2030 period in Viet Nam.



02

OPPORTUNITIES AND CHALLENGES IN MOBILIZING BIODIVERSITY FINANCE

2.1 International context

According to the Global Assessment Report on Biodiversity and Ecosystem Services, biodiversity loss is happening at an alarming rate and adversely affecting human life (IPBES, 2019). In response to this situation, the mobilization of financial resources for nature and biodiversity conservation has become more urgent than ever.

There are numerous ongoing international efforts to mobilize financial resources for nature and biodiversity conservation through:

1). **Setting financial goals and commitments** for nature and biodiversity conservation by signing and implementing *international conventions*, most significantly the Convention on Biological Diversity (CBD, 1992) and the United Nations Framework Convention on Climate Change (UNFCCC, 1992). Especially in recent years, developed countries (such as the G7 and G20) and international financial institutions are strengthening their financial commitments, focusing on investing in nature-based solutions to address environmental issues such as climate change, biodiversity decline, and support for developing countries' transition to green economies, greenhouse gas emissions reductions and environmental protection efforts. International financial institutions such as the World Bank (WB), the International Monetary Fund (IMF), and the Asian Development Bank

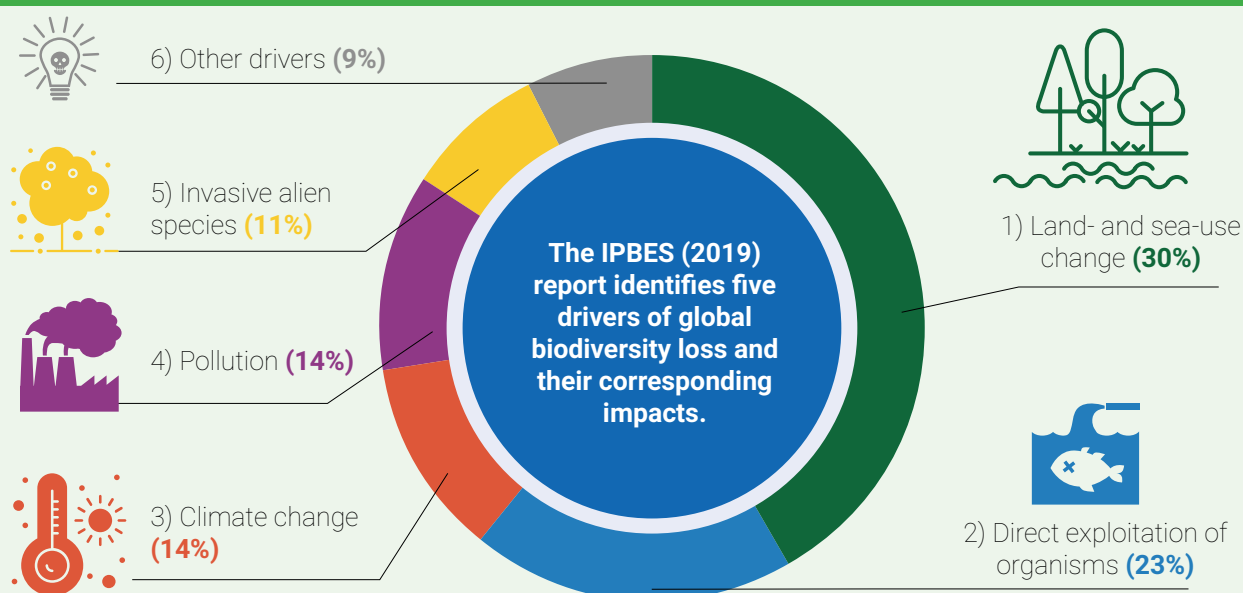
The role of the private sector is becoming increasingly important. These businesses are not only agents of environmental pressure but also potential drivers of conservation solutions.

(ADB) have increased their financial support for environmental protection and biodiversity projects, especially in developing countries, by embedding environmental considerations into their loan programs and technical assistance;

2). **Establishing and implementing global and regional initiatives**, including key ones such as the Biodiversity Finance Initiative (BIOFIN), the 30x30 Initiative under the Kunming-Montreal Global Biodiversity Framework (GBF) to mobilize resources for biodiversity conservation;

3). **Promoting public-private partnerships (PPPs)** among governments, NGOs, businesses, and local communities to work on innovative financial solutions (e.g., PPPs in implementing PES mechanisms, establishing private PAs, etc.), especially when the role of the private sector is becoming increasingly important. These businesses are not only environmental pressure agents but also potential drivers of conservation solutions.

Figure 2. Relative contribution of five drivers to global biodiversity loss



Source: Summary for Policymakers of the Global Assessment Report on Biodiversity and Ecosystem Services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES, 2019)

- 4). **Creating new financial instruments** such as *green bonds* (i.e., bonds issued to finance projects with environmental benefits, such as renewable energy, energy efficiency and biodiversity conservation); *carbon credits* (this mechanism allows purchases and sales of carbon/emission reductions credits by countries and businesses); *impact investments* (i.e., investments that aim to create positive social and environmental impacts in addition to financial returns).

However, the mobilization of financial resources for nature and biodiversity conservation continues to face significant **challenges**, while also presenting new opportunities. Challenges may include:

	Significant finance shortfall: despite many commitments, financial resources allocated to nature and biodiversity conservation are still insufficient compared to actual needs;
	Uneven allocation of resources: resources are often concentrated in some certain areas and species (both flora and fauna) of high economic value, while many other natural ecosystems and species remain overlooked;
	Limited financial mechanisms, which are not flexible and effective enough to meet diverse requirements for biodiversity conservation;
	Lack of transparency: the process of financial resource mobilization and delivery still lacks transparency, making it difficult for effective monitoring and evaluation.

Nonetheless, there are also some **opportunities** for financial resource mobilization:

	Growing demand for eco-friendly products and services;
	New technologies such as artificial intelligence and big data are creating new opportunities for more effective biodiversity conservation and management, and strengthening PPPs among governments, NGOs, businesses, and local communities.

Thus, the mobilization of financial resources for nature and biodiversity conservation is a long-term process which requires a whole-of-society approach. However, strong international commitments and the development of new financial instruments give us more hope of a more sustainable future for humanity.

2.2 National context

Viet Nam's biodiversity is mainly concentrated in three ecosystem types: terrestrial forest ecosystems, wetland ecosystems, and marine ecosystems. According to MONRE⁴, by 2020, Viet Nam has 178 PAs with a total area of 2,662,644.67 hectares across different geographical and ecological zones on the mainland and in 4 sea areas (Gulf of Tonkin; Central Region; Southeast and Southwest regions). Currently, Viet Nam's biodiversity is best protected within the boundaries of these PAs.

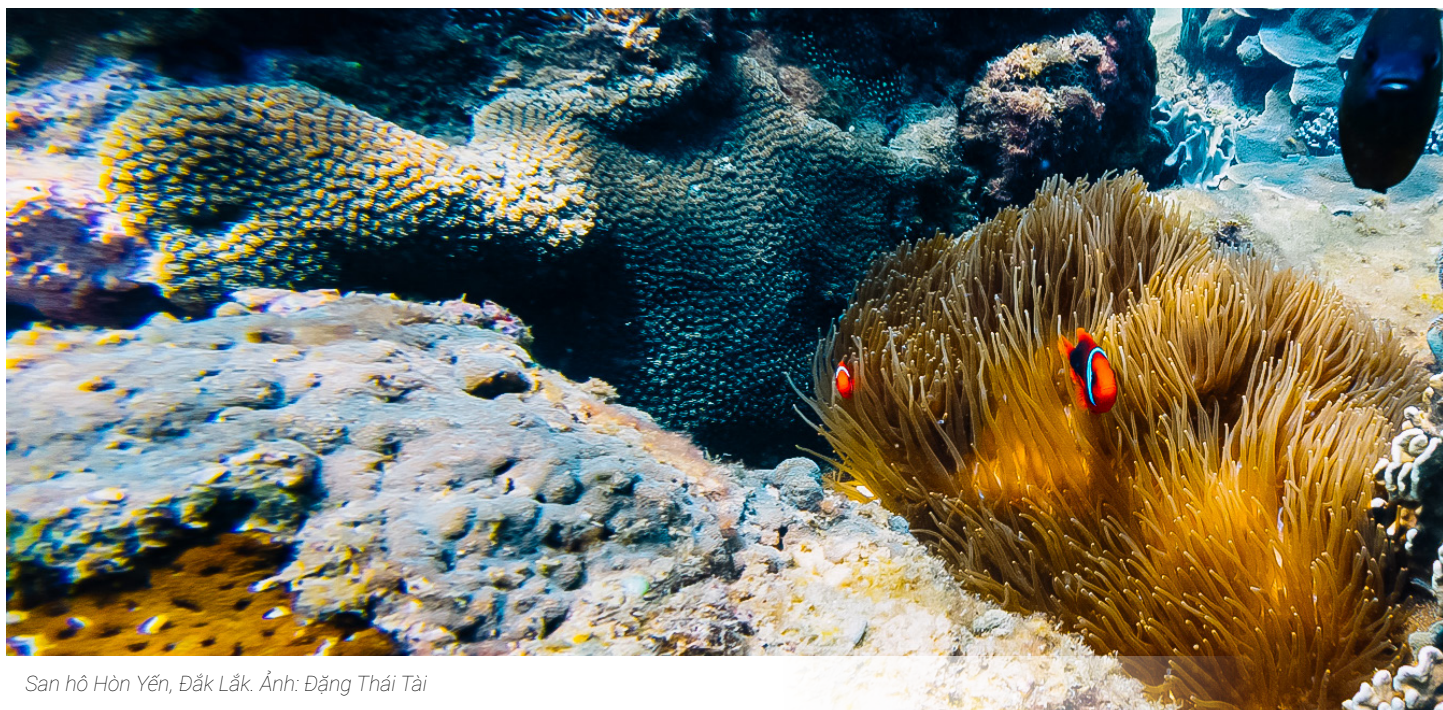
For forest ecosystems, biodiversity is mainly concentrated in special-use forests and protection forests. According to the National Forestry Planning for the 2021-2030 period (*Decision 895/QĐ-TTg dated August 24, 2024 of the Prime Minister approving the National Forestry Planning for the 2021-2030 period, with a vision to 2050*), the total forest area is 15,848.5 thousand hectares, of which, special-use forest land covers 2,454.9 thousand hectares, accounting for 15.5%; and protection forest land covers 5,229.6 thousand hectares, accounting for 33%. The total number of special-use forests by 2030 will be 225, covering a total area of 2,649,523 hectares (including marine components). The total area of protection forest land by 2030 will be 5,229.6 thousand hectares, decreasing by 282.5 thousand hectares compared to 2020.

There are 6 marine ecological zones in Viet Nam with 20 types of marine ecosystems, among which, mangrove forests, coral reefs, and seagrass beds are considered the most important and typical due to their high biodiversity and conservation values. Up until now, 11 out of 16 MPAs in Viet Nam have been established and operationalized with a total area of 208,661 hectares, accounting for 0.208% of Viet Nam's marine area.⁵ These include 3 MPAs that are a part of Cat Ba, Nui Chua and Con Dao National Parks (NP). These MPAs do not have separate PA Management Boards. Instead, these NPs operate responsible departments for marine conservation under their respective Management Boards.

According to the 2020 MONRE's National Biodiversity Report, the total area of wetland in Viet Nam is about 11,847,975 hectares (excluding

⁴ <https://nbca.gov.vn/hien-trang-cac-khu-bao-ton-thien-nhien-cua-viet-nam/>

⁵ Regular updates from the Fisheries Surveillance Department under MARD to support UNDP's official Results-Oriented Analysis Report reporting through 2024, in alignment with Prime Minister's Decision No. 389/QĐ-TTg issued in 2024.



San hô Hòn Yến, Đắk Lắk. Ảnh: Đặng Thái Tài

the areas of seasonal flooded rivers, streams, and mineral hot springs), accounting for 37% of the country's natural land area. The region with the largest area of wetland is the Mekong Delta, accounting for nearly 51% of the total area of wetland of the country.

2.2.1 Legal and Policy Frameworks:

At the highest level, Article 63 of the Constitution of the Socialist Republic of Viet Nam in 2013 affirms: "The State shall adopt environmental protection policies; manage and use natural resources in an efficient and sustainable manner; conserve nature and biodiversity; and take the initiative in preventing and controlling natural disasters and responding to climate change" (Clause 1) and "Organisations and individuals who cause environmental pollution, deplete natural resources and weaken biodiversity shall be strictly dealt with and must be responsible for remedying and compensating for damage" (Clause 3).

On 15 November 2004, the Politburo issued Resolution No. 41-NQ/TW on environmental protection during the period of Viet Nam's accelerating industrialization and modernization. In Section III.5, the Resolution affirms that "The state budget shall include a dedicated expenditure line for environmental activities, which should be increased to ensure that by 2006, the expenditure for the environment is no less than 1% of the total state

budget of which rate will grow in line with economic development." This provision has since been codified into law and implemented in practice.

On 3 June 2013, the Party Central Committee adopted Resolution No. 24-NQ/TW which sets out some environmental protection objectives by 2020: "Fundamentally, proactively adapting to climate change, preventing natural disasters, reducing greenhouse gas emission, shifting to responsible and sustainable use of natural resources, curbing environmental pollution and biodiversity loss to ensure the quality of the living environment and maintain ecological balance towards a green and environmental friendly economy. By 2050, actively responding to climate change; effectively, economically, rationally and sustainably using natural resources; ensuring quality of living environment and ecological balance."

To operationalize the Party's directives on financing for environmental protection and biodiversity conservation, some legal documents have been issued. Key legislation includes the Law on State Budget, Law on Biodiversity, followed by the Law on Forestry, Law on Fisheries, and their implementing decrees and circulars.

The 2015 Law on State Budget stipulates that expenditures for environmental protection are recurrent expenditures in both central and local budgets. Besides, Clause 5, Article 5 of the Law on



Environmental Protection 2020 also stipulates: “A dedicated expenditure for environmental protection shall be allocated in the state budget and will gradually increase depending on budget capacity and environmental needs; priority shall be given to funding key environmental protection tasks.”

The Law on Biodiversity has some provisions on finance in Article 73. However, up to now, no legal document has yet detailed or concretely implemented this Article, apart from the guidelines from the Ministry of Finance (MOF) on the biodiversity-related spending as per the Prime Minister’s directives and the Law on Environmental Protection (i.e., expenditures for biodiversity conservation are included in state budget expenditures for environmental protection). Currently, the Government’s Decree No. 08/2022/ND-CP dated 10 January 2022 detailing a number of articles of the Law on Environmental Protection (2020) specifies recurrent expenditures for environmental protection as follows:

- 1). Expenditures on environmental protection tasks of the central government stipulated at Points a and c, Article 151 (Points d and g, Clause 3, Article 73 of the Law on Biodiversity); provisions on environmental protection expenditures at the local level in Article 152;
- 2). Expenditures on economic activities: expenditures of the central government

stipulated at Point c, Clause 5, Article 151 of Decree No. 08/2022/ND-CP, (Point d, Clause 3, Article 73 of the Law on Biodiversity), and expenditures of the local level at Point c, Clause 5, Article 152, (Point d, Clause 3, Article 73 of the Law on Biodiversity);

- 3). Expenditures on education and training: expenditures of the central government stipulated at Point c, Clause 5 and Point c, Clause 7, Article 151 (Point g, Clause 3, Article 73 of the Law on Biodiversity); and expenditures of the local level at Point c Clause 5 and Point c, Clause 7, Article 152 (Point g, Clause 3, Article 73 of the Law on Biodiversity);
- 4). Expenditures on science and technology (S&T): expenditures of the central government stipulated in Clause 6, Article 151 of Decree No. 08/2022/ND-CP and expenditures of the local level in Clause 6, Article 152 of Decree No. 08/2022/ND-CP;
- 5). Expenditures on administrative management: expenditures of the central government stipulated at Point b, Clause 7; Point b, Clause 8 and Point m, Clause 9, Article 151; and expenditures of the local level at Point b, Clause 7 and Point k, Clause 9, Article 152.

The MOF in coordination with the MONRE issued some guidelines on environmental protection expenditures, including spending on biodiversity conservation. Most recently, the MOF issued Circular No. 02/2017/TT-BTC dated 6 January 2017 guiding the management of environmental protection funds. This Circular became effective from 22 February 2017. On 22 July 2019, the Minister of MONRE issued Decision No. 1854/QD-BTNMT on criteria for expert selection and rating within its national expert database. These are the documents currently in effect.

Article 92 of the 2017 Law on Forestry stipulates financial sources for forestry as follows: State budget, investments, contributions, donations, and sponsorship from domestic and international organizations and individuals; revenues from forest product exploitation; forest and forest land leasing; revenues from payments for forest offset planting through projects that convert forests to other uses; revenues from payments for forest ecosystem services (PFES) and forest environment leasing; credit from domestic and foreign financial institutions; and other lawful financial sources. Regulations on PFES (a key source of off-budget finance for the forestry sector) are specified in the Law on Forestry and its

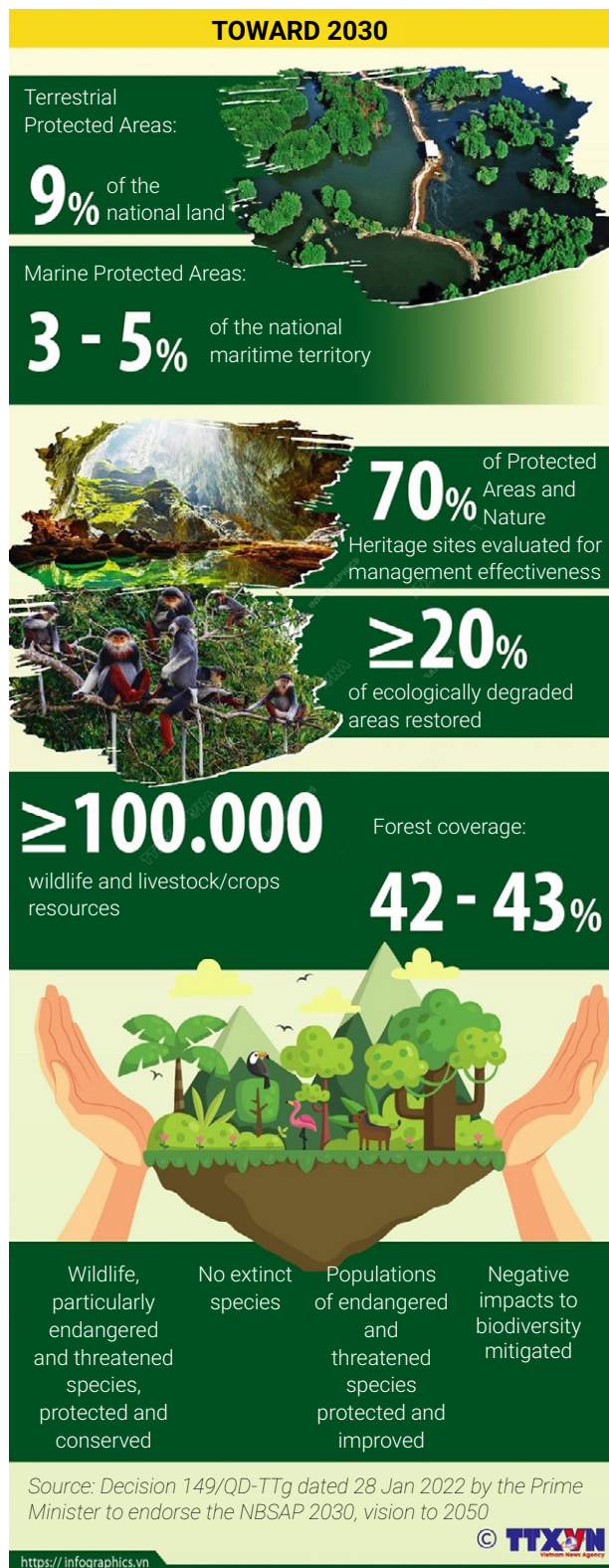
guiding documents. Another important source of finance for the forestry sector is mentioned in the Prime Minister's Decision No. 809/QĐ-TTg dated 12 July 2022 approving the Sustainable Forest Development Program for the period 2021-2025 with a total budget of over VND 78 trillion.

The 2017 Law on Fisheries (Article 20) stipulates that financial resources for the protection and development of fishery resources include: the state budget, Fishery Resources Protection Fund; Community Funds; and other lawful financial sources.

In order to implement the provisions on biodiversity conservation in the Constitution and the Law on Biodiversity, as well as to fulfill Viet Nam's commitments to the international community, Viet Nam developed its National Biodiversity Strategy and Action Plan (NBSAP) for different periods. The 2020 NBSAP with vision to 2030 was approved by the Prime Minister in Decision No. 1250/QĐ-TTg dated 31/07/2013. At the end of the 2020 NBSAP's implementation period, according to the Summary Report on Implementation of 2020 NBSAP, most of this NBSAP's targets were not achieved and only 2/7 national priority programs and projects were implemented in the period of 2011-2020.

Therefore, for the period of 2021-2030, the Prime Minister approved the NBSAP to 2030, with a vision to 2050 under Decision No. 149/QĐ-TTg dated 28/01/2022 with the overall objectives to increase area of protected natural ecosystems, restore and maintain their integrity and connectivity; and conserve and sustainably use biodiversity by 2030. Some specific objectives include: the area of terrestrial PAs to reach 9% of total land area; the area of marine and coastal protected areas to reach 3-5% of total natural marine area; 70% of national parks and natural heritage sites evaluated for management effectiveness; internationally recognized natural sites will include: 15 wetlands of international importance (Ramsar sites), 14 biosphere reserves, and 15 ASEAN Heritage Parks; the national forest cover maintained at 42-43%; at least 20% of degraded natural ecosystems restored; genomes of over 100,000 species including wildlife and livestock maintained and conserved; improved population status of at least 10 endangered, precious and rare species prioritized for protection; wildlife, especially endangered, precious and rare species prioritized for protection and migratory species effectively conserved; no additional wildlife species will go extinct; and negative impacts on biodiversity mitigated.

Figure 4. Objectives of the National Biodiversity Strategy to 2030, with a Vision to 2050.



Source: <https://moitruong.net.vn/infographics-chien-luoc-quoc-gia-ve-da-dang-sinh-hoc-den-nam-2030-tam-nhin-2050-8279.html>

2.2.2 Summary of financial mechanisms already implemented in Viet Nam

Key financial mechanisms adopted include:

1. PAYMENT FOR FOREST ECOSYSTEM SERVICES (PFES)

Since its implementation in 2011, the total revenues collected from users of forest ecosystem services reached 16,833.8 billion VND. More than 500,000 households and communities participating in forest management and protection have received an average payment of about VND 2 million/household/year. The forest areas eligible for PFES increased from nearly 1.4 million hectares in 2011 to over 6.8 million hectares in 2020 (Ministry of Agriculture and Rural Development - MARD 2020. Report on the Forestry Development Strategy for the period 2021-2030, with a vision to 2050). The Law on Forestry 2017 and its guiding documents have detailed provisions on this mechanism.

2. DEBT-FOR-NATURE SWAPS (DNS)

Between 1987 and 2010, debt-for-nature swap programs were worth about USD 10.4 million (Shiekh, 2010). Viet Nam has strong potential to expand the implementation of this mechanism for biodiversity conservation thanks to its well-controlled and within-a-safe-threshold public debt, previous effective implementation of DNS schemes, and strong Government's commitments to environmental improvement and biodiversity conservation for sustainable development.

3. MOBILIZATION OF INTERNATIONAL FINANCE FOR BIODIVERSITY CONSERVATION

This source of finance is highly potential as Viet Nam is both highly biodiverse countries and highly vulnerable to climate change. Along with the state budget, ODA is a crucial source of finance for biodiversity conservation in Viet Nam, not only in the past but also in the future. A larger part of investments for biodiversity conservation in Viet Nam comes from bilateral and multilateral ODA sources.

4. SURCHARGES FOR ECOTOURISM

Studies show that tourists are willing to pay extra (e.g. 5-10% of hotel surcharge in Cat Ba National Park) to support biodiversity

conservation in Viet Nam. Many localities are also piloting the collection of "destination fees", which are considered a surcharge to influence tourist behaviors and generate more revenues for biodiversity conservation. This mechanism, however, has not officially been adopted due to the lack of specific policy and weak coordination between biodiversity conservation agencies and the tourism industry.

5. REDUCING EMISSIONS FROM DEFORESTATION AND FOREST DEGRADATION (REDD+)

Viet Nam has been actively involved in REDD+ since 2008. The Government has issued many policies to advance this mechanism. According to the World Bank, Viet Nam has received a payment of USD 51.5 million for verified emission reduction results (carbon credits) from reduced deforestation and forest degradation and enhanced carbon stocks through afforestation and reforestation.

6. GREEN LABELING OR ECO-LABELING (GL)

The 2014 and 2020 Laws on Environmental Protection were issued as a legal framework to implement the GL mechanism in Viet Nam. According to MONRE, the number of products applying GL has increased thanks to the increasing market demand for these products.

7. TRUST FUNDS FOR BIODIVERSITY CONSERVATION

There are many different funds for biodiversity conservation and environmental protection in Viet Nam, such as:

- The Viet Nam Forest Protection and Development Fund - VNFF (managed by MARD) to support forest development projects including biodiversity conservation in Viet Nam;
- The Viet Nam Environmental Protection Fund - VEPF (managed by MONRE) supporting three focal areas: (i) environmental pollution; (ii) environmental education and (iii) waste management;
- Community Development Funds (CDFs): These are small funds supported by community development projects to help local people in poverty reduction, environmental protection and capacity building. Some projects implemented in NPs such as Cat Ba, Xuan Thuy, Ba Be, Na Hang, Bidoup-Nui Ba also establish CDFs focusing more on biodiversity conservation.

Implementation Results of mechanisms and policies:

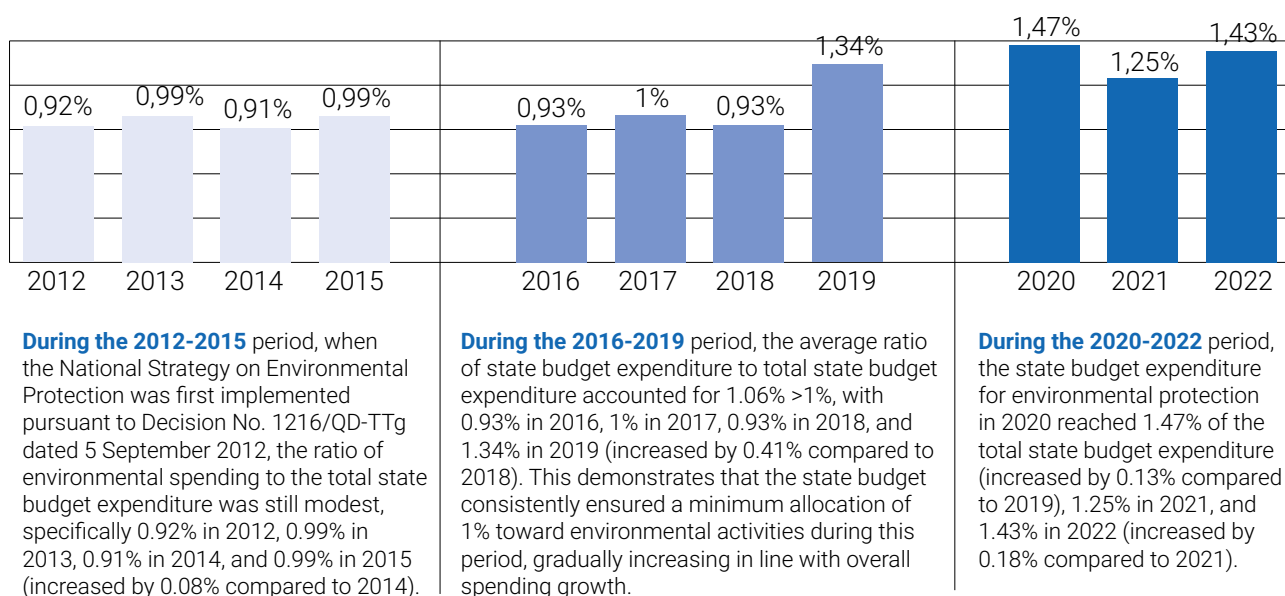
A review of financial sources used for biodiversity conservation by different user group and funding are summarized below:

Table 2. Review of funding sources used for biodiversity conservation

No.	Stakeholder group	Funding sources used		
		State Budget	Non-state national and international contributions	Revenues from ecosystem services related to biodiversity and other lawful sources
1	Government agencies (central and local levels)	This is the primary source of funding for biodiversity conservation activities	This provides positive supplemental support for biodiversity conservation	Funding support as regulated by financial funds (VEPF, VNFF)
2	Unions and associations (Farmers' Union, etc.)	As above	Allocated through development projects	As above
3	Local NGOs	Rarely officially funded	This is the primary source of funding for biodiversity conservation activities	As above
4	Communities (individual, etc.)			Funding mainly comes from PFES revenues through VNFF (PFES revenues)

(Source: VEA, 2019)

Figure 3: State Budget Expenditure for Environmental Protection by Period.



Source: VEA, 2019

Key Challenges and Constraints:

REGARDING FUNDING SOURCES:

- Financial resources from the state budget: lack of stable and regular funding source for biodiversity management from the State budget; no specified percentage is allocated for biodiversity conservation from central and local budgets; lack of a budget line for biodiversity conservation program under the science and technology budget managed by the Ministry of Science and Technology (MOST).
- Financial resources for biodiversity conservation are mainly from the state budget and ODA sources, and thus, are limited. Resource mobilization from local communities, businesses, organizations, and individuals is still limited. Moreover, benefit-sharing policies and mechanisms for stakeholders involved in biodiversity management and conservation are yet to be established.
- Financial regulations on biodiversity: Article 73 of the Law on Biodiversity is not practical for sustainable biodiversity conservation and management. In the current regulations, it is not clear which recurrent expenditures in the state budget can be spent on which activities. Therefore, biodiversity conservation is mainly funded through the general environment budget (about 1% of the state budget) without a dedicated budget line. The budget for biodiversity conservation only accounts for a small proportion of the total budget for environmental tasks and is not sufficient to meet the actual management needs.
- The priority activities of VEPF have not been specifically identified, while its procedures are cumbersome and poorly aligned with the timing of the annual planning process of different agencies and units, making it difficult to allocate resources to biodiversity conservation.
- Some innovative financial mechanisms have not been adopted in Viet Nam due to the lack of research on their relevance and feasibility for implementation.

THE INSTITUTIONAL AND LEGAL GAPS IN IMPLEMENTING FINANCIAL MECHANISMS FOR BIODIVERSITY CONSERVATION:

- There is a lack of a consistent financial management mechanism for biodiversity conservation. The available financial resources

Biodiversity conservation is mainly funded through the general environment budget (about 1% of the state budget) without a dedicated budget line. The budget for biodiversity conservation only accounts for a small proportion of the total budget for environmental tasks and is not sufficient compared to the actual management needs.

for biodiversity conservation (state budget, entrance fees, trust funds) are not integrated under a unified management mechanism. These financial resources are allocated to many different agencies and organizations, causing some overlaps in investments or inefficient delivery in practice.

- The dominant role of the government in the management of PAs: All PAs in Viet Nam are managed by the government. While the private sector has significantly invested in parks and zoos, they are, however, not allowed to manage PAs under an autonomous and self-accountable mechanism. This risks bureaucratization in the management of biodiversity and discourages private investment in biodiversity conservation. Currently, PAs in Viet Nam have limited capacity to develop and implement sustainable business plans as seen in other countries.
- Lack of financial regulations and innovative financial mechanisms for biodiversity conservation.

2.3 Key opportunities and challenges in resource mobilization

2.3.1 Viet Nam's NBSAP 2030 and the Global Biodiversity Framework (GBF)

The NBSAP 2030 is relatively in alignment with the GBF: although the structures of these two documents are different, the content of NBSAP (overall objectives, specific objectives; contents, tasks, and main solutions) reflects quite comprehensively and concretely the contents of the GBF (4 long-term goals for 2050 and 23 targets for 2030). Details are presented in Table 3 and Table 4 below.

Table 3. GBF objectives vs NBSAP objectives

	GBF	NBSAP 2030	Remarks
1	Comparison of the overall goals, vision to 2050 and solutions of NBSAP with the GBF long-term goals to 2050		
	<i>Goal A:</i> The integrity, connectivity and resilience of all ecosystems are maintained, enhanced, or restored, substantially increasing the area of natural ecosystems by 2050; Human induced extinction of known threatened species is halted, and, by 2050, the extinction rate and risk of all species are reduced tenfold, and the abundance of native wild species is increased to healthy and resilient levels; The genetic diversity within populations of wild and domesticated species is maintained, safeguarding their adaptive potential. <i>Goal B:</i> Biodiversity is sustainably used and managed and nature's contributions to people, including ecosystem functions and services, are valued, maintained and enhanced, with those currently in decline being restored, supporting the achievement of sustainable development for the benefit of present and future generations by 2050. <i>Goal C:</i> The monetary and non-monetary benefits from the utilization of genetic resources and digital sequence information on genetic resources, and of traditional knowledge associated with genetic resources, as applicable, are shared fairly and equitably, including, as appropriate with indigenous peoples and local communities, and substantially increased by 2050, while ensuring traditional knowledge associated with genetic resources is appropriately protected, thereby contributing to the conservation and sustainable use of biodiversity, in accordance with internationally agreed access and benefit-sharing instruments.	<i>Overall objectives:</i> area or natural ecosystems under protection, restore and maintain integrity; and conserve and sustainably use biodiversity for socio-economic development towards a green economy, effectively responding to climate change. <i>Vision to 2050:</i> By 2050, important natural ecosystems, endangered species, precious and rare genetic resources will be restored and conserved effectively; biodiversity and ecosystem services will be fully valued and used sustainably, and benefit all people, contributing to ensuring ecological security, effective climate change adaptation and mitigation, and the country's sustainable development.	Relevant: Although very concisely written, in essence, NBSAP's overall goals and vision to 2050 are in line with the long-term goals of the GBF, especially Goals A, B and C.
	<i>Goal D:</i> Adequate means of implementation, including financial resources, capacity-building, technical and scientific cooperation, and access to and transfer of technology to fully implement the Kunming-Montreal Global Biodiversity Framework are secured and equitably accessible to all Parties, especially developing country Parties, in particular the least developed countries and small island developing States, as well as countries with economies in transition, progressively closing the biodiversity finance gap of \$700 billion per year, and aligning financial flows with the Kunming-Montreal Global Biodiversity Framework and the 2050 Vision for biodiversity.	<i>Main solutions:</i> (i) Develop policies, regulations, institutions for management and enhancement of Biodiversity Law enforcement; (ii) Raise awareness of nature and biodiversity conservation; (iii) Promote integration and implementation of biodiversity requirements in policy-making and public investment projects; (iv) Promote scientific research, development, transfer, and application of advanced technologies in conservation and sustainable use of biodiversity; (v) Secure financial resources for biodiversity conservation; and (vi) Strengthen international integration and cooperation on the conservation and sustainable use of biodiversity.	Relevant: NBSAP's solutions are specific and comprehensive, embedding the requirements of GBF's Goal D. Detailed comparison of NBSAP's main solutions with GBF targets in Table 4 below.
2. Comparison of the NBSAP's specific objectives to 2030 with GBF long-term goals to 2050			

	GBF	NBSAP 2030	Remarks
2.1.	<i>Part of Goal A:</i> The integrity, connectivity and resilience of all ecosystems are maintained, enhanced, or restored, substantially increasing the area of natural ecosystems by 2050;	<i>* Specific objective 1:</i> Expand and improve management effectiveness of natural heritages and PAs to achieve the following targets: area of terrestrial PAs accounting for 9% of total land area; the area of marine and coastal areas under protection accounting for 3-5% of the sea area of the country; 70% of national parks and natural heritage sites evaluated for management effectiveness; world natural sites: wetlands of international importance (Ramsar sites), 14 biosphere reserves, and 15 ASEAN Heritage Parks; the national forest cover maintained within 42-43%; and at least 20% of degraded natural ecosystems restored.	Relevant: The achievement of the targets in Specific Objective 1 of the NBSAP will contribute to fulfilling Viet Nam's international commitments (part of KMGBF Goal A)
2.2.	<i>Part of Goal A:</i> Human induced extinction of known threatened species is halted, and, by 2050, the extinction rate and risk of all species are reduced tenfold, and the abundance of native wild species is increased to healthy and resilient levels; The genetic diversity within populations of wild and domesticated species is maintained, safeguarding their adaptive potential.	<i>Specific objective 2:</i> Effectively conserve wildlife, especially endangered, precious and rare species prioritized for protection and migratory species; further wildlife species extinction halted; improved population status of at least 10 endangered, precious and rare species prioritized for protection; genomes of at least 100,000 species including wildlife and livestock maintained and conserved.	Relevant
2.3.	<i>Part of Goal B:</i> Biodiversity is sustainably used and managed and nature's contributions to people, including ecosystem functions and services, are valued, maintained and enhanced, with those currently in decline being restored, supporting the achievement of sustainable development for the benefit of present and future generations by 2050. <i>Part of Goal C:</i> The monetary and non-monetary benefits from the utilization of genetic resources and digital sequence information on genetic resources, and of traditional knowledge associated with genetic resources, as applicable, are shared fairly and equitably, including, as appropriate with indigenous peoples and local communities, and substantially increased by 2050, while ensuring traditional knowledge associated with genetic resources is appropriately protected, thereby contributing to the conservation and sustainable use of biodiversity, in accordance with internationally agreed access and benefit-sharing instruments.	<i>Specific objective 3:</i> The value of biodiversity and ecosystem services is assessed, maintained and enhanced through sustainable use, and mitigation of negative impacts on biodiversity; nature-based solutions are adopted and implemented in socio-economic development, natural disaster risk management, CC adaptation; fair and robust access to and sharing of benefits from the use of genetic resources promoted.	Relevant

Note: In accordance with the provisions of the Convention on Biological Diversity regarding compliance, various commitments to implement measures for the conservation and sustainable use of biodiversity are mandatory for all Member States. However, developing Member States may flexibly apply this in certain areas. To ensure the effectiveness of measures on the conservation and sustainable use of biodiversity, the Member States shall ensure effective communication and cooperation, especially at the scientific and technical levels (Information Exchange Mechanism).

Source: Expert team's analysis of GBF and NBSAP 2030.

Continuing to concretize the goals into specific actions, NBSAP 2030 identifies five (05) key tasks and six (06) priority solutions. Comparing these tasks/solutions with the 23 GBF targets, it can be observed that, essentially, the 2030 NBSAP's contents and solutions cover the scope of GBF targets, as follows:

Table 4. Comparison of NBSAP contents, key tasks and solutions with the GBF targets to 2030

No.	NBSAP		GBF
A	Content	Key tasks	Global targets to 2030
1	Strengthening biodiversity conservation and restoration	a. Expand and improve the efficiency of the management of natural heritages, PAs and biodiversity corridors.	Target 1, 2, 3
		b. Consolidate and expand natural areas/sites of national and international importance.	
		c. Adopt Other Effective Area-based Conservation Measures (OECMs)	
		d. Restore important degraded natural ecosystems	Target 10, 11
2	Restoring and conserving wildlife, especially endangered, precious and rare species prioritized for protection and migratory species		Target 4, 9
3	Strengthening the conservation of genetic resources, managing access to genetic resources, sharing benefits and respecting indigenous knowledge about genetic resources		Target 13, 21
4	Assessing and enhancing the benefits of biodiversity for sustainable development, disaster risk management and climate change adaptation	a. Conduct investigation, inventory, statistics, and evaluation and develop a national database on biodiversity	Target 21
		b. Sustainably use biodiversity and ecosystem services	Target 11, 16
		c. Conserve and develop urban and rural biodiversity	Target 12
		d. Conserve nature and biodiversity in response to climate change	Target 8
5	Controlling activities that negatively impact biodiversity	a. Strictly monitor activities such as land use change, forest conversion, and surface water conversion, unsustainable farming practices and exploitation methods and other activities that cause environmental pollution	Target 1, 7, 10
		b. Control illegal exploitation, captive farming, trade and consumption of wildlife	Target 5
		c. Prevent, strictly control and effectively prevent invasive alien species; strengthen biosecurity and biosafety management of genetically modified organisms	Target 6, 17
B	Major solutions		
1	Develop policies, regulations, institutions for management and enhancement of Biodiversity Law enforcement		Target 14
2	Raise awareness of nature and biodiversity conservation		Target 22, 23
3	Promote integration and implementation of biodiversity requirements in policy-making and public investment projects		Target 14, 19
4	Promote scientific research, development, transfer, and application of advanced technologies in conservation and sustainable use of biodiversity		Target 20
5	Secure financial resources for biodiversity conservation		Target 15, 18, 19
6	Strengthen international integration and cooperation on the conservation and sustainable use of biodiversity		Target 17

Source: GBF (Press Release: Nations Adopt Four Goals, 23 Targets for 2030 In Landmark UN Biodiversity Agreement - United Nations Sustainable Development) and Prime Minister (2022a).

Thus, due to the specificity of the country, some of Viet Nam's specific targets on biodiversity conservation in the NBSAP may not match with the GBF's targets in terms of figures and numbers. However, at the level of overarching and specific objectives, as well as in terms of content and key tasks, and implementation solutions, Viet Nam's NBSAP has been designed quite comprehensively and aligned closely with the content and orientation of GBF. Therefore, the successful implementation of the NBSAP will make a decisive contribution to Viet Nam's effective fulfillment of its international biodiversity commitments. However, given the ongoing difficulties in mobilizing financial resources for biodiversity conservation in Viet Nam (as will be presented in Chapter 3), the Government needs to demonstrate strong political will to propose concrete and feasible solutions (Financial Plan) to fulfill Viet Nam's biodiversity conservation commitments.

2.3.2 Opportunities and challenges for the mobilization of financial resources for the implementation of the Strategy

According to the review of NBSAP 2020's implementation by the Ministry of Natural Resources and Environment (2021), financial shortfall is one of the main reasons for the failure to achieve the specific objectives of the Strategy. Therefore, with the intention to continue efforts toward unattained goals of NBSAP 2020, NBSAP 2030 has shown the Government's strong commitment to nature and biodiversity conservation, with the view that biodiversity is an important natural capital for economic development, environmental protection, climate change adaptation and the implementation of the Government's international commitments in this field. The mobilization of financial resources for the period of 2021-2030 have both opportunities and challenges as follows:

Opportunities:

The implementation of NBSAP 2030 presents significant opportunities to increase financial mobilization for nature and biodiversity conservation for the following reasons:

- The Government of Viet Nam has shown strong expectations in mobilizing resources from all sectors of society for nature and biodiversity conservation. These expectations are supported by many new opportunities thanks to Viet Nam's robust integration into multilateral and bilateral

NBSAP 2030 has shown the Government's strong commitment to nature and biodiversity conservation, with the view that biodiversity is an important natural capital for economic development, environmental protection, climate change adaptation and the implementation of the Government's international commitments in this field.

trade agreements and the ability to harness international support for green transition and climate change adaptation.

- New financial mechanisms such as green bonds, carbon credits, and payments for ecosystem services (PES) are gaining attention and being piloted, paving the way for gradually improving the legal, institutional and policy frameworks for the implementation of NBSAP's goals.
- Awareness among the private sector, communities, and the public regarding the need to transition toward green production and consumption is becoming increasingly pronounced in Viet Nam. At the same time, the banking sector is showing growing momentum in both "financing green" and "greening finance," creating significant opportunities to enhance non-state participation in nature and biodiversity conservation.
- Contributions from businesses and society are expanding through various mechanisms, including Public-Private Partnerships (PPPs), community funds, ecotourism development, support for NGOs, and increased private sector engagement in tree planting and ecosystem restoration activities. Notable examples include the One Billion Trees Program (2021–2025); the establishment and operation of the Viet Nam Conservation Fund; and the emergence of private safari parks that integrate conservation, education, and tourism (such as in Phu Quoc, etc.).

Timely seizing these opportunities will help Viet Nam quickly turn the advantages in biodiversity and natural ecosystems into resources contributing to the socio-economic development process and in return, leverage achievements of socio-economic

development to restore, conserve and enhance the country's natural capital.

Challenges:

In addition to these opportunities, resource mobilization for implementation of the NBSAP 2030 faces many challenges

- *In terms of awareness*, the perception that biodiversity conservation is an investment in the future, a means of ensuring intergenerational equity and sustainable development, and that healthy ecosystems are essential for attracting international investment and strengthening global integration, has not yet been fully internalized across all levels of management. As a result, these perspectives have yet to be consistently translated into concrete and effective actions in policy formulation, regulatory development, and decision-making processes.
- *In terms of resource mobilization*, the investment demand across all sectors to support Viet Nam's ambition of becoming an upper-middle-income country by 2030 and a high-income country by 2045 is immense, while available resources remain limited. At the same time, incentive mechanisms to mobilize private sector investment — such as preferential land-use arrangements, tax incentives, and investment support policies — remain insufficient. Greater stability and predictability in the legal and regulatory environment are also needed to strengthen investor confidence and encourage long-term engagement.
- *In terms of resource allocation*, competition among different spending priorities for limited state budget resources is inevitable. Due to constraints in intersectoral coordination and

competing short-term development demands, investments that generate long-term and less immediately visible benefits — such as biodiversity conservation — often receive lower priority in public budgeting and resource allocation processes.

- *In terms of resource utilization*, the legal framework for biodiversity conservation remains incomplete, resulting in gaps and inefficiencies in implementation. In addition, the absence of standardized economic and technical norms for cost estimation continues to hinder the effective planning, budgeting, and implementation of biodiversity conservation activities.
- *In terms of monitoring and evaluation*, the database on biodiversity and natural ecosystems remains limited and fragmented, while tools and systems for tracking and monitoring the impacts of economic activities on biodiversity are still underdeveloped. This constrains the ability to design evidence-based policies and mechanisms for mobilizing financial resources for conservation. In addition, the absence of effective financial autonomy mechanisms for National Park Management Boards, coupled with weak performance-based monitoring and reporting systems for conservation activities, continues to pose significant challenges to improving accountability, transparency, and the efficient use of resources for nature and biodiversity conservation.

This Resource Mobilization Report (RMR) for NBSAP 2030 implementation is compiled based on careful consideration of the aforementioned opportunities and challenges. It aims to propose the most feasible goals and solutions to mobilize financial resources for the 2025-2030 period.

03

BASELINE SCENARIO OF FUNDING NEEDS AND FINANCE GAP FOR BIODIVERSITY



3.1 Estimation of the funding needs for the achievement of the M&E indicator targets of the NBSAP 2030

Using the methodology proposed in the 2018 BIOFIN Workbook (UNDP, 2018) with some adjustments reflecting the context of Viet Nam, the updated FNA report (UNDP, 2024) provided an estimate of the funding needed to achieve the key M&E indicator targets of NBSAP 2030. The estimation of financial needs was conducted following these steps:

Step 1: Reviewing the national biodiversity targets and the system of M&E indicators and targets defined in NBSAP 2030, the study identified which targets could be translated into actionable interventions and their funding needs. Targets not considered in the financial need estimation included:

- The targets used for coordination and monitoring by the lead agency and are already incorporated in its regular state management functions, making it difficult to separate this funding need from the agency's recurrent operational budget.
- The targets associated with novel approaches for which currently there is no basis for estimating funding needs.
- The targets which are proxies and can be achieved through successful implementation of other targets/objectives of the NBSAP.

As a result, 7 out of 14 NBSAP 2030 targets with M&E indicators were selected to estimate financial need as shown in Table 5:

Step 2: Identifying a list of activities to achieve the selected NBSAP 2030 targets, based on the sectoral master plans, development strategies and action plans for the 2021-2030 period from responsible ministries assigned to lead relevant activities (such as the Ministry of Agriculture and Rural Development, the Ministry of Science and Technology, etc.). In case of discrepancies in contents, data and information, the FNA study prioritized documents based on the following criteria: (i) plans and strategies with equal or more ambitious goals/objectives than those in the NBSAP 2030; (ii) plans with more specifically defined scope, locations, implementation timelines, etc.; and (iii) plans and strategies with more up-to-date data and information.

Step 3: Using the processes, economic-technical norms, and unit costs promulgated in legal documents that are still in effect or refer to similar norms and unit prices from previously state-approved strategies, action plans, programs and projects, with reasonable adjustments in considerations of inflation, to estimate funding needs for each activity included in the list.

The estimated funding requirement is the minimum financial need under the normal conditions, comparable to past funding levels for similar activities.

Step 4: Aggregating financial need for the NBSAP 2030 implementation, disaggregated annually by target.

The estimated financial needs for selected targets with M&E indicators of the NBSAP 2030 are presented in Table 6, and the breakdown of financial needs is visualized in Figure 5 and Figure 6.

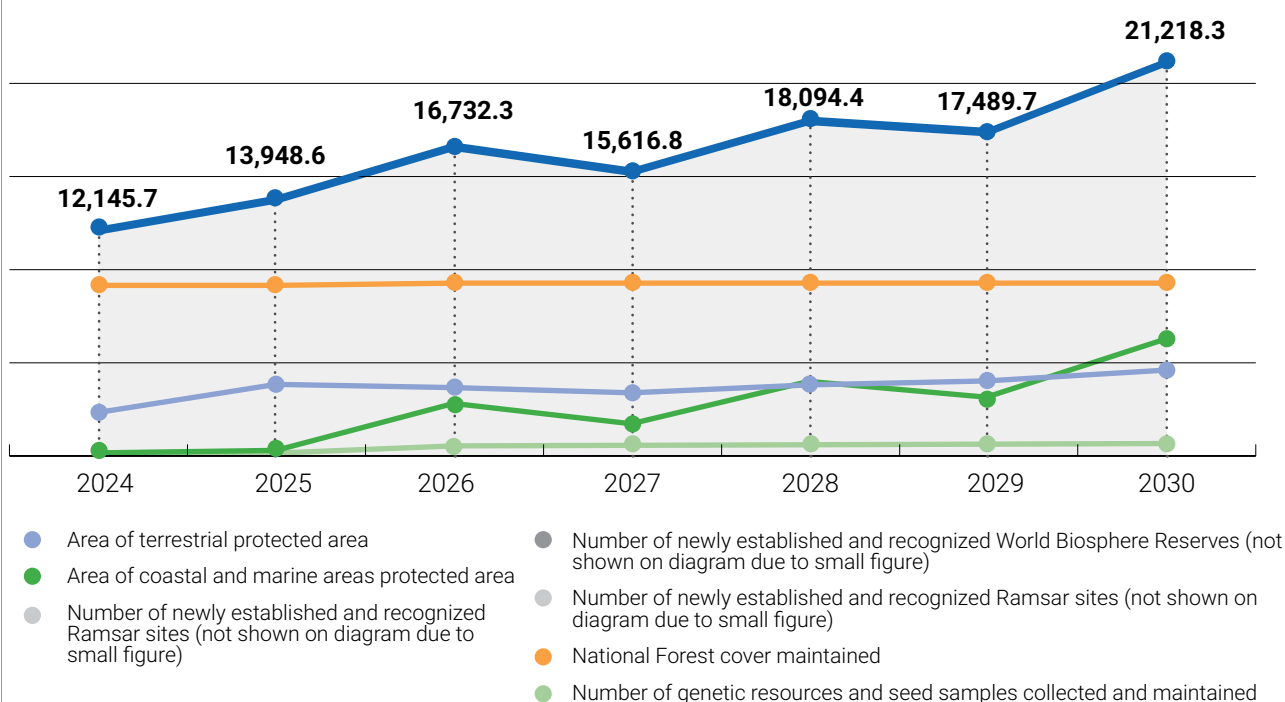
Table 5. M&E indicator for NBSAP 2030's key M&E indicator targets

No.	Indicator	Milestone	
		2025	2030
1	Percentage of terrestrial protected areas conserved compared to total land area	7.7%	9%
2	Percentage of coastal and marine protected areas compared to total marine area	1.5-2%	3-5%
3	Number of newly established and recognized Ramsar Sites	4 sites	6 sites
4	Number of newly established and recognized World Biosphere Reserves	2 reserves	4 reserves
5	Number of newly established and recognized ASEAN Heritage Parks	2 parks	5 parks
6	National forest cover maintained	42% - 43%	42% - 43%
7	Number of genetic resources and seed samples collected and maintained	90,000	Minimum 100,000

Source: UNDP (2024), Updated FNA Report, page 4.

Table 6. Total financial needs for the NBSAP 2030's key M&E indicator targets implementation

No.	Indicator	Financial need (billion VND)							Total
		2024	2025	2026	2027	2028	2029	2030	
1	Area of terrestrial protected area	2,425.7	3,932.7	3,759.0	3,478.3	3,904.4	4,117.2	4,693.6	26,310.9
2	Area of coastal and marine areas protected area	222.1	496.2	2,968.5	2,104.7	4,125.7	3,276.3	6,382	19,575.5
3	Number of newly established and recognized Ramsar Sites		6.5	2.0	2.1	2.2	2.2	7.1	22
4	Number of newly established and recognized World Biosphere Reserves		3.1	1.0	1.0	1.1	1.1	4.7	12
5	Number of newly established and recognized ASEAN Heritage Parks		2.8	1.0	1.0	1.1	1.1	6.2	13.2
6	National forest cover maintained	9,278.2	9,278.2	9,391.4	9,391.4	9,391.4	9,391.4	9,391.4	65,513.3
7	Number of genetic resources and seed samples collected and maintained	219.6	229.1	609.5	638.4	668.6	700.3	733.4	3,798.9
Total financial need		12,145.7	13,948.6	16,732.3	15,616.8	18,094.4	17,489.7	21,218.3	115,245.8

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Source: UNDP (2024), Updated FNA Report, page 34

Figure 5. Financial needs by period, 2024-2025 and 2026-2030

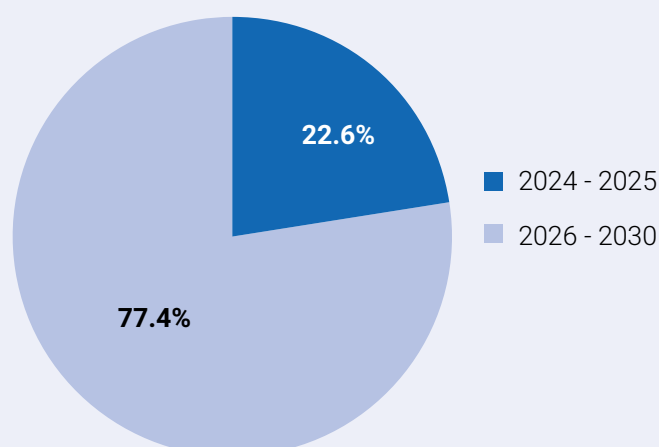
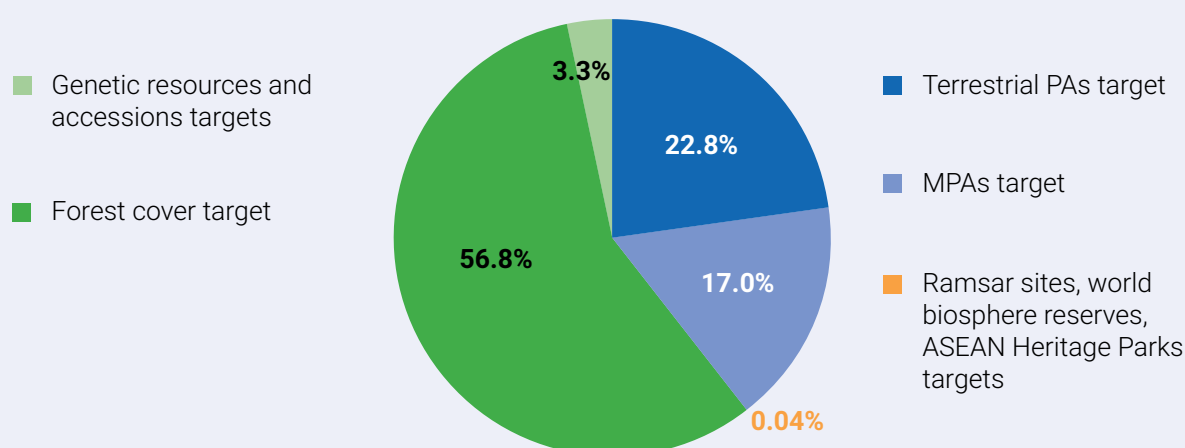


Figure 6. Financial needs by target



Accordingly, more than 77% of the financial needs for the NBSAP 2030 implementation of 7 key M&E indicator targets is for the period 2026-2030, of which the largest component (57%) is to maintain the forest cover, followed by terrestrial PAs target (23%) and marine PAs (17%).

3.2 Estimation of the finance gap for NBSAP implementation

The estimation of financing capacity from all sources of finance including the state budget, Official Development Assistance (ODA), non-state resources, internationally funded projects, and private investment is based on trends identified

in the 2011-2015 Biodiversity Expenditure Review Report (BER), assuming that these trends will continue through the 2021-2030 period. The authors calculated the elasticity of biodiversity expenditure to GDP, with GDP increasing by 1%, total biodiversity expenditure from all sources will increase by 1.32%. Based on national statistics and forecasts on Viet Nam's GDP growth rate in the 2016-2030 period⁶ and the total biodiversity expenditure of Viet Nam in 2015 (4,788.14 billion VND) (UNDP, 2018b), the FNA estimated the total funding for biodiversity and the finance gap for the implementation of the new NBSAP in the period 2024 - 2030 as follows:

⁶ Retrieved from: <https://www.statista.com/statistics/444616/gross-domestic-product-gdp-growth-rate-in-vietnam/>

Table 7. Finance gap for the implementation of the new NBSAP 2030 (for 7 key M&E indicator targets)

Index	Unit	Year						
		2024	2025	2026	2027	2028	2029	2030
GDP growth rate	%	6.85	6.76	6.65	6.69	6.66	6.66	6.66
Biodiversity expenditure growth rate	%	9.04	8.92	8.78	8.83	8.79	8.79	8.79
Total financial needs	billion VND	12,145.66	13,948.56	16,732.31	15,616.83	18,094.43	17,489.65	21,218.33
Funding for biodiversity	billion VND	9,476.13	10,321.71	11,227.74	12,219.24	13,293.46	14,462.12	15,733.51
Finance shortfall	billion VND	(2,669.53)	(3,626.85)	(5,504.57)	(3,397.59)	(4,800.97)	(3,027.53)	(5,484.82)
compared to financial needs in %	%	22	26	33	22	27	17	26

Source: UNDP (2024), Updated FNA Report, page 35

Some observations from the estimates:



Firstly, the finance gap varies across the years, ranging from 17-33% of the total financial needs from 2026 - 2030. It should be noted that the FNA estimation methodology does not disaggregate the contribution capacity of each financial source. This will be discussed in the following section, using normative arguments.

Secondly, according to the estimates of the FNA (2024), the finance gap for the implementation of 7/14 targets (a subset of the full biodiversity targets) from the state budget alone accounts for about 0.18% of GDP. Meanwhile, according to the 2018 BER, the total funding that can be mobilized for and spent on biodiversity from all sectors (state budget, ODA, capital socialization, private sector) accounts for about 0.16% of GDP. It is worth noting that 0.1% of GDP is equivalent to more than 1,000 billion VND/year, underscoring the immense pressure of closing the financial gap.

Thirdly, due to the limited scope of the FNA calculation, the financial needs presented here represent only the minimum required, primarily focusing on achieving the M&E targets of the NBSAP. Furthermore, the 7 NBSAP targets with M&E indicators do not cover the full scope of the Strategy, but are mainly limited to measurable indicators under the purview of state management agencies. For example, solutions on scientific research, technology transfer, or awareness raising and education also require funding but were not included in the estimates. Similarly, estimated funding need for biodiversity is based on historical trends from 2011-2016, while some innovative domestic and international funding sources have not been taken into account. Therefore, this finance gap should only be treated as indicative. In reality, the gap may be larger (if fully accounting for all core actions and solutions of the NBSAP) or smaller (if new funding sources can be unlocked for timely implementation of the Strategy). This will be discussed in the next section, based on our desk review, field surveys and expert assessments.



04

CAPACITY TO MOBILIZE FINANCIAL RESOURCES FOR NBSAP IMPLEMENTATION

The NBSAP identifies the key sources of funding for the NBSAP implementation including: (1) State budget and budget mainstreamed into the National Target Programs as well as other relevant programs and projects; (2) credit capital from domestic and foreign financial institutions; (3) revenues from PFES and forest environment concessions, biodiversity-related environmental services and payments for ecosystem services; (4) investment, contributions, support and grants from organizations and individuals; and (5) other financial sources as prescribed by law.

This section assesses the capacity to mobilize funding from the state budget for the NBSAP implementation, including: (1) recurrent expenditures; (2) capital expenditures from the state budget; (3) ODA; (4) expenditures from off-budget funds related to nature conservation; and (5) expenditures from PAs with delegated autonomy mechanism. Analysis shows that although funding from the state budget still plays a key role in biodiversity spending, these sources are strictly constrained by legislations and therefore are unlikely to have significant breakthroughs from now to 2030. Thus, in order to fully implement the 2030 NBSAP, especially for those components that are not currently funded by the State budget, it is necessary to explore new potential revenue streams and innovative financial mechanisms. The next section

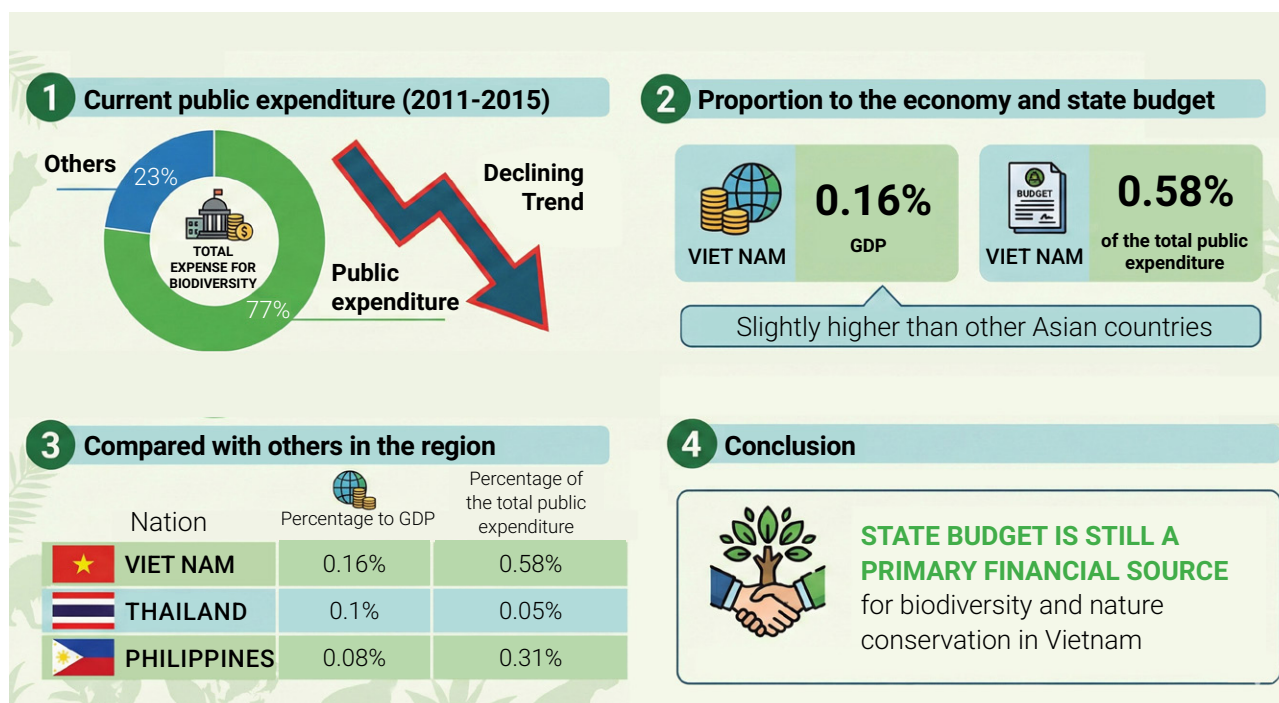
will focus on new financial solutions proposed in the BFP Report.

4.1 Funding sources from the state budget

The Law on Biodiversity (2008) has affirmed that the Government of Viet Nam is committed to allocating the state budget for biodiversity activities. These include both recurrent and public investment expenditures. Currently, according to the 2015 Law on State Budget, ODA is also considered part of the state budget, however, due to its specific nature, it will be analyzed in the later section for credit capital from domestic and international organizations.

According to BIOFIN BER 2018 report (UNDP, 2018b), for the 2011-2015 period, public expenditure accounted for 77% of the total expenditure on biodiversity in Viet Nam and is on a downward trend. Total expenditure on biodiversity accounted for 0.16% of GDP and 0.58% of total state budget expenditure in the same period, which is slightly higher than other Southeast Asian countries such as Thailand with 0.1% of GDP and 0.05% of total budget expenditure and the Philippines with 0.08% of GDP and 0.31% of total budget expenditure. Therefore, public finance remains the main funding source for nature and biodiversity conservation in the country.

Figure 7: Public expenditure on biodiversity in Viet Nam (2011–2015)



4.1.1 Recurrent expenditure from the state budget

According to Clause 3, Article 73 of the 2008 Law on Biodiversity, recurrent expenditures from the state budget are used for the following purposes:

- Monitoring, statistical reporting, and management of biodiversity data and information; developing a biodiversity database;
- Compiling reports on the status of biodiversity and PAs; formulating and appraising biodiversity conservation planning, programs and projects;
- Formulating and appraising the list of endangered, precious and rare species prioritized for protection, invasive alien species, wildlife banned from exploitation, wildlife with conditional exploitation, and genetic resources banned from export; conducting surveys and assessments of populations to update the List of endangered, precious and rare species prioritized for protection;
- Managing state-run PAs and biodiversity conservation facilities;
- Developing and piloting models of sustainable biodiversity conservation and development;
- Public communication, legal education, awareness raising on biodiversity conservation and sustainable development;
- Training and capacity building in biodiversity management;
- International cooperation on biodiversity conservation and sustainable development.

Recurrent expenditures for the above-mentioned activities are allocated from sectoral recurrent expenditure lines: environment, economy, science and technology, state management, and education and training. Currently, the use of the state budget for recurrent expenditure on biodiversity conservation is in accordance with the Joint Circular No. 160/2014/TTLT-BTC-BTNMT dated 29/10/2014 of the Ministry of Finance and the Ministry of Natural Resources and Environment, guiding the management, use and disbursement of recurrent expenditure from the state budget for NBSAP 2020-related tasks and projects. Analyses of these guidelines are presented below:

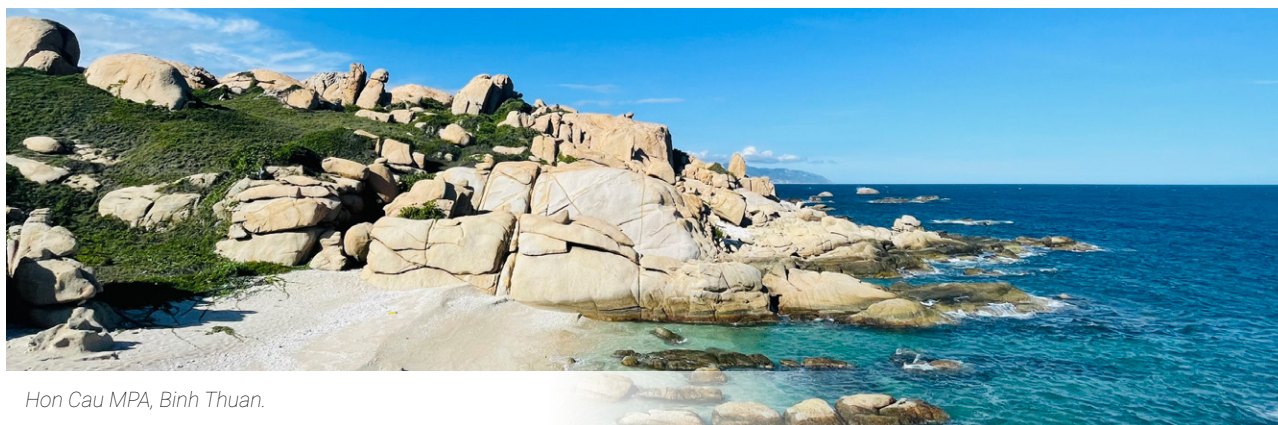
Recurrent expenditure for environmental tasks.

The expenditure norms for biodiversity conservation

One of the most urgent tasks now is to complete and operationalize the national biodiversity database (managed by MONRE as assigned by the Government) since this is the basis for biodiversity restoration and conservation activities as well as the application of innovative financing mechanisms (such as biodiversity offset mechanisms). This should be covered using the environmental non-business budget.

under environmental recurrent budget shall comply with the Ministry of Finance's Circular No. 02/2017/TT-BTC dated 6 January 2017 guiding the management of environmental recurrent expenditure and Circular No. 31/2023/TT-BTC dated 25 May 2023 amending and supplementing certain provisions of Circular No. 02/2017/TT-BTC. Cost estimates are prepared based on Joint Circular No. 01/2008/TTLT-BTNMT-BTC dated 29/04/2008, issued by MOF and MONRE guiding the preparation of cost estimates for environmental protection using environmental recurrent expenditure sources. Circular 02 stipulates that the budget allocated for environmental expenditure at the provincial level must be allocated at a minimum of 1% of the total annual state budget expenditure (Clause 1c, Article 3). It also defines the tasks of environmental expenditure for both the central and local budgets. Notably, environmental expenditure to support biodiversity conservation shall comply with the above-mentioned Joint Circular 160/2014/TTLT-BTC-BTNMT. Meanwhile, Joint Circular No. 01 only focuses on general environmental protection budgeting. Thus, biodiversity conservation expenditures are currently embedded within the broader environmental recurrent expenditure. To date, only Joint Circular No. 160/2014/TTLT-BTC-BTNMT directly guides the implementation of NBSAP 2020. For NBSAP 2030, many cost norms have become outdated and new contents lack specific implementing guidance.

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Hon Cau MPA, Binh Thuan.

restoration and conservation activities as well as the application of innovative financing mechanisms (such as biodiversity offset mechanisms). This should be covered using the environmental recurrent expenditure budget. However, in practice, no provinces have successfully developed a comprehensive biodiversity database, including the PAs. The key reason is the substantial cost associated with this task while specific cost norms for biodiversity inventories and surveys are not available. If the norms for other relevant activities are applied, it is either inapplicable or insufficient. Currently, only a few national parks have conducted localized surveys and developed partial databases for certain species, funded through the environmental recurrent expenditure sources and by international organizations. The development of a centralized and intersectoral database, for both central and local level, integrating data and information from MONRE and other ministries, agencies and organizations, is essential for the assessment of the biodiversity values in each PAs and high-biodiversity regions. This should be considered a top priority before other biodiversity conservation solutions.

Recurrent expenditure for Science and Technology (S&T) tasks. The expenditure norms for S&T tasks are governed by Joint Circular No 27/2015/TTLT-BTC-BKHCN shall comply with the Joint Circular No 27/2015/TTLT-BTC-BKHCN dated 30 December 2015 issued by MOF and MOST to set the norms for the implementation of scientific and technological tasks using the state budget and the Joint Circular No. 55/2015/TTLT-BTC-BKHCN dated 22 April 2015 to guide cost estimation, allocation and settlement for scientific and technological tasks using the state budget. These two Joint Circulars were then partially replaced by Circular 03/2023/TT-BTC dated 20 January 2023 issued by MOF

to regulate the estimation, management, use and settlement of state budget for S&T tasks. These are the general cost norms applied to all types of scientific research projects, while many other norms related to biodiversity (such as research on genetic resources access and management, assessment of ecosystem-centric biodiversity vulnerability, etc.) have not been promulgated, making it difficult for many agencies to develop cost estimates for scientific research projects in biodiversity conservation. As a result, while funding for scientific and technological tasks in some ministries and provinces is quite abundant, very few proposals are made for biodiversity conservation projects. If proposed, they tend to be small-sized and short-term studies, despite the critical need for baseline studies to support biodiversity management and monitoring. Through the discussions with relevant stakeholders in the surveyed areas, it can be seen that most biodiversity research originates from the management boards of PAs and national parks to study some endemic species in the locality.

Recurrent expenditure for economic tasks.

Expenditures from the economic recurrent budget are mainly for the formulation and implementation of biodiversity plans, programs, and projects approved by competent authorities; for the operations of PA management boards; and for piloting models of biodiversity conservation and development at the central and local level. However, because this budget category covers a broad range of sectors, from transport, agriculture to urban and rural development, and given the pressing demands for expenditure of other sectors directly related to the daily socio-economic activities, biodiversity conservation often receives very modest allocations from this source.

Recurrent expenditure for training and state management tasks. The training recurrent budget is

used for training and building capacity in biodiversity conservation for management personnel from central, local agencies and PAs. The budget for expenditure on state management covers salaries and operational costs for the administrative apparatus of these agencies. In general, the expenditures on biodiversity training are limited, while the expenditures on state management are mainly spent on salaries and daily operations, making it difficult to isolate specific spending on biodiversity conservation from this budget source.

In summary, some observations after reviewing existing financial mechanisms and the practice of recurrent expenditure from the state budget for biodiversity are as follows:



Firstly, recurrent expenditure on biodiversity and nature conservation is currently being integrated across various sectoral recurrent budget categories, primarily under the environmental budget.

Therefore, expenditure on nature and biodiversity conservation must “compete” with other funding needs from the State budget. Since the biodiversity outcomes are long-term and intangible and the loss of biodiversity is silent and almost “invisible”, localities tend to prioritize “urgent” tasks with immediate socio-economic impacts such as environmental pollution, disaster risk management, etc. The budget for nature and biodiversity conservation, therefore, is minimal. Provided with the example of forest management, the state budget is mainly allocated toward forest patrolling and protection, while the budget for the restoration and conservation of threatened, rare and endemic wildlife in the PAs is still very limited. According to the 10-year review report on the implementation of the 2008 Law on Biodiversity prepared by the former Ministry of Natural Resources and Environment (VEA, 2019)⁷, annual recurrent expenditure for environmental protection consistently accounted for around 1% of the total state budget; however, direct spending on nature conservation and biodiversity accounted for less than 3.13% of total environmental recurrent expenditure.

Secondly, to acquire funds from the state budget for recurrent expenditures, spending units must submit specific activity proposals with cost estimates. These estimates shall comply with applicable regulations regarding budget recipients and spending limits. **However, current regulations apply universally across all activities within a specific sector, without taking into account the specific characteristics of nature and biodiversity conservation.** Article 73 of the new Law on Biodiversity only provides a general provision on funding sources for biodiversity conservation, including recurrent and capital expenditure from the state budget. This legal basis is insufficient for issuing detailed circulars on biodiversity financing, especially when many innovative market-based financing mechanisms for biodiversity are being explored. As a result, many nature and biodiversity conservation activities are not yet covered by financial regulations, or if adapted from other sectors, are either unsuitable or based on outdated and insufficiently adjusted cost norms. In reality, many important activities that determine the quality of nature and biodiversity conservation are not reflected in financial regulations such as: access to genetic resources and benefit sharing; national biodiversity planning; management of invasive alien species (IAS). Therefore, even within the already constrained state budget for recurrent expenditure, accessing funds for biodiversity conservation remains highly challenging.

Thirdly, since biodiversity conservation is not one of the 13 designated sectors for recurrent expenditure tracking under the Law on State Budget⁸, the Treasury and Budget Management Information System (TABMIS) does not have separate entries for this expenditure. **Instead, expenditure on nature and biodiversity conservation is fragmented and embedded across sectors.** Therefore, it is very difficult to review and evaluate biodiversity-related expenditures. Most studies have to extrapolate data based on assumptions from provincial and ministerial reports to estimate biodiversity expenditure, or focus only on major programs, schemes and tasks. As a result, the comprehensiveness and reliability of such assessments remain limited.

⁷ VEA, 2019. Review of the 10-year implementation of the Law on Biodiversity 2008.

⁸ According to Clause 3, Article 3 of Decree No. 163/2016/ND-CP, the state budget implements recurrent expenditures for the following sectors: (1) National defense; (2) Security and social order and safety; (3) Education and training and vocational education; (4) Science and technology; (5) Healthcare, population and family; (6) Culture and information; (7) Broadcasting, television and news agencies; (8) Physical training and sports; (9) Environmental protection; (10) Economic activities; (11) State management; (12) Social security expenditures; and (13) Other expenditures.

4.1.2 State capital expenditure

According to Clause 2, Article 73 of the 2008 Law on Biodiversity, capital expenditures from the state budget are used for the following purposes:

- Baseline inventories on biodiversity;
- Restoration of natural ecosystems;
- Conservation of species listed as endangered, precious, rare and prioritized for protection;
- Construction, upgrading, and renovation of State-owned establishments for biodiversity conservation;
- Implementation of programs on control, isolation and eradication of invasive alien species;
- Other investments related to sustainable biodiversity conservation and development in compliance with applicable laws and regulations;
- Implementation of national strategies and programs related to biodiversity across different sectors.

In practice, state capital expenditures follow the processes and procedures specified in the 2019 Law on Public Investment. Accordingly, specialized agencies shall prepare investment policy proposals or projects' pre-feasibility reports, which are then submitted to competent agencies for appraisal and approval. Once approved, the project proposal will be included in the medium-term Public Investment Plan (PIP), making it eligible for further consideration. Every year in that 5-year cycle, based on the availability of public investment capital, the competent agencies will select a number of projects in the list of the medium-term PIP for budget allocation. These projects will proceed to develop project feasibility reports which are appraised by either competent agencies or dedicated appraisal committees. A decision on investment by competent authorities shall be issued for the approved projects which is included in the annual PIP for disbursement.

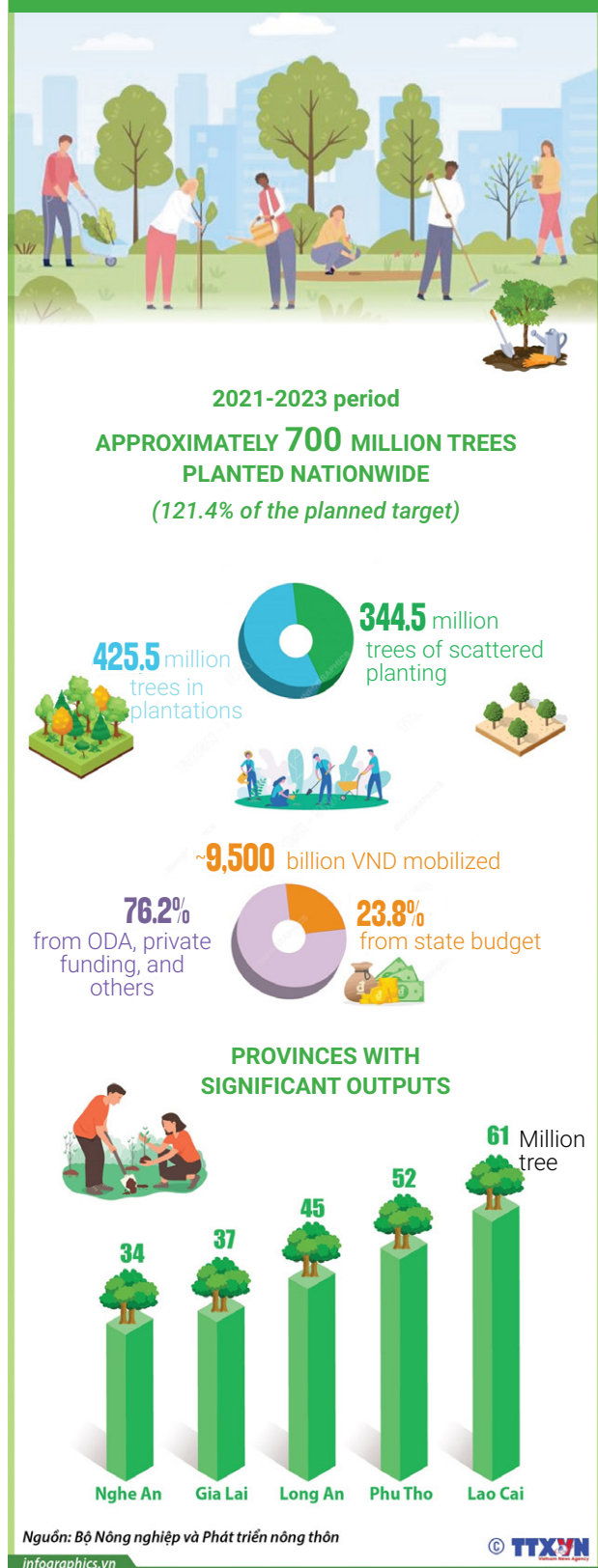
For example, during the implementation period of the NBSAP, the Government issued decisions to implement two major programs using a number of funding sources, including the development investment capital aimed at restoring important ecosystems. These programs include the National Action Plan on Conservation and Sustainable Use of Wetlands for the 2021-2030 Period (Decision 1975/QD-TTg 2021) and the "Planting one billion trees

from 2021 – 2025" project aligned with the goal of forest ecosystem restoration and development. The former was promulgated by the Prime Minister under Decision No. 1975/QD-TTg dated 24 November 2021 with three priority projects and programs: (1) Developing and piloting models of community and private sector's sustainable management and use of important wetlands (implementation period from 2022-2025); (2) Strengthening management, environmental protection, and nature and biodiversity conservation in important wetlands (implementation from 2023-2027); and (3) S&T research program on management, conservation and sustainable use of wetlands for climate change adaptation and mitigation (implementation from 2022-2030). MONRE shall be the lead agency for implementing the first two projects and MOST for the third program. The "Planting one billion trees from 2021 – 2025" project was approved by Decision No. 524/QD-TTg dated 01/04/2021 and is funded by a combination of state budget (both development investment and recurrent expenditures), international aids, grants, and other legal off-budget sources. However, at the time of our survey, none of the three projects under Decision 1975 had been financed or implemented. In contrast, the "Planting one billion trees from 2021 – 2025" project has planted nearly 770 million trees nationwide, including 334.5 million scattered trees and 435.4 million trees in concentrated areas. The total budget mobilized to implement the project in 3 years has reached nearly VND 9,500 billion, with 23% coming from the state budget and the remainder from ODA, non-state sources and other legal sources⁹.

In addition, the expenditures on nature and biodiversity conservation are also integrated into other National Target Programs. For example, the National Adaptation Plan (NAP) for Climate Change for the 2021-2030 period with a vision to 2050 promulgated by the Prime Minister under Decision No. 1055/2020/QD-TTg dated 20 July 2020, includes several biodiversity-related expenditure items such as: (i) development of a nature conservation model in areas with high biodiversity vulnerable to climate change; (ii) risk assessment and control of invasive alien species; (iii) establishment buffer zones and ex-situ conservation facilities for endangered species; (iv) restoration of degraded ecosystems (v) community-based conservation of nature and ecosystem services, prioritizing the conservation of precious genetic resources of endangered species and important ecosystems; (vi) applying indigenous knowledge in biodiversity conservation and sustainable use to ensure resilient livelihoods. In

9 Retrieved from [After 3 years of implementation of the project to plant 1 billion trees: Urban areas still lack trees - Tien Phong Newspaper \(baomoi.com\)](https://baomoi.com/After-3-years-of-implementation-of-the-project-to-plant-1-billion-trees-Urban-areas-still-lack-trees-Tien-Phong-Newspaper-baomoi.com/)

Figure 8: Results after three years of implementation of the Prime Minister's "One Billion Trees Planting Programme" (2021–2025)



Source: Ministry of Agriculture and Rural Development

short, to overcome the constraint of a limited budget, the Government integrates biodiversity conservation expenditures into many relevant strategies, programs and action plans. This approach increases the likelihood of having more funding for biodiversity; however, it also complicates coordination, consolidation and monitoring for biodiversity financing. Without a digitalized information management system, it will be difficult to monitor overall financial flows toward biodiversity goals.

In addition to national programs and projects, development investment capital from the state budget is also used to fund biodiversity conservation through upgrading facilities and procuring equipment for national parks and PAs managed by central or local authorities. Since development investment capital is mainly reserved for construction works, public investment projects for PAs are usually limited in numbers and difficult to compete with other projects in transport, irrigation or other public works which are considered more urgent. As a result, investment in PAs tends to consist of small-sized and fragmented projects.

A summary of expenditure on biodiversity conservation from recurrent and capital expenditures from the state budget is provided in Annex 4.

4.1.3 Official Development Assistance (ODA)

ODA includes ODA grants, ODA loans, and concessional loans. In recent years and going forward, ODA grants remain an important source of funding for nature and biodiversity conservation in Viet Nam. Biodiversity-related ODA usually accounts for 20-30% of the total environmental ODA. The majority of grants for biodiversity conservation in Viet Nam are from bilateral ODA (USAID, JICA, GIZ, DANIDA, and South Korea) and multilateral ODA (provided by UNDP, WB, ADB, EU, etc.). During 2011-2015, Viet Nam ranked among the top 5 global recipients of bilateral and multilateral development assistance. According to the BIOFIN BER 2018 report (UNDP, 2018b), the total bilateral ODA related to biodiversity for Viet Nam in the period of 2010-2015 was 402 million USD, accounting for 4.7% of the total bilateral ODA commitments to Viet Nam. This includes 234 million USD (58.2%) dedicated to projects where biodiversity was the primary objective – i.e., the funding would not exist without biodiversity goals. The other 168 million USD (41.8%) was for projects where biodiversity was a secondary or integrated objective, requiring biodiversity targets to be embedded into broader development goals and activities. This shows that grant-based ODA often

directly targets nature and biodiversity conservation outcomes, making it easier to align project impacts with NBSAP implementation results. However, these projects usually are implemented within defined cycles, and despite positive impacts, their results are not always easily scalable or replicable across different regions, limiting their wider influence.

ODA loans and concessional loans are meaningful and important sources of international financial support. Between 2010-2020, there was only one project receiving an ODA loan of 30 million USD from the Asian Development Bank (ADB) implemented from 2012-2020: the Greater Mekong Subregion Biodiversity Conservation Corridors - Phase 02 Project led by MONRE in coordination with Quang Tri, Thua Thien - Hue and Quang Nam to establish biodiversity corridors in these 03 provinces. Currently, Viet Nam is actively engaging donors for ODA loans for climate change adaptation projects, especially in the Mekong Delta region. The government also aims to mobilize about 15.5 billion USD from international donors through the Just Energy Transition Partnerships (JETP). These are major resources for Viet Nam to achieve Net Zero by 2050. Although these are projects for climate change adaptation and energy transition, MONRE has affirmed its intention to integrate biodiversity conservation into JETP-related activities. To date, as the new JETP implementation mechanism is in its inception, it is too early to assess the extent of how these resources will contribute toward NBSAP 2030 implementation. However, it is essential to closely monitor biodiversity-related components within these programs to ensure synergies among different

funding sources for varying NBSAP 2030 tasks.

Provinces are generally reluctant to use ODA or concessional loans for biodiversity objectives. The common reason is the cautious approach to external borrowing. If local authorities do agree to borrow, they tend to prioritize projects that promise quick economic returns for loan repayment. As a result, infrastructure, irrigation, and urban development projects are typically favored over biodiversity projects.

4.1.4 Resources from off-budget funds

Although they do not directly target biodiversity conservation, a number of off-budget funds such as Viet Nam Environment Protection Fund (VEPF), Viet Nam Forest Protection and Development Fund (VNFF), or Wildlife Conservation Fund provide funding for activities related to environmental and forest protection, which have positive impacts on biodiversity.

Viet Nam Forest Protection and Development Fund (VNFF) mainly provides funding for forest ecosystem protection and development, especially for protection of special-use forests, contributing to maintaining the country's forest coverage, which needs the largest investment under NBSAP 2030. Currently, the revenue from PFES of the VNFF is the primary financial source for conserving a significant area of natural forests in Viet Nam (5-6 million of natural forests out of total 10.4 million ha of forest coverage).

Viet Nam Environment Protection Fund (VEPF) has limited financial support for biodiversity conservation, as it needs to preserve the charter capital and does not have any additional sources of financial income. The fund usually focuses on lending to investment projects and sets aside only a small portion of their profits to support biodiversity. In fact, Clause 11, Article 8 of the Law on State Budget requires that sources of revenues and expenditures of off-budget state funds not to be overlapped with those of the State Budget". Therefore, funding for biodiversity conservation, if any, from these funds was discontinued i.e. VEPF is currently not a direct financial source for nature protection and biodiversity conservation.

Viet Nam Wildlife Conservation Fund (VNWC) was established under Decision No. 1155/QĐ-BNV dated 3 November 2021 of the Minister of Home Affairs. This not-for-profit Fund aims at supporting and conserving wild animals and plants, preserving rare and precious genetic resources, improving ecosystems and the environment, contributing to the



BR Project: Mainstreaming natural resources management and biodiversity conservation in to socio-economic development planning and management of Biosphere Reserves in Viet Nam; funded by the Global Environment Facility (GEF), with the Ministry of Natural Resources and Environment as the implementing agency, and supported by UNDP in management and implementation during the 2019–2024 period. Photo: Lê Huy Tuấn, Phương Dung, Danh Sơn.

protection and development of natural ecosystems of Vietnam. The main areas of operation of the Fund include: (i) Using the Fund's assets to support and sponsor stakeholders, programs and projects which align with the principles and purposes of the Fund and comply with the provisions of law; (ii) Receiving and managing assets granted and provided by domestic and foreign organizations and individuals complying with laws and regulations to carry out activities under service contracts and agreements in accordance with the principles and purposes of the Fund; (iii) Receiving assets from domestic and foreign organizations and individuals in the form of sponsorship, donation, or other forms in accordance with regulations to preserve and increase the Fund's capital. The annual funding scale is estimated at 15-20 billion VND.

Over the past years, the Fund has mobilized resources and funded 04 projects, including:

- The project of "Conservation of the critically endangered Vietnamese pheasant *Lophura edwardsi*" implemented by Viet Nature Conservation Co., Ltd. (ViNaConserv) in Ke Go PA, Ha Tinh Province and Phong Dien PA, Thua Thien - Hue Province. Project duration: 36 months from 29/12/2023.
- The project of "Conservation of forests, seas and endangered species of Son Tra Peninsula, Da Nang City", implemented by GreenViet in Son Tra Peninsula, Da Nang City. Project duration: 36 months from 2 January 2024.
- The project of "Protecting lowland forests to conserve endangered wildlife" implemented by Save Vietnam's Wildlife in Cat Tien National Park and Dong Nai PA. Project duration: 36 months from 1 April 2024.
- The project of "Strengthening law enforcement to protect endangered wildlife in Chu Yang Sin National Park" implemented by the Vietnam Wildlife Action Center (WildAct) in Dak Lak Province. Project duration: 36 months from 1 May 2024.

4.1.5 Revenues of Protected Area Management Boards

Currently, the tasks of nature and biodiversity conservation are mainly carried out in PAs. The Management Board (MB) of a PA is classified as Public Non-Business Units (PNBUs) (or public service delivery units), and therefore, all MBs are in the process of transformation to become an entity of financial autonomy at different extents. According

to a report by GIZ and VNFOREST (2021),¹⁰ out of 62 National Parks and PAs in the survey, none of them are financially autonomous at level 1 (completely autonomous in both investment and recurrent expenditures), only 7 PAs (11%) at level 2 and can cover their recurrent expenditure by themselves, 14 PAs (23%) are at level 3 and can partially ensure their recurrent expenditure, while the remaining 41 PAs (66%) are still at level 4 and completely dependent on the state budget. Therefore, finance for PAs basically comes from two sources: (1) the state budget (central and local) and ODA through donor-funded projects, and (2) partly from market-based initiatives - e.g. PFES and concessions from ecotourism services. The mechanism for mobilizing and using financial resources from the state budget have been mentioned in the section above. In the following section, we focus only on revenues from market-based initiatives.

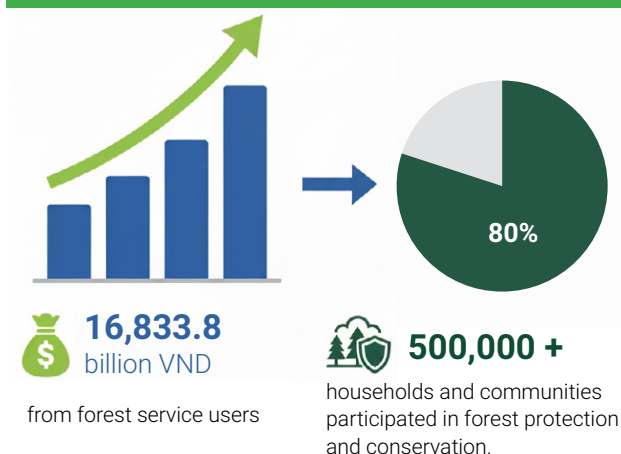
Payment for Forest Ecosystem Services (PFES).

Section 4 on "Forest Environmental Services" of the new Law on Forestry No. 16/2017/QH14 promulgated in 2017 (replacing the Law on Forest Protection and Development), clearly defines 05 categories of Forest Environmental Services (Article 61) and defines the "Principles for PFES" (Article 62). These principles are specified in Article 58, Decree No. 156/2018/ND-CP, which stipulates two forms of PFES. For the first form, the service user pays directly to the service provider (in this case, the PA management board). According to Article 63 Clause 3a and 3c of the Law on Forestry, this payment shall be made on the basis of a voluntary agreement. For the second form, the service user pays the forest provider through the Forest Protection and Development Fund according to Article 63 Clause 3b, Article 63 of the Law on Forestry, in case the service provider and the service user cannot agree on a PFES contract for direct payment. The payment rates are specified in Article 59 and some other related articles of Decree No. 156/2018/ND-CP. In the case the PAMBs sub-contract the forest protection to other entities/individuals, they are entitled to retain 10% of the total amount of the PFES revenue as their management fees in accordance with regulations.

According to the report of the Department of Forestry, from 2011 to 2020, the total PFES revenue from all service users reached VND 16,833.8 billion, of which more than 80% was spent on forest protection. More than 500,000 households and communities have participated in forest

¹⁰ GIZ and VNFOREST (2021), Assessment of the financial status of PAs in Viet Nam: Needs, options & next steps to implement the 'financial autonomy' mechanism.

Figure 9: Payments for Forest Environmental Services (2011–2020)



Source: Department of Forestry, MARD, 2020

management and protection (MARD, 2020).¹¹ So far, this revenue has become an increasingly important source of funding for many PAs (as previously analyzed).

Although it is considered the most successful policy applying a market mechanism to create financial resources for forest protection, it has some limitations. In fact, many national parks and PAs are having difficulty in disbursement of the PFES money due to some constraints in regulations on the usage of this financial source by organizational forest owners like PAMBs. Many MBs have had to return the PFES funding to the Provincial Forest Protection and Development Funds while they do not have sufficient funding for forest management and protection and biodiversity conservation. According to the USAID (2020), these limitations include:

- *Not fully making use the potential of forest environmental services:* According to a research by the Forest and Delta Project, the total potential PFES annual revenues was estimated at nearly 5,000 billion VND. However, the total PFES revenue in 2018 was 2,923 billion VND which was the highest during the period 2011–2020, accounting for only 58% of the estimated amount. Additionally, among the 05 types of forest environmental services specified in Article 61 of the Law on Forestry 2017, the potential revenue from carbon capture and sequestration services is considered substantially high. However, it has only been piloted under a specific agreement on emission reduction payment (ERPA) for the Northern Central

Hence, the revenue from ecotourism is becoming one of the important sources of non-state budget income for some national parks with ecotourism potential.

region between the Ministry of Agriculture and Rural Development and the Forestry Carbon Partnership Facility (FCPF) through the World Bank. Under the agreement, Viet Nam has successfully sold 10.3 million forest carbon credits, equivalent to 10.3 million tonnes of CO₂ in 6 Northern Central provinces including Thanh Hoa, Nghe An, Ha Tinh, Quang Binh, Quang Tri and Thua Thien - Hue¹² and thereby receive 51.5 million USD from the FCPF. Twenty-one national parks and PAs can benefit from this revenue. Another ERPA with LEAF Coalition is expected to bring a higher revenue for 11 Southern Central provinces, and is under negotiation by the Ministry of Agriculture and Rural Development. With these initial successes, the Government is taking the next steps of preparations to launch a domestic carbon market by 2028.¹³

- *Direct payment method is less common:* In the period 2011–2020, there were only 13 contracts with a total revenue of 7 billion VND of direct payments, compared to 887 contracts with 16,746 billion VND of indirect payments through the Forest Protection and Development Funds;
- *Large disparity in the payment rates:* The average payment rate for protection of 1 hectare of forest varies widely, leading to a significant difference in the income from PFES of households and communities among regions, provinces, and localities.
- *Low income proportion from PFES:* income from PFES only accounts for about 15% of the total income of a household;

¹¹ Ministry of Agriculture and Rural Development (2020). Forestry development strategy report for the period 2021–2030, with a vision to 2020

¹² Official statement by Mr. Nguyen Quoc Tri, Deputy Minister of Agriculture and Rural Development, delivered at the Conference on the 2023 Annual Review and the Implementation of the 2024 Forestry Sector Plan, 27 December 2023.

¹³ Decree 06/2022/ND-CP on greenhouse gas emission mitigation and ozone layer protection of the Government on 7 January 2022 details the organization and development of the domestic carbon market. Accordingly, by the end of 2027, Viet Nam will develop and complete regulations related to the management and trading of carbon credits, greenhouse gas emission quotas as well as the operation of a carbon trade exchange (CTX) and plan to establish and pilot operation of a CTX from 2025. The CTX will be officially operational in 2028.

- *Lack of specific regulations and guidance on PFES and Forest Protection and Development Funds:* there is still a lack of specific regulations and guidance for implementation of PFES; some regulations related to Forest Protection and Development Funds are difficult to apply:
 - There is a lack of detailed regulations on the implementation of PFES for ecotourism facilities which are located outside of a forest area while still benefiting from forest ecosystem services; regulations on identifying types of forests that provide services for aquaculture or forest carbon sequestration/removal; reducing GHG emissions from deforestation and forest degradation, sustainable forest management, green growth. It is therefore necessary to promulgate these regulations in the near future.
 - Regulations on the legal status and autonomy mechanism of the Forest Protection and Development Funds are insufficient and some existing regulations need to be revisited.

Revenue from ecotourism. Some PAs also generate revenue from tourism, including from entrance fees and provision of other services and facilities (such as restaurants, guest rooms, visitor centers, souvenir sales, etc.). The entrance fees for PAs under the management of the province need to be approved by the Provincial People's Councils, while the entrance fee for the National Parks under the management of the Ministry of Agriculture and Rural Development are regulated by Circular No. 206/2016/TT-BTC

dated 09/11/2016 of the Ministry of Finance. Article 53 of the Law on Forestry 2017 regulates investment in ecotourism in PAs.

Article 75 of the Law on Forestry 2017 allows PA management boards to lease forest environments, and cooperate and jointly invest in ecotourism facilities. Similarly, Article 14 of Decree No. 156/2018 allows PAs to invest directly in ecotourism projects or lease forest environments to ecotourism operators. Decision No. 24/2012/QĐ-TTg allows PAs with an annual turnover of over 3 billion VND to change into joint-stock companies, in which the PA Management Board is the majority shareholder. Article 12 allows PA management boards to lease special-use forest environments to organizations and individuals for ecotourism for up to 50 years (which can be extended for up to 20 years) at a rental price not exceeding 2% of the revenue of the renter, and also to lease forest environments for short-term use of scientific research purposes.

Hence, the revenue from ecotourism is becoming one of the important sources of non-state budget income for some national parks with ecotourism potential. Table 8 shows that currently the revenues of PAs and National Parks are not stable. In the years 2020-2021, due to the impact of the Covid-19 epidemic, the number of visitors to PAs and National Parks plummeted, affecting the income of these parks. From 2023, the situation gradually improved. The revenue from entrance fees of the parks doubled those before the Covid-19 (in 2018-2019).

In addition, according to Bui Thi Minh Nguyet et al. (2024), the total revenue of 6 NPs under MARD's

Table 8. Number of visitors and revenue from entrance fees at PAs and NPs

Year	Number of visitors (persons)	Revenue (billion VND)
2018	1,558,323	150
2019	2,420,000	156
2020	900,000	44
2021	263,769	19.3
2022	3,100,000	310.2
2023	2,400,000	323.5

Source: Department of Forestry

Note: Aggregated data might be incomplete since many PAs and National Parks have not fully implemented the reporting requirement.

management seem to vary significantly. Cat Tien National Park ranks first with the largest total revenue with an average of 33.14 billion VND/year, followed by Cuc Phuong and Ba Vi (about 24.5 billion VND/year), Bach Ma (19.26 billion VND/year); the 2 national parks with the lowest average revenue are Tam Dao with 164 million VND, and Yok Don with 85 million VND. The proportion of revenue from ecotourism to the total income of NPs vary according to the geographical location and natural conditions of the park. This proportion is the highest in Ba Vi National Park (accounting for 53% - 60% of total revenue), while in "rank 2" NPs, including Cuc Phuong and Cat Tien only 17-18%, and in "rank 3", including the rest of NPs in the survey, the revenue from tourism services is almost negligible (Bach Ma 6% and Tam Dao, Yok Don under 2%).

In order to increase this revenue in highly potential areas, the PA Management Boards need to develop a sustainable forest development plan and a financial strategy for the PAs that specify the revenue percentage earmarked for conservation activities.

Assessing the financial resources of PAs for nature and biodiversity conservation, a number of issues have been highlighted as follows:

- *In the process of reforming PNBUs, PA Management Boards are also expected to become more financially autonomous.* However, as mentioned above, for many PA Management Boards, it is almost impossible and they should not be expected to become financially autonomous completely or even partially, for at least three reasons. Firstly, PA Management Boards have different roles and responsibilities compared with many other PNBUs, i.e., to protect public assets under the state management and national jurisdiction by the government on behalf of the people of Vietnam, in order to ensure essential public services (biodiversity, ecosystem services and cultural heritage). Accordingly, very few PAs meet the criteria of being 'public services that are not funded by state budget' as they can mobilize funding and investment from the private sector, have a high potential for privatization or can be valued according to market mechanisms. Secondly, not all PAs have the potential to generate income. Management boards of protected areas typically have jurisdiction over or are able to provide a limited scope of services and commodities. Even if there are some market opportunities (e.g. tourism, recreation or some certain forest products), it is not feasible for many PAs that are located in remote areas, with difficult

access and poor infrastructure. Additionally, the investment of time, effort, expertise and funds required to access these markets or to develop new financing mechanisms is often very high. According to GIZ and VNFOREST (2021), about 15-18 out of 32 NPs or no more than 20 out of 176 PAs actually have income from ecotourism. Thirdly, most of the services provided by a PA are associated with landscapes of exceptionally high biodiversity value, often occupied and/or used by local or ethnic minority communities and other marginalized and vulnerable groups. It is imperative that potential environmental and social risks and impacts are taken into account when accessing financial resources. Revenue maximization should not be the single or even the primary objective of enhancing the PA management.

- *The mechanism of decentralization of the state budget between the central and local levels for protected areas remains inadequate.* Central budget investments only focus on special-use forests which are managed by the central government (Department of Forestry - Ministry of Agriculture and Rural Development), forests in border areas, and islands with difficulties. Meanwhile, most of the special-use forests managed by local governments (Provincial People's Committees) depend on the local budget. This is a major challenge for poor provinces, especially in areas with many protected areas such as Ha Giang, Son La, Hoa Binh, Thanh Hoa... Such inadequate funding allocation and management of protected areas creates inequality in the system where all PAs are designed with the same conservation purposes.
- *Due to budget constraints, funding from the state budget for the PA Management Boards is extremely limited, especially in locally managed PAs.* Recurrent expenditures are only sufficient to pay for salaries and salary-based benefits of staff of the PA Management Boards, while budget for investment expenditures is often low, merely funds for the minimum facilities of the Management Board's operations. A part of the financial resources for conservation in Viet Nam is mobilized from ODA-funded projects. The source is, however, irregular, unevenly distributed, mainly focusing on supporting a few large-scale national NPs and PAs, with little support for small and medium-sized ones (under 15,000 ha). Moreover, funding from ODA has been on a downward trend in recent years, since Viet Nam became a middle-income country.

- Income sources from market-based initiatives (mainly PFES and ecotourism service leasing) are important additional sources for the operation of the PA Management Boards. However, revenue from PFES is mainly used for forest protection¹⁴, rather than being used directly for biodiversity conservation. Meanwhile, ecotourism concessions has only been applied in some protected areas with favorable conditions, e.g., near tourist centers and good transportation connections, and the revenue mainly comes from collecting entrance fees which are prescribed by the authorities. Other services are still fragmented and restricted by strict regulations on conservation of protection and special-use forests, with limited opportunities for expansion. The expansion of the payment for ecotourism services to Marine Protected Areas (Payment for Marine Ecosystem Services - PMES) is still under study and/or piloting only.

	Conclusion: From the review of financial sources from the state budget for nature and biodiversity conservation described above, the observation can be summarized as follows:
01	Although the Government has committed to mobilizing funding for biodiversity conservation from different financial sources, the actual mobilization depends on the state budget balance at different government levels. In the current mechanism of fiscal decentralization of revenues and expenditures among different levels, the local governments have almost no resources for biodiversity conservation. In addition, Vietnam currently has only one budget code for environmental protection activities while no dedicated one for biodiversity or PAs exist in the Government's expenditure code system. Therefore, funding for biodiversity is included in the budget allocated for environmental protection. This makes the funding for biodiversity conservation often less priority compared to other urgent tasks of solving environmental issues caused by socioeconomic activities.
02	Projects with biodiversity conservation objectives are still relying on ODA funding from international organizations and bilateral donors. This financial source is important however it is unsustainable, often implemented within the project cycle, and therefore, its sustainability and spillover effects on conservation activities in other areas after the project ends are very limited. Additionally, non-refundable ODA has been gradually decreasing after Viet Nam became a middle-income country. ODA loans and concessional loans are strictly controlled to ensure the public debt limit of the Government and local authorities. The on-lending mechanism also makes local governments reluctant to borrow money. As a result, they will not use loans to finance nature and biodiversity conservation projects as these projects do not produce profits to repay debts.
03	Among the non-state budget funds, only Forest Protection and Development Funds have the function of conserving forest ecosystems, and are important financial sources for achieving some main objectives of the NBSAP. Meanwhile, the Vietnam Environmental Protection Fund (VEPF) does not directly finance biodiversity conservation since the expenditures of this fund shall not overlap with the expenditures of the state budget. Additionally, since the fund is responsible for preserving its charter capital, it typically focuses on lending to investment projects which are profitable.
04	The NPs and PAs are where conservation activities are implemented and where most of NBSAP solutions are undertaken. Using market-based financial mechanisms, e.g., PFES and ecotourism concessions, has helped improve the revenues of PAs. However, following the requirement to increase the financial autonomy and self-responsibility of all PNBUs, the funding from the state budget will reduce accordingly when they become more self-financing. Although there are some potentials to develop new mechanisms to generate revenues (see analysis in the later part), the revenues might not be sufficient across all PAs, and restricted by many different regulatory provisions.
05	Some innovative financial initiatives including carbon markets are promising. There are great opportunities for Viet Nam to benefit from climate finance institutions such as the GCF (which already financed \$150 million for coastal protection), FCPF (\$51.5 million for the North Central Region EPRA), Nature-based Solutions (NbS) financing initiatives through small grants, etc. However, it is likely that not until the latter years of NBSAP 2030 timeframe that these resources can be utilized on a significant scale.

¹⁴ According to the exchange with the Department of Forestry (Ministry of Agriculture and Rural Development), 97-98% of the PFES revenue is from hydropowers for water regulation service of special-use and protection forests. On average, the annual revenue is about 1,500 billion VND, of which over 80% is used for forest protection activities.

In our assessments, we believe that in the period 2024-2030, these financial resources will basically have no significant increase compared to the previous period, unless the government makes fundamental revision in fiscal management mechanisms, which will be discussed later in this report. Therefore, in order to address the financing gap mentioned in the FNA, efforts should be made to:

- (i) diversify revenue sources;
- (ii) avoid future biodiversity expenditures;

4.2 Revenue diversification

4.2.1 Promoting sustainable tourism and collecting service fees in PAs

Definitions of sustainable tourism. According to the UN Tourism (UNWTO) at the United Nations Conference on Environment and Development in Riode Janeiro (1992), *“Sustainable tourism aims to satisfy the needs of current tourists and host communities. It also focuses on preserving and improving opportunities for future generations, ensuring the long-term viability of tourism. Sustainable tourism strives to manage all resources in a way that respects cultural integrity, ecological processes, biodiversity, and life support system...”* In the simplest way, sustainable tourism aims to minimize costs and improve tourism benefits for visitors and local communities. This is also a sustainable and long-term direction, to avoid adverse impacts on ecosystems and biodiversity.

Sustainable tourism can take three main forms: ecotourism, community-based tourism, and volunteer tourism. Among these, ecotourism and community-based tourism are particularly relevant to biodiversity conservation.

According to Article 3 of Vietnam’s Law on Tourism



(2017), *“Ecotourism is a type of nature-based tourism, associated with local cultural identity, community participation, and environmental education”* while *“Community-based tourism is tourism based on community cultural values and managed by the community”*. Both ecotourism and community-based tourism are closely linked as they rely on the sustainable use of natural resources and the preservation of local cultural heritage.

These tourism models present the greatest potential for development within the PAs as most of the PAs with high biodiversity values are located in mountainous and remote regions where the local communities hold important biodiversity-related knowledge and resources. Accordingly, ecotourism combined with community-based tourism offers a mechanism for sharing benefits derived from natural ecosystems between tourism operators and local communities. This approach helps enhance community awareness and incentivize their participation in biodiversity conservation. As such, ecotourism is often characterized as a ‘green’ industry in which service practices are designed to support biodiversity and environmental protection.

According to IUCN¹⁵, ecotourism is the fastest-growing segment of the world’s largest industry with the annual export value estimated at approximately 100 billion USD. The majority of this revenue, however, is allocated to transportation, accommodation and food, with only a small portion directly contributing to biodiversity conservation. Nevertheless, ecotourism plays a critical role in bringing people closer to nature and creating jobs. Such benefits encourage stakeholders to participate more in the conservation of nature and biodiversity.

The current situation of revenues from ecotourism in PAs. Currently, ecotourism accommodation and recreation services are provided in 3 main forms: Management Boards of NPs and PAs directly provide these services; Management Boards of NPs and PAs partner with an operator to provide these services; or lease forest environments to an operator to provide these services¹⁶. As reported by special-use and protection forest management boards, there are currently 61 out of 176 special-use forests involved in tourism services, including 25 out of 34 NPs and 36 among 133 PAs. In most

¹⁵ IUCN (2012), Identifying and mobilizing resources for biodiversity conservation.

¹⁶ Institute for Tourism Development Research (2020), *Tourism development policies in PAs and NPs of Viet Nam*.

of the cases, the Management Boards of these special-use forests directly provide tourism services. There are 8 Management Boards collaborating with other service providers/operators, and 13 Management Boards leasing forest environment areas for ecotourism and accommodation. Notably, there are 02 NPs, namely Phong Nha - Ke Bang and Ba Vi National Park implementing all 3 forms of arrangements in their special-use forests (Management Boards as ecotourism service providers, ecotourism joint venture between Management Boards and ecotourism operators, and concessions).

Based on the assessment on the potential for ecotourism development to generate financial resources in the PAs, it is observed that:

In terms of advantages, there is already a basic legal framework for ecotourism development in PAs. Ecotourism is one of the 4 priority products in Viet Nam's Tourism Development Strategy to 2030 approved by the Prime Minister in Decision No. 147/QĐ-TTg dated 22 January 2020: "Develop sustainable and inclusive tourism, on the basis of green growth, maximize the contribution of tourism to the UN Sustainable Development Goals; effectively manage and use natural resources and ensure environmental protection and biodiversity; proactively adapt to climate change; ensure national defense and security; promote cultural tourism; link tourism development with the conservation and promotion of heritages and national cultural identity". The Law on Forestry clearly defines specific types of forests and areas for providing services or collaborating in ecotourism, accommodation and recreation services in special-use forests (such as national parks, nature reserves, species and habitat PAs, etc.), protection forests, and production forests. Decree 156/2018/ND-CP of the Government guiding the implementation of a number of articles of the Law on Forestry stipulates development of ecotourism projects, forms of ecotourism business; management of construction works for ecotourism, accommodation and recreation in NPs and PAs.

However, the development of ecotourism in PAs is facing some constraints in policies and mechanisms, e.g., strategies and guidelines for the management and promotion of ecotourism to ensure biodiversity and wildlife conservation.

In terms of strategic orientation, currently no overall strategy for tourism development in NPs and PAs in Viet Nam exists. There is also no strategic orientation for biodiversity conservation based on ecotourism development. Many NPs and PAs do not have ecotourism development plans, or their ecotourism development plans have not been approved for implementation and mobilization of the private sector resources. There are no synchronous mechanisms and policies to develop comprehensive investment programs and development projects for buffer zones, or an ecotourism development at national level that local government, NPs and PAs can attract investment and implement relevant projects.

Currently, there is still a lack of detailed regulations and guidelines on leasing forests for ecotourism development in PAs. This not only makes PA Management Boards confused when implementing tourism activities but also creates loopholes for tourism operators to develop conventional tourism activities in NPs and PAs under the name of ecotourism. For example, Decision No. 104/2007/QĐ-BNN, dated 27/12/2007 of the Ministry of Agriculture and Rural Development promulgating regulations on ecotourism management in NPs and PAs has expired, while the regulations and guidelines on ecotourism operation in the Law on Forestry and Decree No. 156/2018/ND-CP of the Government do not provide detailed and specific guidance to help the NP Management Boards in organizing ecotourism activities. Many NPs and PAs still do not have specific collaboration and benefit-sharing mechanisms between the entity who is in charge of biodiversity conservation and the entity who enjoys direct benefits from ecosystem services in PAs.

Box 1. Removing barriers for ecotourism concessions in PAs

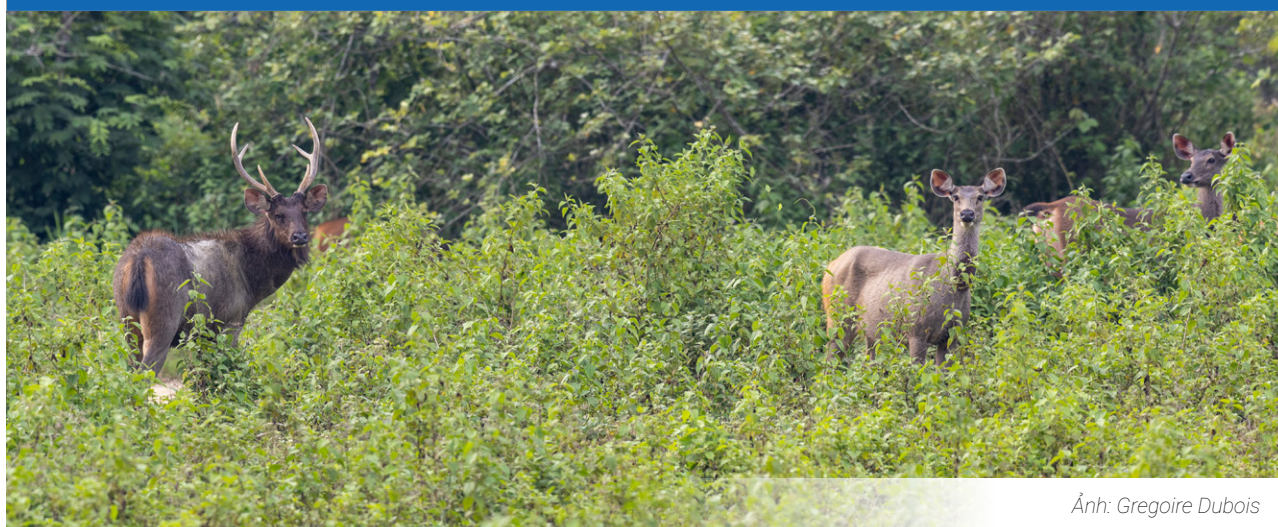
The biggest problem often mentioned by many National Park Management Boards we interviewed in our survey is that some provisions of Decree 156 are unreasonably strict and there are still overlaps with other legal documents. For example, tourism developers who rent forest lands for their ecotourism projects have to obtain construction permits to develop infrastructure for tourism, such as hotels, villas, restaurants, and utility areas. Following the Law on Construction, they have to have the permit before starting the construction, and the condition of the permit is that the project must be aligned with the master plan of the construction sector. However, forestry land is not a type of land that can be used for construction works under the Law on Construction. Moreover, since the ecotourism developers do not have a land use right certificate (LURC), they have to work with the forest owner to prepare and submit the LURC and relevant forest land allocation dossier to apply for a construction permit.

The tourism developers who rent forest environments will also face challenges in mobilizing capital since they do not have the LURC to use as a collateral in order to access a bank loan.

The term of the forest environment lease contract is up to 30 years, which also discourages investors as it is much shorter than the term of conventional tourism projects.

On the other hand, for forest environment leasing, Decree 156/2018/ND-CP provides general regulations for construction works that should not disrupt the landscape or cause forest loss and buildings should be in harmony with nature etc. The Decree only allows construction in bare land, grasslands, areas with shrubs where there is no self-recovery process; and at the same time, the operator shall be responsible for forest conservation, protection and development in the area of tourism and recreation activities. Construction works in the forests are only allowed in areas which have been planned for tourism in the administrative and service zone and buildings must not be higher than 12 meters.

Some proposals on revision of Decree 156¹⁷ even tighten the regulations on construction projects under the forest canopy such as restricting the construction area, use of environmentally friendly materials, easy to assemble and disassemble, etc. The purpose of these regulations is to encourage medium-sized projects in order to minimize the impact on the forest environment. This, however, requires PAs and tourism operators to change their approach, focusing on the high-end tourist market segment with higher level of willingness to pay, to ensure the profitability of investment projects, instead of trying to get a large number of visitors.



Ảnh: Gregoire Dubois

Source: Adapted from Thu Phuong (2023), [Leasing forests for tourism: Barriers remain despite of open doors | TheLEADER](#)

¹⁷ Decree 156 has been partially adjusted with Decree No. 24/2024/ND-CP dated 6 March 2024 amending and supplementing a number of articles of the Government's Decree No. 156/2018/ND-CP dated 16 November 2018 detailing the implementation of a number of articles of the Law on Forestry, focusing on regulations related to the temporary use of forests, while some barriers in leasing forest environments for tourism still remain.

The ecotourism development strategy in PAs still mainly focuses on common and mass services, targeting a large number of tourists, which poses high risks of forest degradation, while lacking initiatives to diversify revenues from ecosystem services other than tourism. According to the Institute for Tourism Development Research (2020), popular tourism activities in NPs and PAs include: (1) Outing trip; visiting NPs, PAs and caves; visiting surrounding countryside, and visiting ethnic villages; (2) Camping combined with weekend breaks; (3) Research activities; (4) Leisure travel; (5) Adventure tourism such as hiking, trekking and climbing mountains; (6) Volunteer tourism associated with biodiversity conservation; and (7) Other ecotourism activities such as boating and fishing. Domestic tourism is dominant in these areas, with a larger market share. The majority of ecotourism visitors are young people, aged from 18 to 50 and the percentage of students is quite high. Ecotourism visitors are usually highly educated, adventurous, and belong to the middle income class. Many businesses are interested in leasing forest environments to develop high-end ecotourism, but still need to invest in a certain number of accommodation units to ensure profitability. However, PAs are forest areas with a high level of biodiversity vulnerability. Therefore, increasing the number of tourist arrivals will increase the risk of biodiversity degradation, especially when there are no adequate studies and assessments on the carrying capacity of the forest environment.

The experience of many countries is that the entrance fees should be priced at a level high enough that can cover all costs. Many PAs have different initiatives to diversify revenues from non-traditional sources (other than tourism) and target high value customers. GIZ and VNFOREST (2021) provide lessons and experience on special use permits for special events (engagement and wedding ceremonies, etc.) (the US), transfer of land use right to organize major events for companies or top-notch concerts (the Caribbean), filming fees, travel franchises, provision of trails and facilities to support hiking routes (New Zealand), Captive Animal Sponsorship Scheme (India) or adventure combined with scientific research, etc.

The ecotourism development strategy in PAs still mainly focuses on common and mass services, targeting a large number of tourists, which poses high risks of forest degradation, while lacking initiatives to diversify revenues from ecosystem services other than tourism.

Figure 10. Common tourism activities in national parks and nature reserves in Viet Nam





Conclusion:

Ecotourism development should aim to generate innovative sources of revenue in a “wise” way to create more financial resources for PAs to invest in nature and biodiversity conservation while managing the pressure on ecosystems to prevent biodiversity degradation. This potential financial solution, however, requires a systematic revision of legal documents from strategies to specific guidelines, and on the other hand, empowerment of PA management boards, especially by promoting their autonomy to diversify their revenues for biodiversity restoration and conservation.

4.2.2 Expanding the scope of payments for ecosystem services (PES)

Definitions of Payments for Ecosystem Services (PES)

Payments for ecosystem services or environmental services is one of the most prominent financial initiatives for biodiversity conservation. This concept emphasizes the economic value of the benefits from nature earlier described for humans. PES are a voluntary transaction, by which a well-defined environmental service is “bought” by at least one buyer (i.e. the service user), if and only if the provider guarantees the provision of the service. PES is based on a clear and simple logic: the people who benefit from ecosystem services should pay or compensate those who are providing and protecting these services.

PES schemes are widely implemented for inland forest ecosystems, but quite limited for marine protected areas and wetlands. Although Viet Nam has implemented some initiatives which are more or less similar to PES for marine and wetland ecosystems, so far there has been no comprehensive payment schemes for these ecosystem services. Some practical examples of PES application for marine and wetland ecosystems include: collecting entrance fees to marine and wetland PAs, co-management of aquatic resources, or developing environmentally friendly aquaculture in some coastal areas with support from international and local organizations and localities.

Feasibility of Payments for Marine and Wetland Ecosystem Services (PMES and PWES)

Viet Nam has a relatively complete legal and institutional framework for the implementation of PES. Article 138 of the Law on Environmental Protection (2020) affirms that “organizations and individuals using one or more ecosystem services must pay for the ecosystem services they use” (Clause 3-a). These ecosystem services includes: (a) Forest environmental services in accordance with forestry law and regulations; (b) Wetland ecosystem services for tourism and recreation; (c) Marine ecosystem services for tourism and recreation, and aquaculture;

(d) Ecosystem services of limestone mountains, caves and geoparks for tourism and recreation; (e) Ecosystem services for carbon capture and sequestration, ...” (Clause 2). Payments for marine and wetland ecosystem services are among the payments for ecosystem services in accordance with the provisions of this Law. Chapter 10 of Decree No. 08/2022/ND-CP of the Government dated 10 January 2022 on the implementation of the Law on Environmental Protection (2020) stipulates: (i) ecosystem services to be included in PES schemes; (ii) Organizations and individuals that provide and use ecosystem services; (iii) Forms and rates of payments; (iv) Rights and obligations of organizations and individuals providing and using ecosystem services; and (v) Usage and management of PES revenues. Article 124 also clearly states that in order to operationalize PES, a PES scheme shall be developed at provincial and site levels.

However, the implementation of PMES and PWES in the coming time will face some challenges as follows:

- *Although PES is mentioned in many other legal documents such as the Law on Biodiversity, the Law on Fisheries and the Law on Tourism, these are only some general principles and no specific guidelines for implementation provided in the sub-law documents.* For example, Article 74 of the Law on Biodiversity mentions environmental services related to biodiversity, however its sub-law documents do not provide further guidance. The Law on Fisheries (2017) focuses on the sustainable exploitation of marine resources linked with biodiversity conservation and implementation of international commitments on fisheries, community engagement in marine resources management and protection, development of marine and aquatic resources PAs. However, PMES is not mentioned in the Law on Fisheries. Only some elements of PMES (services, service providers, etc.) are mentioned in Decree No. 26/2019/ND-CP dated 08/03/2019 guiding the implementation of the Law on Fisheries through the regulation on the management of MPAs. Accordingly,



The "Water of Life" Programme (Protection of Water - For a green Viet Nam) by Suntory Pepsico. Photo: Department of Forestry.

the PA Management Boards have the right to:

- (a) Carry out surveys, scientific research and international cooperation on marine conservation within their mandates;
- (b) Cooperate in training, communication and education on environmental protection, biodiversity conservation, and aquatic resources protection in MPAs;
- (c) Collect charges and fees as prescribed for activities in MPAs, etc.

The Law on Tourism (2017) was promulgated to promote tourism, including ecotourism. PES is indirectly mentioned in Clause 4, Article 12 on obligations of tourists: *"Pay for tourism service and other fees and charges as prescribed by law"* and Clause 1, Article 25: *"Tourism operators have the right to collect fees in accordance with law and regulations, while shall be responsible for ensuring tourists safety, security and social order and safety, and environmental protection in the tourism area"*.

- There are no regulations on various marine and wetland ecosystem services such as food supply, aquatic resources; disaster risk prevention and mitigation; air purification, water purification; marine navigation; biodiversity conservation, etc.
- Within the MPAs and WPAs, ecotourism and aquaculture are quite limited, mainly in small scale, generating small revenues, while beyond the boundaries of these MPAs and WPAs, there are more activities. However, it is difficult to quantify the contribution of the ecosystem services to the revenues of these operators. In some NPs with wetland areas such as Xuan Thuy, Can Gio, and Dat Mui National Parks, some

aquaculture activities are often associated with mangrove forests. According to regulations, these aquaculture operators are users of forest environmental services, and therefore, have to pay for the forest environmental services. In some places with ecotourism activities such as Nha Trang Bay, Con Dao National Park, Cu Lao Cham, etc., the Management Boards of these areas are the main tourism operators and do not have to pay.

- The number of MPAs and WPAs (providers of marine and wetland ecosystem services) is relatively small (11 MPAs along 3,260 km of coastline and 48 WPAs out of 301 important wetland areas)¹⁸ and capacity and mandate of their Management Boards for developing and implementing PES schemes are limited.
- Ecotourism and aquaculture operators in MPAs and WPAs are often small, unregistered and unreported, with unstable revenues, etc., making it difficult to estimate rates of payments.
- Currently, there are no regulations on handling organizations and individuals who fail to pay, or fail to make payments in a timely manner for the ecosystem services provided.

¹⁸ In fact, except 2 WPAs established under the Law on Biodiversity, one in Thua Thien - Hue and one in Thai Binh in the period 2015-2020, the remaining majority of WPAs are within special-use forests or marine areas.



Conclusion:

The implementation of the PMES and PWES is facing a lot of difficulties due to unclear ownership and jurisdiction over these resources and ecosystem services. In addition, there is a lack of research on quantification, valuation, and identification of factors affecting the provision of these ecosystem services. In addition, due to the dynamic nature of the marine and wetland environments, resources can quickly move through various management systems with different owners, making it difficult to identify the service providers. Therefore, in order to implement these PES schemes, the following conditions need to be ensured¹⁹:

- (1) A specific Decree on PMES should be in place;
- (2) Methodologies for evaluating ecosystem services to define transparent and fair rates of payments should be developed;
- (3) The service providers and their rights and obligations in a PES scheme should be identified, including: (i) which service to be provided/bought, (ii) who the payers are, (iii) who receives the payment, (iv) how much the payment rates are, (v) what the payment forms are, and (vi) how payments should be used;
- (4) A solid databases on marine areas and wetland should be developed for the implementation of PMES and PWES, and M&E and information sharing/disclosure to promote cooperation between all parties in the implementation process;
- (5) communication and awareness raising for long-term and sustainable participation of operators who are beneficiaries of these ecosystem services should be implemented.

Due to the institutional and technical complexity of marine and wetland ecosystems compared to forest ecosystems, these conditions will take time and possibly require technical assistance from international communities. During the implementation timeframe of NBSAP 2030, it is only possible to develop and strengthen the institutional framework for PMES and PWES, which means the first financial flows from these schemes can be expected only after 2030.

4.2.3 Promotion of public-private partnerships (PPP) for nature and biodiversity conservation

The definitions of Public-private partnerships (PPP):

From an international perspective, the term “public–private partnership” describes a range of possible relationships among public and private entities in the context of infrastructure and other services.”²⁰ In this context, PPP is understood in a broader sense than investment in the form of public-private partnership (PPP) specified in Clause 10, Article 3, Law No. 60/2020/QH14 on public-private partnership investment (hereinafter referred to as the PPP Law): “PPP investment is an investment made on the basis of fixed-term cooperation between the State and private investors through the signing and implementation of PPP contracts in order to attract private investors to participate in PPP projects”. Thus, in a broad sense, any cooperation between competent state agencies at all levels and non-state partners (including private enterprises or non-governmental organizations, community organizations, etc.) to provide public services under the functions and mandates of the state is considered

Due to the institutional and technical complexity of marine and wetland ecosystems compared to forest ecosystems, these conditions will take time and possibly require technical assistance from international communities. During the implementation timeframe of NBSAP 2030, it is only possible to develop and strengthen the institutional framework for PMES and PWES, which means the first financial flows from these schemes can be expected only after 2030.

PPP. In the field of biodiversity, currently, forms of non-state player participation include: (i) PPP investment specified in the PPP Law; (ii) private investment in projects related to biodiversity conservation; (iii) private investment in the ecotourism in PAs; and (iv) co-management in aquatic resources protection (formerly known as fisheries co-management).

PPP investment according to the PPP Law of Viet Nam. Following Article 4 of the PPP Law, there are five fields that can be invested under the

¹⁹ Nguyen Van San and Tran Thi Thu Ha (2023), “Baseline research for the PES scheme development and implementation in Viet Nam”, UNDP Consultant Report.

²⁰ ADB (2008), Public-Private Partnerships, p. 1.

PPP method: (a) Transportation; (b) Power grids, power plants, except hydropower plants and cases of state monopoly as prescribed by the Electricity Law; (c) Irrigation; clean water supply; drainage and wastewater treatment; and waste treatment; (d) Healthcare; education and training; and (dd) Information technology infrastructure. Thus, direct investment in the field of environmental protection or biodiversity conservation or indirect investment through ecotourism are not included in the list of sectors for PPP investment.

Private investment in biodiversity conservation. In a broader sense, the private sector, especially large corporations and multinational companies (such as Shell, TotalEnergy, Accor, HSBC, Nestle, Unilever, etc.) are increasingly involved in activities related to environmental protection and nature and biodiversity conservation. For example, social engagement in forest plantation and private sector funding for many biodiversity conservation projects over the past 10 years are contributing significantly to the NBSAP 2030 targets. In the global context of strengthening corporate social responsibility and the increasingly important role of impactful businesses, funding from the private sector is a prominent source of finance to achieve the goals of NBSAP 2030.

This also pushes the banking sector to develop green finance and green credit for private enterprises to implement biodiversity conservation projects. Following the Green Loan Principles (GLP) in 2018 by the Loan Market Association (LMA) and the Asia - Pacific Loan Market Association (APLMA), green loan is defined as any type of loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible Green Projects. In Viet Nam, Article 149 of the Law on Environmental Protection (2020), stipulates on green credit as follows: Green credit is the credit granted to the following investment projects: (i) Efficient use of natural resources; (ii) Adaptation to climate change; (iii) Waste management; (iv) Pollution remediation and environmental quality improvement; (v) Natural ecosystem restoration; (vi) Nature and biodiversity conservation; and (vii) Creation of other environmental benefits. Thus, in principle, nature and biodiversity conservation is one of the priority areas for green credit.

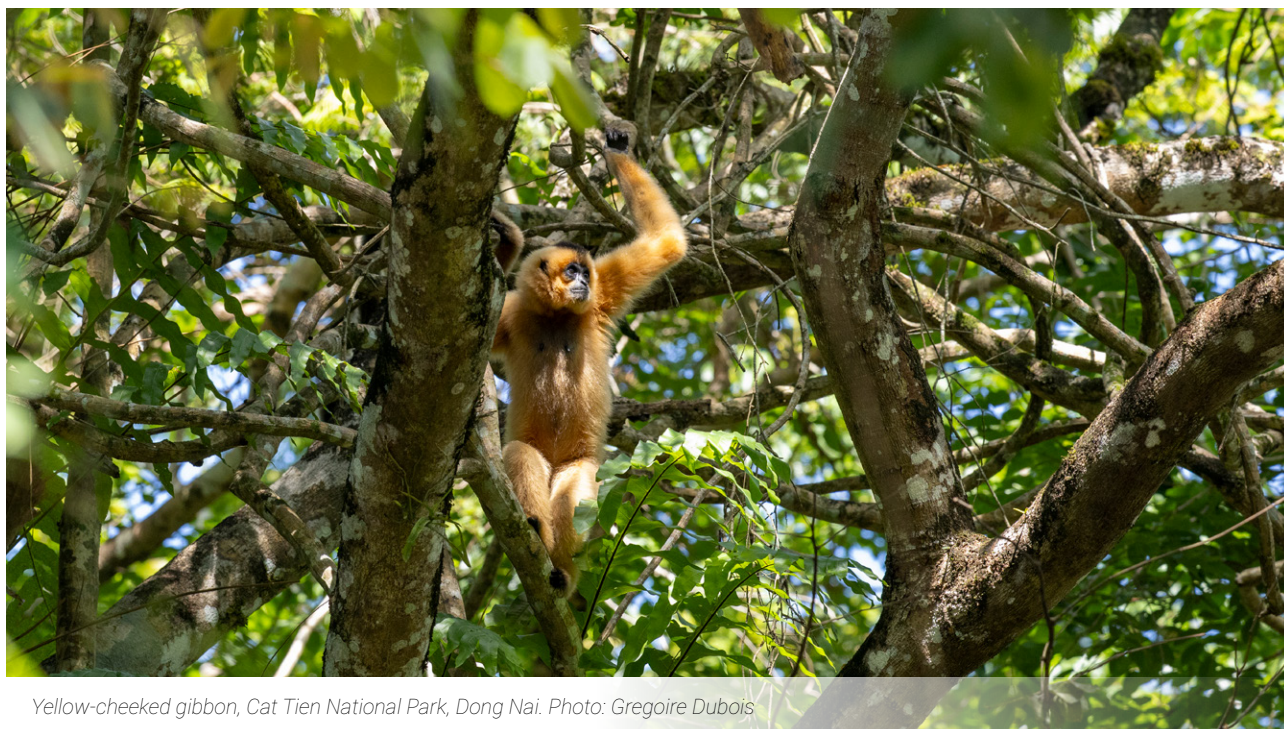
To promote green growth, the Governor of the State Bank of Viet Nam (SBV) issued Directive No. 03/CT-NHNN dated 24/3/2015 on green credit and environmental and social risks management in credit granting; Decision No. 1604/QĐ-NHNN dated 07/8/2018 on approving the Scheme for Green Banking Development in Viet Nam. In the absence of a Green Taxonomy, the State Bank of Viet Nam

(SBV) issued Official Dispatch No. 9050/NHNN-TĐ dated 3 November 2017, requiring commercial banks and foreign bank branches to report on their credit provision to green sectors and to assess environmental and social risks in credit activities. The Official Dispatch also provided guidance on the classification of green sectors, in which biodiversity is categorized under Green Sector No. 7: “protection of the natural environment, ecological restoration, and disaster prevention and control.” This Official Dispatch was later upgraded into Circular No. 17/2022/TT-NHNN dated 23 December 2022, providing guidance on environmental risk management in credit-granting activities by credit institutions and foreign bank branches, effective from 1 June 2023. The State Bank of Viet Nam has also actively coordinated with the Ministry of Natural Resources and Environment, the agency assigned to lead the development and submission of the National Green Taxonomy to the Prime Minister for approval. This aims to create a clear and enabling legal framework and mechanism for implementing economic instruments that support national green growth, including green financing activities by credit institutions.²¹

According to a report prepared by SBV, by the end of 2022, credit institutions had financed green projects in many industries, including: textiles and garments, clean agriculture, renewable energy and environmental sanitation. By the end of 2022, the outstanding credit for green projects (12 green projects developed and issued by the SBV since 2015) would reach nearly VND 500,000 billion (accounting for about 4.2% of the total outstanding credit to the economy), focusing on sectors such as renewable energy, clean energy (accounting for the highest percentage of 47%), followed by green agriculture (accounting for over 30%). Credit institutions actively carry out environmental and social risk assessments in credit extension with more than 2.2 quadrillion VND of more than 1.1 million outstanding loans²².

21 The draft National Green Taxonomy, attached to the Prime Minister's Decision promulgating regulations on environmental criteria and certification for projects eligible for green credit and green bond issuance, identifies the following sectors: (A) Energy; (B) Transport; (C) Water Resources; (D) Construction; (E) Agriculture, Forestry, Fisheries, and Biodiversity Conservation; (F) Manufacturing and Processing Industry; (G) Waste; and (H) Information, Communications, and Services. The field of nature and biodiversity conservation is further specified to include the following sub-areas: (i) forest conservation; (ii) conservation of indigenous agricultural genetic resources; (iii) protection, maintenance, and development of natural ecosystems, and restoration of degraded ecosystems; (iv) ecotourism; and (v) conservation of genetic resources and rare and endangered animal and plant species in Viet Nam.

22 Nguyen Thi Anh Ngoc (2023) Green Credit in Viet Nam: The Current Situation and Some Recommendations (tapchinhang.gov.vn), Banking Magazine.



Yellow-cheeked gibbon, Cat Tien National Park, Dong Nai. Photo: Gregoire Dubois

A survey of 5 leading banks in green credit showed that the banks have different strategies of green credit extension. The Bank for Foreign Trade of Vietnam (Vietcombank) tried to secure existing green loans particularly focusing on renewable energy sector, while the Vietnam Joint Stock Commercial Bank For Industry and Trade (VietinBank) tried to capitalize on the changing landscape and tap into new pools of environmental-friendly investors. The Joint Stock Commercial Bank For Investment And Development Of Vietnam (BIDV) has a strategy to become a leading bank in credit guarantee for environmental projects. Vietnam Export Import Commercial Joint Stock Bank (Eximbank) is quite cautious in approaching the ESG finance product due to the bank's some internal issues that have emerged recently. The results of our interviews also revealed that green bonds are among the most prominent instruments in the sustainable finance portfolio for all of the banks. All interviewees agreed that green bond market is an opportunity that Vietnam could tap into to mobilize private resources for green infrastructure projects and to attract potential global investors to the domestic market²³.

However, even though many green finance instruments have been developed to support financial access of businesses, these commercial banks mainly focus on projects in energy,

In general, the green credit market is becoming more and more vibrant since both businesses and credit institutions are highly aware of the “green” requirements for investment projects. This is a major opportunity to mobilize green credit for nature and biodiversity conservation projects.

transportation, and construction associated with green criteria, mitigation of adverse environmental impacts, and environmental protection, etc. without paying much attention to nature and biodiversity conservation. Most of these banks do not have projects that are directly related to biodiversity (see Annex 5). The reason given by the banks was that they were still mobilizing through traditional commercial channels, while green projects often required higher preferential conditions and higher management costs. However, they all agreed that this was an inevitable trend, and would reduce their profit margins for increasing their green project portfolios, focusing on projects with better financial return.

The assessment of this financial source for nature and biodiversity conservation can be summarized as follows:

²³ Le Ha Thanh (2022), Updating Information on Green Finance in line with Private Sector's Transparency and Climate Action, Consultant report for Pro Consulting.



Firstly, under the pressure from international regulations, Vietnamese banks and businesses are currently very well aware of the green standards. Even without the encouragement of the State, the businesses and credit institutions have shifted towards this direction. For businesses, if they do not meet green standards, they cannot access highly demanding markets. For credit institutions, not meeting investor demands will negatively impact their ability to borrow, potentially leading to financial instability, affecting banks' lending practices, and ultimately impacting their customers. Therefore, by participating in green projects, including conservation projects, businesses and banks can show their compliance with ESG standards on sustainable business, creating a positive social impact. Green financing, therefore, is one of the vital financial resources that needs to be further explored.

Secondly, the legal framework for green credit remains incomplete. More detailed guidance is still needed to support credit institutions in the selection, appraisal, evaluation, and monitoring of green credit activities. In particular, sector-specific criteria and tools, including environmental assessment frameworks and methodologies for measuring environmental impacts, are essential for the development of effective policies and green financial products. For example, BIDV has incorporated biodiversity conservation into its screening criteria and does not provide loans to projects deemed to pose significant risks to biodiversity. However, the bank lacks in-house technical expertise on biodiversity issues and therefore relies largely on confirmations from local authorities regarding environmental impacts. In many cases, assessment reports do not adequately address biodiversity-related risks. This remains a major constraint for credit institutions seeking to expand their lending portfolios to include nature- and biodiversity-related investments..

Thirdly, policies to support green credit development have yet to link green capital with green lending. The investment in green sectors needs medium and long-term capital with a long payback period, while most of the capital mobilized by credit institutions is short-term. Currently, the financial resources for green credit heavily depend on programs and projects with international funding such as the Green Credit Trust Fund (GCTF) of the Swiss Government, the International Finance Corporation (IFC), the Asian Development Bank (ADB), etc. However, these are external resources and can only act as a leverage in the early stages. In the long run, banks must coordinate with businesses to access green finance from green bond markets.

In general, the green credit market is becoming more and more vibrant since both businesses and credit institutions are highly aware of the "green" requirements for investment projects. This is a major opportunity to mobilize green credit for nature and biodiversity conservation projects. However, due to the specific nature of biodiversity conservation projects, which often take a long time, are associated with high risks and low rate of returns, and difficult to measure conservation impacts, there should be specific incentive policies and detailed guidance which would help increase confidence of credit institutions when participating in biodiversity conservation.

Private investment in ecotourism in PAs. Many operators have become more interested in renting forest environmental services for ecotourism. However, due to the sensitive nature and high risk of conflict between tourism development and biodiversity conservation, the government, with its current legal framework, has opened up opportunities for this investment, though is still very cautious (as mentioned above). It is rather a paradox of the fact that without attracting private investment into PAs, PAs will not have more resources to protect and develop natural resources. This would be a waste and

the important opportunity to promote the values of ecosystems for socio-economic development could be missed. For local communities, without benefits from biodiversity conservation, it is difficult to engage them in conservation efforts. On the other hand, if tourism development is out of control, there is a risk that some tourism operators might "disguise" their services as ecotourism and overexploit ecosystem services (forests, marine, biodiversity, etc.), leading to depletion and loss of biodiversity. To solve this problem, it is necessary to have a careful assessment of biodiversity values, the carrying capacity of the environments, and the potential impacts of ecotourism operations on biodiversity before deciding on the best option. In the meantime, it is necessary to strengthen biodiversity monitoring during the implementation of investment projects with the participation of the PA management boards, local communities and NGOs.

Co-management in aquatic resources protection.

Clause 4, Article 3 of the Fisheries Law No. 18/2021/QH14 defines "*Co-management is a management method in which the State shares authorities and responsibilities with community organizations participating in management of aquatic resources*". Co-management is an effective method of combining

exploitation and protection of aquatic resources for several reasons. Firstly, with a sea area of over 1 million km² and an inland water area of 2 million ha, and with limited resources the state management agencies cannot effectively conduct patrolling and control fishing and aquaculture activities at sea. Meanwhile, coastal waters, rivers, streams, and reservoirs have a strong link with fishing villages and communities who have been using fishing and aquaculture as their livelihoods for generations. Local communities have a strong understanding of natural resources and aquaculture in these water bodies. Secondly, aquatic resources are also a vital source of livelihood for fishermen. Therefore, they are aware of the meaning, benefits, and necessity of aquatic resources protection, and willing to be part of this effort. With an abundant labor force and a large number of vessels, they are strong and ready to join state agencies to manage and protect aquatic resources. Thirdly, to participate in protection and development of aquatic resources, the local communities need to be organized in a community-based organization. The state agency shares with the communities the right to ensure aquatic resources protection and development and the right to benefit from fishing and aquaculture to link their interests and livelihoods with the results of aquatic resources protection and development. On the other hand, the government still retains their ownership and jurisdiction to manage fishing and aquaculture activities and support the communities by developing laws, plans, strategies, mechanisms and policies; coordinating and supporting scientific & technological and technical services. The government also is in charge of inspecting, supervising, and handling violations. Although this form of co-management does not directly increase revenue for biodiversity conservation, it increases the efficiency of spending from the state budget by combining state budget resources and community resources to achieve better results in aquatic resources protection.

In Viet Nam, as early as 1995, through DANIDA's ODA projects, fisheries co-management models have been implemented in different ecological regions. After 30 years of implementation, more than 230 fisheries co-management models have been established and implemented on all three types of waters (saline, brackish, and fresh water) in most provinces and cities. Based on these results, in 2017, co-management was officially stipulated in Article 10 of the Law on Fisheries, as co-management in fishery resource protection. However, the implementation of co-management in fishery resources protection still faces many difficulties and challenges. It seems that the situation has not changed much over the past 30 years: community organizations and project models are only effective in the early stages, with

ODA financial support. After the projects ended and funding was phased out, some models struggled to remain at their minimum operations while most of them had to stop. Exploring the causes of this problem, a consultancy report on priority activities for co-management in fishery resources protection in Viet Nam under the BIOFIN project²⁴, mentions four constraints as follows:

- *The knowledge and understanding of the co-management approach in fishery resources protection of the state management agencies is still insufficient.* The key principle of co-management is the coordination between governments (from district-level), state agencies, and community organizations in management and protection of fishery resources. However, Decision No. 2781/QĐ-BNN-KN dated 11 July 2023 the Ministry of Agriculture and Rural Development only guides the operation of community organizations, and does not mention tasks and actions that need to be implemented by relevant state agencies and organizations. As a result, in many localities, the transfer of rights for aquatic resource protection to community organizations is considered sufficient by local authorities to fulfill their management responsibilities. Consequently, no coordinated action plans are developed with community organizations, and efforts to further strengthen the legal framework, mechanisms, and policies for co-management of aquatic resource protection are not continued.
- *Inconsistencies and gaps in policies still remain.* Delegating the tasks of managing and protecting fishery resources to community organizations has not been synchronized with the regulations on fisheries exploitation and handling violations in the waters where the community organizations are overseeing. Specifically, Article 7 of the Law on Fisheries describes prohibited fishing activities. However, it does not mention fishery exploitation activities in waters under the management of the community organization for protection of fishery resources. Similarly, Decree 42/2019/ND-CP dated 16 May 2019 stipulates administrative sanctions in the fisheries sector. However, fishing vessels from outside or fishing vessels of individuals who are not members of the community organizations continue to fish in the assigned waters, causing frustration and conflict among fishing communities. Due to the lack of adequate legal basis, community organizations are unable to protect their fishery

²⁴ Ngo Anh Tuan (2024), Report on priority activities for the synchronous and effective implementation of co-management in aquatic resources protection in Viet Nam, UNDP consultancy report, BIOFIN

resource which their local communities have collaborated to protect.

- *In addition, effective coordination among relevant stakeholders remains limited due to the absence of clear regulations and coordination mechanisms.* For example, when community organizations detect violations, they do not have the authority to take enforcement action and can only report the incidents to fisheries surveillance authorities. By the time the authorities arrive, the violating vessels have often already fled.
- *There remains a lack of information, resources, and supportive policy mechanisms for agencies, organizations, and individuals participating in the co-management of aquatic resource protection.* Effective protection of aquatic resources requires activities such as resource surveys and assessments; estimation of stock levels; identification of suitable species and quantities for restocking; determination of allowable catch volumes; monitoring and early warning of environmental conditions affecting aquatic species; and assessment of the scale, size, and types of artificial reefs and other habitat enhancement measures. These tasks require coordinated and systematic collaboration among government agencies, public service units, and other relevant stakeholders, and cannot be undertaken by community organizations alone.

According to the provisions of the State Budget Law and the Fisheries Law, fisheries management agencies shall develop plans and estimates for protection and development of aquatic resources. However, with the idea of delegating co-management responsibilities to community organizations, many local governments do not include the task of co-management and protection of aquatic resources in their fiscal plan. As a result, the budget is not allocated for this activity.

Article 21 of the Law on Fisheries stipulates the



Viet Nam's Fishing boats. Photo: Unsplash/Tan Nguyen

establishment of the Fisheries Resources Protection and Development Fund to mobilize resources from other sources. However, the Fund is yet to be established. Article 22 of the Fisheries Law also allows community organizations to establish their Community Funds "*which are social funds established to support the aquatic resources protection and development*", and this fund can receive financial resources from the Aquatic Resources Protection and Development Fund and other legitimate financial sources. According to reports from local governments, about 78% of co-management models in aquatic protection across the country have established their Community Funds. Although the names of these Community Funds in each project vary widely, their principles, purposes and activities are similar. Community organizations set up the Funds to maintain their operations, pay for activities to protect aquatic resources, support the development of family livelihoods, and support members in case of illness or accidents. The revenues of the Community Funds are mainly from the contribution fees of members. Most fishing households remain poor and have low incomes, resulting in very modest contribution levels, with many community funds collecting only VND 50,000 per household per year. Consequently, the total annual revenue of each community fund is limited and sufficient only to cover meeting and operational expenses. In addition, as the Aquatic Resources Protection and Development Fund has not yet been established, community funds have not been able to access the significant financial support that was expected to be allocated through this mechanism. As a result, community funds lack adequate resources to finance activities related to the protection and development of aquatic resources.

Finally, there are currently no specific policies, incentive schemes, or technical and economic norms to support activities such as joint patrols for aquatic resource protection, enforcement against legal violations, diving inspections of coral reefs and artificial reefs, and monitoring of aquatic habitats. In particular, insurance coverage for personnel undertaking these high-risk activities remains lacking.

Livelihood development has not become a driving force for co-management in fishery resources protection as livelihood development plans have not been effectively integrated in programs and projects which are implemented in the same area (such as the New Rural Development Program, OCOP, rural and agricultural economic restructuring, occupational transformation, labor export, community-based tourism development, etc.). Particularly, the issue of job creation for surplus fishing labor in the process of restructuring the fishery and aquaculture sector

to reduce the pressure on fisheries and support the protection of aquatic resources effectively, is not efficiently addressed. Finally, although the Government has introduced various credit mechanisms and financial support policies for the agriculture, forestry, and fisheries sectors, these policies have yet to effectively reach fishers participating in the co-management of aquatic resource protection.

Overall, the co-management model for aquatic resource protection has proven to be highly effective in protecting and restoring aquatic resources, thereby contributing to biodiversity conservation. However, challenges related to coordination mechanisms among relevant stakeholders, enforcement and sanctioning frameworks, policy incentives for fishers participating in co-management, and the provision of financial and technical support from the State remain major barriers to scaling up this model. These challenges are not overly complex and could be addressed through timely policy and institutional improvements. If effectively resolved, co-management of aquatic resource protection could become a highly promising financing approach for mobilizing non-state actors to engage in biodiversity conservation, while also improving the efficiency of state budget expenditures for this purpose.

4.2.4 Increasing ODA financing for nature and biodiversity conservation

As analyzed in Section 4.1.3, ODA is an important additional source to perform tasks related to nature and biodiversity conservation that the State budget is unable to cover. In addition to earlier observations, ODA grants from international funds related to environment and climate such as the Global Environment Facility (GEF), the Green Climate Fund

(GCF), the Green Finance Fund (GFF), etc. provide substantial funding for nature and biodiversity conservation. Among these institutions, the Global Environment Facility (GEF) is the most long-standing multilateral fund dedicated to addressing biodiversity loss, climate change, and pollution, and supporting protection of inland and marine ecosystems. Other funds includes the Global Environment Facility Trust Fund, Global Biodiversity Framework Fund (GBFF), Least Developed Countries Fund (LDCF), Special Climate Change Fund (SCCF), Nagoya Protocol Implementation Fund (NPIF), and Capacity-building Initiative for Transparency Trust Fund (CBIT). Their funding enables developing countries to address complex challenges and work towards international environmental goals. Over the past three decades, the GEF has provided more than \$25 billion and mobilized \$138 billion for country-driven priority projects.

The GEF's funding objectives are adjusted according to each replenishment cycle. Currently, the GEF is in the 8th replenishment cycle (GEF-8 from 2022-2026). The goal of the GEF-8 (2022-2026) biodiversity focal area strategy is globally significant biodiversity conserved, sustainably used, and restored. To achieve this goal, GEF-8 investments will focus on three main objectives: (i) Improve conservation, sustainable use, and restoration of natural ecosystems (ii) Implement the Cartagena and Nagoya protocols effectively; and (iii) Increase mobilization of domestic resources for biodiversity. In Viet Nam, GEF has funded 16 national projects with a total funding of nearly 66 million USD and 23 on-going regional/global projects. The GEF entrusts project implementation to organizations like the World Bank, ADB, UNDP, WWF, FAO, and UNEP. Viet Nam has been a recipient of GEF funding since very early, mainly from GEF-4 until now. Table 9 indicates GEF funding for biodiversity from GEF-4 to now.

Table 9. GEF funding for biodiversity in Viet Nam from 2006 to now

Cycle	Total funding		Of which, for biodiversity			Disbursement rate on biodiversity in total funding
	Committed (billion dollars)	Disbursed (billion dollars)	Committed (billion dollars)	Disbursed (billion dollars)	Disbursement rate	
GEF-8 (2022-2026)	34.4	26.7	17.7	17.5	99%	51%
GEF-7 (2018-2022)	18	18	13	13	100%	72%
GEF-6 (2014-2018)	26	18.9	13.2	8.8	67%	51%
GEF-5 (2010-2014)	27.5	27.5	12.1	12.1	100%	44%
GEF-4 (2006-2010)	19.5	20.5	10.9	11.9	110%	56%

Source: GEF, Viet Nam | GEF (thegef.org), accessed 30 November 2024

It can be seen that GEF has given high priority to biodiversity conservation projects in Viet Nam, with ODA funding for this sector always accounting for approximately 50% of the Facility's total funding for Viet Nam. Especially in the GEF-7, funding for biodiversity accounted for nearly two thirds of the total ODA capital. In terms of growth rate, capital for biodiversity in GEF-8 increased by 36% compared to GEF-7, which is the highest increase between two consecutive replenishment cycles. With the statement of priorities for biodiversity and international commitments to support Viet Nam in the green transition to achieve Net Zero by 2050, and the very high disbursement rate of funds for ODA projects on biodiversity, it is forecasted that this growth rate will continue in GEF-9 (2026-2030), contributing a significant amount of biodiversity funding in the last four years of NBSAP 2030.

A limitation of this funding, as concerned by development partners, is that the GEF has quite a number of implementing partners in Viet Nam, leading to resources being strongly competed for, making it difficult to take advantage of the scale of funding. This is to ensure this financial source can be used effectively contributing to the goals of NBSAP 2030 and supporting the institutionalization of successful outcomes of these ODA projects into mechanisms and policies on biodiversity restoration and conservation.

One of the key challenges in the effective implementation of multilateral financing mechanisms, such as those provided by the GEF, lies in delays in government project approval. Over the past two to three years, a number of projects have remained pending approval, resulting in delays in disbursement in accordance with donor commitments.²⁵ Consequently, it is recommended that the Government prioritize addressing institutional and procedural bottlenecks in the approval of ODA-funded projects, in order to ensure timely and high-quality project implementation, thereby contributing positively to the mobilization of financial resources for nature conservation and biodiversity protection.

4.2.5 Exploring other new potential sources of revenues

The following section covers a number of newly emerging financial sources that are not covered in the BFP.

Revenue from access to genetic resources and benefit sharing (ABS). The International Convention on Biological Diversity has set out the

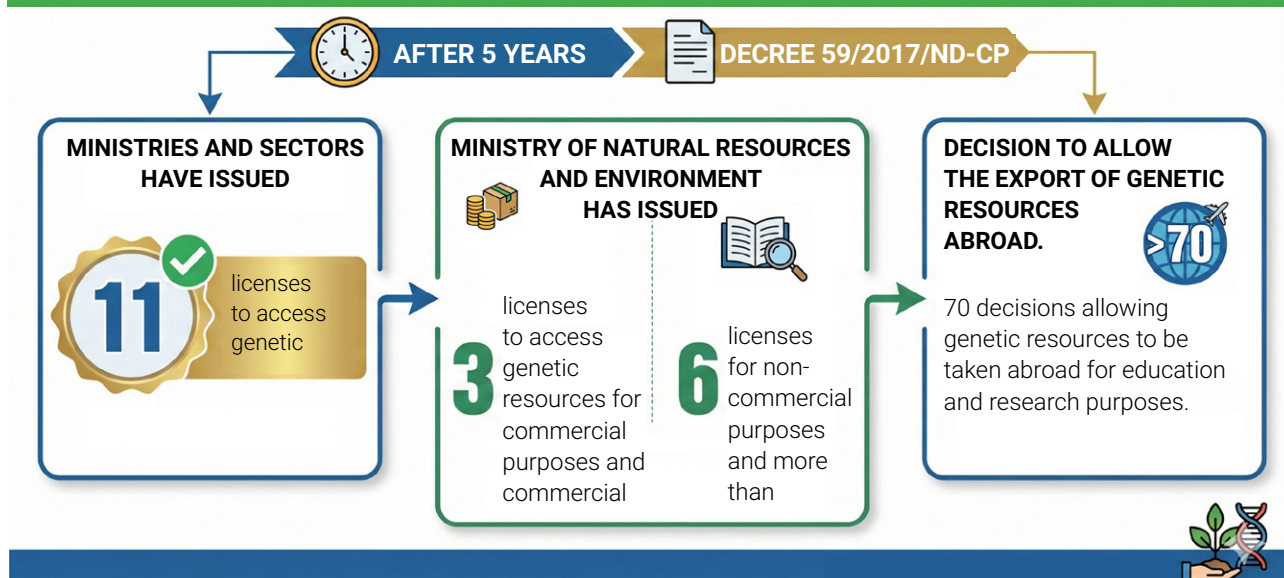
principle of facilitating access to genetic resources and the obligation to share benefits arising from their utilization. To concretize this objective of the Convention, the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization under the framework of the Convention on Biological Diversity was established to promote the sharing of the benefits arising from the utilization of genetic resources fairly and equitably through appropriate access to genetic resources and transfer of appropriate technology, taking into account all rights to such resources and technology and with appropriate funding, thereby contributing to the conservation of biodiversity and the sustainable use of its components.

In order to implement the provisions of the Nagoya Protocol and the Law on Biodiversity, the Government issued Decree No. 59/2017/ND-CP dated 12 May 2017 on management of the access to genetic resources and sharing of benefits from the use of genetic resources. Accordingly, the providers of genetic resources include four groups: (i) PA Management Boards, and organizations assigned to manage genetic resources in PAs; (ii) Owners of biodiversity conservation facilities, scientific research and technology development facilities, and facilities storing and preserving genetic resources, and managing genetic resources in their facilities; (iii) Organizations, households, and individuals assigned to manage and use land, forests, and water surfaces, managing genetic resources; and (iv) Commune-level People's Committees (CPCs) managing genetic resources in the area. The stakeholders accessing genetic resources are international and domestic organizations and individuals, divided into two groups depending on the usage of genetic resources for commercial or non-commercial purposes. Article 22 of Decree 59 stipulates the mechanism for sharing monetary benefits from the use of genetic resources, that the genetic resource provider can receive minimum 1% of the total revenue created from the products of using the genetic resources (Clause 1). Similarly, in case of transfer of genetic resources, derivatives of genetic resources; use of intellectual property rights for creative results from the use of genetic resources, the rate is not lower than 2% of the total transfer value or total proceeds from the use of intellectual property rights (Clause 2). The provider retains 30% of this funding (if belonging to groups 1, 2 and 4) and 50% (if belonging to group 3). The remainder shall be transferred to the State budget.

After 5 years of implementing Decree 59/2017/ND-CP, ministries and sectors have issued 11 licenses to access genetic resources, of which, the Ministry

²⁵ Based on consultations with UNDP technical staff during the course of the study.

Figure 11. Access and benefit-sharing management under Decree No. 59/2017/ND-CP



of Natural Resources and Environment has issued 3 licenses to access genetic resources for commercial purposes and commercial product development, 6 licenses for non-commercial purposes and more than 70 decisions allowing genetic resources to be taken abroad for education and research purposes. The Ministry of Agriculture and Rural Development has issued 2 licenses for commercial purposes and development of commercial products. Some companies have also had policies in place to share the benefits of using traditional genetic knowledge with local residents, who possess this knowledge²⁶.

However, so far, the implementation of Decree 59/2017/ND-CP still faces some technical problems, making the current revenue from ABS insignificant and will probably still be so in the period to 2030.

Firstly, it is very difficult to determine the revenue of products generated from the provided genetic resources which is the basis to decide the rate of benefit sharing between the parties, especially in case of foreign enterprises using genetic resources. With products created from many different raw materials and genetic sources, it is even more difficult to decide how benefits should be shared.

Secondly, at present, the responsibility for state management of access to genetic resources and benefits sharing is only regulated for People's

Committees at provincial and commune level. Particularly, the commune-level People's Committee is responsible for supervising the operation and handling violation cases within its jurisdiction.

This provision is difficult to implement in practice because there are currently no regulations defining the relevant violations. Moreover, in cases involving breaches of contract, disputes must be resolved through civil procedures rather than falling under the jurisdiction of commune-level People's Committees. At the same time, there is still a lack of consistency among legal documents regarding the administrative sanctions for violations of the law on management, access to genetic resources and benefit sharing from genetic resources²⁷. In addition, from international experience and practical implementation of Vietnamese law on ABS, it is observed that the number of organizations and individuals registered to have access to genetic resources for commercial purposes is quite modest. Therefore, so far, ABS is still considered as piloting an innovative market-based approach, rather than becoming a significant financial resource for biodiversity conservation.

26 For example, Sapa Napro is a community company whose main product is herbal bathing solution of the Red Dao people. The company's shareholders are households - they are also suppliers of raw materials from their forests and gardens. The company pays annual dividends to its shareholders, contributes to the local development fund, and provides monthly support to 2-3 women who hold knowledge about ethnic medicines and provide advice to the company.

27 For example, Article 44 of Decree 155/2016/ND-CP dated 18/11/2016 stipulating penalties for administrative violations in the field of environmental protection provides fines for violations of regulations on management, access to genetic resources and sharing of benefits from genetic resources. Clause 4-a, Article 16 of Decree 35/2019/ND-CP dated 25/04/2019 on penalties for administrative violations in the field of forestry prescribes fines for organizations that send people for scientific research, education, training, and collection of specimens and genetic resources of organisms without the permission of forest owners. However, these fines are inconsistent, leading to the same situation where a violation on access to genetic resources can be sanctioned according to two different documents on sanctioning.

Aquatic resources protection fees. Viet Nam is one of the countries with diverse and rich fishery resources with the growth rate of the fisheries industry among the highest in the world. However, Viet Nam's fisheries sector is also facing many challenges such as the decline of aquatic resources in inland and marine waters; pollution of the habitat of aquatic species due to the development of some economic sectors (industry, tourism, etc.); degradation of aquatic ecosystems such as coral reefs, seagrass beds, mangroves, etc. There are many reasons for the above situation, one of the main causes being the lack of resources, including both human and financial resources. To address this issue, in addition to prioritizing budget allocations from the state budget, mobilizing financial resources from those who exploit, use, and benefit from aquatic resources through fee collection mechanisms is considered a practical solution.

Legally, the fees for aquatic resources protection are stipulated in the Law on Fees and Charges 2015 as well as the Law on Fisheries 2017. However, due to the lack of specific guidance and regulations, collection of aquatic resources protection fees has not been implemented so far. This hinders management, exploitation and use of fishery resources. The application of the aquatic resources protection fees in practice will help reduce the pressure on state budget spending, promoting the efficiency of management, exploitation, protection and development of fishery resources, and at the same time improving the production efficiency of the fishing industry.

The Ministry of Agriculture and Rural Development is coordinating with the Ministry of Finance to draft a Circular regulating the fee rate, regime of collection and payment, management and use of aquatic resources protection fees. The target fee payers include two groups: (1) Domestic and foreign organizations and individuals with fishing vessels exploiting fishery resources in the inland waters, islands, archipelagos and marine areas of Viet Nam; and (2) Organizations and individuals engaged in services, environmental protection, education and training activities in marine protected areas, areas recognized and assigned management rights to community organizations to perform co-management in aquatic resource protection; and the developers of construction works for ecotourism, aquaculture and infrastructure for socio-economic development in the MPAs. The three groups allowed to collect fees include state agencies authorized by the provincial People's Committee, the PA Management Boards and community organizations who manage aquatic resources in PAs or marine areas assigned to them. The fees collected by state agencies shall be fully transferred to the state

It is estimated that with the fees proposed in the draft Circular, the revenue from aquatic resources protection fees would approximately reach 200 billion VND/year.

budget. In case of a PNBU, it can retain 90% to cover its operations. In the case of a community organization, it can retain 90% to cover the cost of aquatic resources protection and community development activities.

Therefore, if regulations on aquatic resources protection fees are promulgated, this will be an important financial source for PA management boards and community organizations to implement aquatic resource protection and development activities in the assigned area. It is estimated that with the fees proposed in the draft Circular, the revenue from aquatic resources protection fees would approximately reach 200 billion VND/year.

4.3 Solutions to avoid future biodiversity expenditures: Exploring the biodiversity offset mechanism

4.3.1 Definitions of the Biodiversity offset mechanism.

Following the Business and Biodiversity Offsets Programme (BBOP), biodiversity offsets involve measurable conservation outcomes resulting from actions taken to compensate for the residual and unavoidable adverse impacts on biodiversity caused by development projects. These unavoidable impacts still occur even after appropriate prevention and mitigation measures have been implemented.

The goal of biodiversity offsets is to achieve no net loss, or preferably a net gain of biodiversity, considering species composition, habitat structure, ecosystem function, and human use/cultural values associated with biodiversity.

Biodiversity offsets are considered the last resort in the mitigation hierarchy. They are only implemented after all reasonable measures to avoid and minimize biodiversity loss at the development site have been taken – in order to achieve measurable conservation outcomes that can reasonably be expected to result in “no net loss” of biodiversity²⁸ by creating

²⁸ According to the World Bank (2016), the mitigation hierarchy states that development project planners should (1) first seek



Crocodile Lake, Cat Tien National Park, Dong Nai. Photo: Gregoire Dubois.

or protecting habitats elsewhere. Therefore, in the most ideal context, biodiversity offset should not be applied. It means the project developers should not allow their projects to cause any biodiversity loss or degradation and they have to prioritize preventative measures and mitigation actions when designing their projects. Offsets cannot provide a justification for proceeding with projects for which the residual impacts on biodiversity are unacceptable.

The benefits of the biodiversity offset approach include: (i) promoting the stronger development of biodiversity conservation activities; (ii) improving conservation effectiveness, not only by restoring biodiversity to pre-project conditions but also by generating net gains and enhancing biodiversity; (iii) improving the efficiency of conservation financing, as offsets help concentrate resources to support biodiversity conservation and ecosystem services where they are most needed; (iv) creating value for undeveloped areas; (v) assigning value to habitats gained or lost; (vi) optimizing conservation benefits, and (vii) increasing commercial value for companies — today, environmental responsibility not only demonstrates compliance with environmental laws and regulations, but also enhances corporate reputation and brand value, earning greater trust and appreciation from customers. Therefore, the implementation of the biodiversity offset mechanisms can create additional and new investments of the private sector for conservation

to avoid damaging any biodiversity; (2) then seek to minimize any such damage; (3) then consider how to restore sites or species populations damaged by the project; and (4) then - if adverse biodiversity impacts still remain compensated through specific actions (not merely cash) comprising a biodiversity offset.

outcomes, contributing to the biodiversity conservation goals of national strategies and action plans (Patrick Maguire and To Xuan Phuc, 2010²⁹).

Viet Nam's regulations on biodiversity offsets.

Biodiversity conservation is governed by a wide range of legal documents, from the Constitution to key sectoral laws, including the Law on Environmental Protection, the Law on Biodiversity, the Law on Forest Protection and Development, and the Law on Fisheries. Within this legal framework, the 2008 Law on Biodiversity, however, provides no regulatory basis for biodiversity offsets. Rather, the current legal framework mainly provides for mechanisms for compensating environmental damage, including losses to biodiversity loss.

Biodiversity offset first appeared in Vietnam's legal system in Clause 1, Article 35 of the Law on Environmental Protection 2014 which states *"Natural resources and biodiversity must be surveyed and assessed for their current status, regeneration potential, and economic value as a basis for planning; determining exploitation limits, natural resource taxes, environmental protection fees, environmental restoration deposits, biodiversity offsets, compensation for environmental damage, and other measures for the protection of natural resources and the environment."* However, the documents under this Law do not contain any articles or clauses guiding the implementation of biodiversity offsets.

Subsequently, the 2020 Law on Environmental Protection strengthened the regulatory basis for

29 Patrick Maguire and To Xuan Phuc (2010), Prospects for the application of biodiversity offsets in Viet Nam, PanNature/Thienhien.Net

biodiversity offsets. It requires the investment project owners to include: (i) *“a biodiversity offset plan (if any)”* in the *environmental impact assessment report* (Point g, Clause 1, Article 32); and (ii) *“implement biodiversity offsets in accordance with the laws”*, as stipulated in Point d, Clause 3 *“Environmental Protection Requirements”*, and in Article 40 *“Environmental Licenses”*.

Thereafter, the Government’s Decree No. 08/2022/ND-CP dated 10 January 2022 detailed several provisions of the Law on Environmental Protection, further operationalizing requirements related to biodiversity offsets. Specifically: (i) Clause 2, Article 26 *“Consultation in environmental impact assessment”* stipulates that the consultation content must include biodiversity offsets plans for projects that are required to prepare such a plan”; (ii) Point d, Clause 1 and Point d, Clause 3, Article 28 *“Main contents of the proposal for environmental licensing”* requires the inclusion of *“a biodiversity offset plan (if any)”*;

However, Circular No. 02/2022/TT-BTNMT dated 10 January 2022 of the Ministry of Natural Resources and Environment which provides detailed guidance on several articles of the Law on Environmental Protection still does not specify procedures or technical guidance for implementing biodiversity offsets. Despite of a strong political will and commitment of the leaders of the Ministry of Natural Resources and Environment - reflected in NBSAP 2030 which includes tasks of developing, promulgating and implementing regulations, mechanisms and guidelines on biodiversity offsets - the Ministry leadership ultimately decided to remove the guidance on biodiversity offsets from the Circular. One possible reason for this decision appears to be concerns regarding the feasibility of implementing such regulations.

In the forestry sector, this mechanism is implemented

in the form of offset planting. Clause 1, Article 2 of Circular 25/2022/TT-BNNPTNT dated 30/12/2022 defines offset planting in cases when forests are converted to other land uses as follows: *“offset planting refers to afforestation efforts undertaken to establish new forests on unforested land designated for special-use forests, protection forests or production forests, or to reforest areas where afforestation has failed, for which forest liquidation procedures for conversion to other purposes have been completed in compliance with the laws”*. Accordingly, for projects that result in forest loss and damages, the project owners are required to undertake or finance offset planting. In practice, however, the disbursement of offset-planting funds at the local level has been extremely slow. Many forest owners, including Management Boards of NPs and PAs, are reluctant to implement offset planting due to low cost norms and the high risks associated with these activities. Over the years, the forest area loss resulting from development projects - primarily affecting natural forests- has consistently exceeded the area of new forests established under the offset planting mechanism. Moreover, there is a significant disparity between the biodiversity value of natural forests and that of planted forests. Consequently, this approach does not fully meet the fundamental principles of biodiversity offsetting.

At present, biodiversity offsets have not yet been implemented in practice. This mechanism is not yet feasible in Viet Nam due to: (i) the absence of detailed guidance in laws and regulations on biodiversity offsets, including definitions, principles, mechanism, etc.; (ii) technical challenges such as the lack of a biodiversity credits scheme, the absence of methodologies, to assess biodiversity value and the unavailability of technical guidance for implementing biodiversity offsets.

	Conclusion
	At the international level, biodiversity offsets remains an emerging mechanism, largely at the development and pilot stage. As a result, their interpretation and the scope of legal and institutional framework vary considerably across different contexts. Currently, the government of Viet Nam does not have an official and unified definition of “biodiversity offset” nor are there specific legal regulations or implementation guidelines governing this mechanism. This policy gap represents a critical area for international technical support during the period 2026-2030, enabling the Ministry of Natural Resources and Environment to develop a comprehensive legal framework and corresponding technical guidance on biodiversity offsets tailored to the national context. It would enable Vietnam to assess the potential of biodiversity offsets and to establish biodiversity credits and a market mechanism, thereby generating additional financing for biodiversity conservation. Any application of this mechanism should be implemented in the form of pilot projects to gather lessons learned and identify challenges and barriers for future national scale implementation. As a result, full-scale implementation of biodiversity offsets could commence after 2030 following the issuance of a Circular or other guiding document on this subject.



05

RECOMMENDATIONS ON MOBILISING FINANCIAL RESOURCES FOR THE IMPLEMENTATION OF THE NBSAP

5.1 Forecast on mobilization of available and potential financial resources for NBSAP in the period 2025-2030

From the analysis in Chapter 4, the advantages and limitations of each financial source, and the expert team's opinions about the mobilization of these resources in the NBSAP timeframe, are summarised in Table 10.

5.2 Overall approach to mobilizing financial resources

Ecosystem services and biodiversity are declining globally at an unprecedented rate with far-reaching implications for economies and human livelihoods. To address this challenge, the World Bank (2021)³⁰ recommends a paradigm shift in how development partners support the biodiversity agenda. Specifically, it calls for moving beyond a solely-area-based conservation approach toward a broader perspective that recognizes the independence of economies and development outcomes on nature services, thereby addressing the underlying drivers of biodiversity loss. As discussed above, many of the obstacles to mobilizing financial resources stem from the lack of a coherent policy and institutional framework, as well as the absence of essential tools for information management, valuation, measurement, and monitoring needed for effective biodiversity conservation. Therefore, we have the following suggestions:



1) Pursue a holistic, coordinated national approach to financial resource mobilization, underpinned by stronger institutional frameworks, a robust scientific and economic basis for policy development, and practical solutions that advance equitable and inclusive governance.



2) Although the private sector and communities are indispensable partners in nature and biodiversity conservation, they have not been effectively mobilized. Prioritizing the activation of private capital, through strategic engagement and market-based mechanisms, is therefore extremely critical to finance biodiversity conservation.



3) Prioritize resource-mobilization solutions that can be implemented in the near term, while simultaneously preparing the necessary conditions to scale up and unlock innovative financing mechanisms after 2030.

³⁰ World Bank (2021), Unlock Nature-Smart Development: An approach Paper on Biodiversification and Ecosystem Services.

Table 10. Overview of financial sources for NBSAP implementation

No.	Source	Key advantages	Major limitations	Trends for the period 2026-2030			Remarks
				Not yet generate financial resources immediately	Mobilization is possible but no drastic increase	Mobilization is possible and significant increase with some conditions	
		Financial sources from the state budget					
1	Recurrent expenditure	- Stable, allowed to fund many biodiversity conservation activities. - Compensate salaries and contractual benefits for state officials and PA Management Boards that have not been financially autonomous. - main source for developing programs, schemes and policies on biodiversity	- The disbursement mechanism must comply with regulations on state budget management, with little flexibility. - Lack of economic-technical norms and unit prices for the development of biodiversity projects. - No earmarked budget line for conservation, integrated with environmental protection expenditure		X		- Fiscal budget increase according to the practice and guidance of the financial management agency. - Dependence on the balance of budget allocation between ministries and provinces and coordinating with the expenditure needs of other sectors.
2	Development capital expenditure	- Following medium-term PIPs, quite predictable - Allocation in accordance with the Law on Public Investment, with management structure around project life cycles	- Public investment capital is usually prioritized for projects with direct socio-economic impacts. - Mainly used for infrastructure, while the majority of biodiversity conservation activities are covered by recurrent expenditures		X		- Criteria and norms for allocating public investment capital are regulated from the beginning of the budget planning cycle, difficult to adjust. - Local governments often give priority to projects on transport, irrigation, education, and health, chronic financial shortage for biodiversity
3	Non-state budget funds	- Have separate revenue sources and management regulations. - Expenditures following the funds' regulations and requirements	- Expenditures must not overlap with the expenditures from the state budget - Focus on profitable projects to ensure cost recovery.	X			Non-state budget funds will not be used directly for biodiversity conservation to avoid overlap with expenditure from the state budget

No.	Source	Key advantages	Major limitations	Trends for the period 2026-2030			Remarks
				Not yet generate financial resources immediately	Mobilization is possible but no drastic increase	Mobilization is possible and significant increase with some conditions	
4	ODA	- Grants focus on projects that directly target biodiversity conservation. - An important supplement to the state budget for biodiversity conservation activities that can not be covered by the state budget	- The grant sizes for each specific area are usually limited - Project-file-cycle based management, limited sustainability and replication. - ODA loans and concessional loans are increasingly more "costly" since VN became a middle-income country	X		- Grants have been phased out, but ODA funding for environment, climate and biodiversity is still committed, mobilization of these fundings need to be continued. - ODA loans and concessional loans: Both the central and local governments exercise caution regarding payment capacity and therefore, tend to prioritize projects that deliver early and direct benefits rather than those focused on biodiversity conservation)	
5	Revenues of PNBUs (PA Management Boards)	PA Management Boards have additional revenue from PFES.	- Revenues from PFES almost reach their full potential, mainly spent on forest protection - Not all PAs have the conditions to become financially autonomous.	X		- Low payment rates of payments and the near saturation of target groups - four-fifths of potential of PFES payers already fully engaged - limit the scope for further expansion of this scheme. - If the carbon credit market is established as planned by 2028, additional revenue from carbon sequestration services could be utilized in the final years of NBSAP 2030. However, significant revenue generation is unlikely before 2030.	
II Solutions for revenue generation							
1	Revenue from tourism and ecosystem services	- The financial autonomy mechanism allows some PA Management Boards to generate revenue from leasing ecosystem services. - Many tourism operators are interested in renting ecosystem services	- The absence of specific guidelines for leasing ecosystem services due to concerns over potential conflict with conservation objectives - PAs have limited initiatives and autonomy to diversify non-traditional revenue sources			X	With a more open mechanism in place, some PAs could potentially generate significant revenue; however, many others would remain constrained due to limited access.
2	Expand to other PES schemes	There is a legal basis to expand PES schemes, with priority to given to PMES and PWES	- There is currently no comprehensive database to assess the value of marine and wetland ecosystems. - There is absence of guidelines for implementation.	X			Given the complexity and unprecedented nature of both institutional and technical requirements, the current stage should focus primarily on strengthening the legal framework.

No.	Source	Key advantages	Major limitations	Trends for the period 2026-2030			Remarks
				Not yet generate financial resources immediately	Mobilization is possible but no drastic increase	Mobilization is possible and significant increase with some conditions	
3	Private Sector engagement						
3.1	PPP	- A PPP Law exists, along with decrees guiding its implementation. - Relevant sectors are required to develop specialized circulars to provide detailed guidance on implementation	Currently, only 5 sectors are permitted to apply the PPP modality, with environmental protection and biodiversity conservation excluded. Expanding participation of corporations, businesses and communities in afforestation and nature and biodiversity conservation initiatives remains a key opportunity.			X	In Vietnam, PPPs are currently interpreted in a narrow sense, with legal regulations primarily designed for BOT, and not well-suited for biodiversity. Introducing a more comprehensive mechanism to attract and formally recognize private-sector participation could provide a significant financial source for the implementation of NBSAP 2030 .
3.2	Revenues from ecotourism	There is considerable interest among investors who are willing to engage and invest	A cautious regulatory approach			X	A more open mechanism should be established, accompanied by prerequisites for monitoring biodiversity change throughout its operation.
3.3	Green Credit	- The State Bank of Vietnam, credit institutions, and enterprises are actively transitioning toward green credit to align with international standards and requirements. - Currently, the legal framework is being strengthened, in which the National Green Taxonomy has been officially promulgated.	- There is currently no effective linkage between green capital mobilization and green lending, and many banks face the need to reduce profit margins when providing green credit - There is a shortage of expertise to assess the feasibility of green projects - There is an absence of monitoring system for green projects		X		Lending for green projects is expected to expand, but will primarily focus on sectors with financially viable projects—such as renewable energy, afforestation, water supply, transportation, and construction—while projects targeting biodiversity conservation are unlikely to attract significant financing
3.4	Community co-management	- Recognized as an effective approach to the protection of fishery resources - The State is committed to promoting this model to distribute conservation responsibilities more effectively.	- The legal basis framework remains incomplete, particularly regarding to sanctions for violations - Community organizations are not fully empowered to address violations - Insufficient resources are available to sustain community organizations and to provide benefits for participants in co-management models.		X		These are primarily policy-related barriers that could be addressed quickly with sufficient political will. While they do not generate additional revenues, they help to optimize the use of state budget resources for conservation

No.	Source	Key advantages	Major limitations	Trends for the period 2026-2030			Remarks
				Not yet generate financial resources immediately	Mobilization is possible but no drastic increase	Mobilization is possible and significant increase with some conditions	
4	ABS	Regulations are established and actively implemented in practice	Many challenges in collecting and managing revenue sources	X			Current revenues are limited, as they depend on projects utilizing genetic resources for commercial purposes, which are few and small in scale. Potential future revenues may arise as the use of genetic resources generates income and profits.
5	Fishery resources protection fees	- Already included in the list of fees regulated by Law on Fees and Charges - The Ministry of Agriculture and Rural Development is collaborating with the Ministry of Finance to develop a circular	Being newly introduced, unforeseen challenges would emerge in the process of fee collection		X		The initial target group of payers remains small (to minimize impacts on fishermen), resulting in limited revenues, which are distributed among the recipients, including state agencies, PA management boards, and community organizations.
III Solutions to future biodiversity expenditures							
	Biodiversity offsets	- Stipulated in the Law on Environmental Protection. - Many initiatives on biodiversity offsets globally	- There absence of detailed guidance on biodiversity offsets - Technical challenges, including shortage of tools to assess and evaluate biodiversity value.	X			Biodiversity offsetting is a relatively new concept that is still under development, requiring substantial time to establish the legal framework and technical guidance for implementation. Preparatory work could be carried out within the timeframe of NBSAP 2030, and, if conditions allow, pilot projects on biodiversity offsets could also be initiated.

Source: Summary of the expert team

5.3 Targeted funding sources for the implementation of the NBSAP

Drawing on the resource-mobilization projections outlined in Table 10, and considering the feasibility of accessing different financial sources, the expert team proposes the following targeted funding sources to advance implementation of NBSAP 2030:

1/STATE BUDGET RESOURCES:



Allocate and efficiently utilize state budget resources to implement programs, and projects that advance conservation objectives, strengthen the legal framework, provide technical guidance, and develop a management information system to support the deployment of potential new financial instruments.

2/ PRIVATE AND COMMUNITY PARTICIPATION:



Promote the participation of the private sector and the community in the management, use and protection of natural resources, thereby accelerating the contribution of non-state actors to biodiversity conservation.

3/ DIVERSIFICATION OF REVENUE AT NPS/PAS:



Promote the diversification of revenue sources in NPs and PAS to mobilize additional financial resources for investment in biodiversity conservation.

5.4 Recommendations for each targeted funding source

5.4.1 For state budget capital

1) Adjusting the criteria and norms for allocating public investment capital between the central budget and local budgets in the new budget stabilization period 2026-2030 taking into account the factor of biodiversity conservation

Rationale: In Vietnam's budget allocation system, poorer localities receive additional transfers from the central budget through two mechanisms: general balancing transfers and targeted transfers. The budget transfers shall be carried out according to the criteria and norms decided by the Prime Minister and maintained unchanged throughout the budget stability period. Specifically, during the 2021-2025 budget stability period, the Government has issued Decision No. 26/2020/QĐ-TTg, detailing the principles, criteria and norms for the allocation of public investment capital from the state budget for the 2021-2025 period. Accordingly, the criteria for allocating targeted additional public investment capital from the central budget to localities shall be

implemented according to Article 7 of this Decision including (1) population criteria; (2) development level criteria; (3) area criteria; (4) district-level administrative unit criteria; and (5) supplementary criteria, including one marine-related criterion under which each island commune is assigned 0.1 point, similar to border areas and Revolutionary Safe Zone (ATK) zones. The criteria for allocation of the recurrent expenditure budget are implemented for 2022 according to Clause 7, Article 3, Decision No. 30/2021/QĐ-TTg dated October 10, 2021, whereby the norms of allocation of recurrent expenditure estimates for provinces and centrally-run cities that comply with the population criterion are the main criteria divided into four regions; combining additional criteria suitable to the reality and specifics of each locality. Thus, at present, these criteria and norms do not take into account the factor of PAS area in localities, leading to poorer localities – where there are many PAS – do not have more budget to carry out the task of environmental protection and biodiversity, and also do not incentivize localities to pay attention to protection, maintain the area and quality of biodiversity in the urban areas under local management.

International experience shows that by including the element of biodiversity conservation in the formula for allocating for the budget for localities, it can help localities have more resources and pay more attention to conservation. This is part of the Ecological Fiscal Transfer (EFT) mechanism and can be considered for Viet Nam.

Box 2. Ecological Fiscal Transfer (EFT) mechanism

Ecological Fiscal Transfer (EFT) is a way of accounting for conservation costs in local budget allocations. Some countries have included PAs in the formula used to determine vertical fiscal transfers. Interest in EFT in Asia, although still in limited use, is growing. For example, EFT is being developed in Indonesia and has been discussed in Malaysia and the Philippines. In India, the allocation formula used to calculate subsidies to different states was formally revised in 2015, adding forest cover to the existing criteria used to determine central tax revenue shares. Each component of this 'allocation formula' is given a weight, including the state's area (15%), population in 1971 (17.5%) and in 2011 (10%), fiscal capacity and income gap (50%), and forest cover (7.5%). These forest-based revenue transfers are estimated at about \$120/ha/year..



Source: GIZ and VNFOREST (2021)
Photo: Gregoire Dubois

Recommendations

- ✉ *The Ministry of Natural Resources and Environment shall study and propose to the National Assembly and the Government to add the factor of PA area and the area of protected areas outside PA in accordance with current provisions of law as a scoring criterion when allocating targeted additional public investment capital from the central budget to localities for the 2026-2030 budget stability period. If this proposal is approved, this will be a practical policy to contribute to the realization of the targets of expanding the area of the PA and the area of protected areas outside the PA in accordance with the current provisions of the law in NBSAP 2030.*

2) Concentrating state budget funds to successfully implement strategic priority tasks to complete the legal and institutional framework for mobilizing financial resources for the implementation of NBSAP.

Rationale: Lessons from the implementation of NBSAP 2020 show that lack of financial resources is an important reason why many priority projects and some goals of NBSAP 2020 cannot be achieved. However, the state budget resources for biodiversity are limited and are unlikely to increase dramatically. Therefore, it is necessary to prioritize the use of this resource for the task of perfecting mechanisms and policies to open up investment from the private sector.

Recommendations

- ✉ *Firstly, NBSAP 2030 has selected 9 strategic priority programs, schemes and projects to be implemented, including 7 programs, schemes and projects chaired by central ministries and sectors (6/7 by the Ministry of Natural Resources and Environment, and 1 chaired by the Ministry of Public Security) and 2 projects by the Provincial People's Committee, centrally-run cities. Therefore, the successful implementation of these programs, schemes and projects is the most direct criterion of the commitment of authorities at all levels in the implementation of NBSAP 2030.*
- ✉ *Secondly, actively review and amend legal documents to create a synchronous, unified and complete legal framework to be able to implement financial solutions as analyzed in Chapter 4.*

✉ Thirdly, the Ministry of Natural Resources and Environment needs to closely coordinate with relevant ministries and sectors (such as the Ministry of Finance, the Ministry of Planning and Investment, the Ministry of Agriculture and Rural Development, the Ministry of Science and Technology, the Ministry of Culture, Sports and Tourism) to develop and supplement economic-technical norms specific to nature and biodiversity conservation as a basis for developing spending cost-norms for agencies and units to have a basis to propose tasks and estimates for the investigation, survey, assessment of natural resources and biodiversity, and form an initially-comprehensive database on nature and biodiversity conservation. This is a prerequisite for the implementation of other activities that attract the participation of the private sector, non-state organizations and communities in the work of nature and biodiversity conservation.

✉ Fourthly, with new and complex areas both institutional and technological, strengthen partnerships with development partners, multilateral and bilateral donors to combine state budget sources and non-refundable ODA aid projects to develop technical guidance documents or implement pilot models to learn lessons for policy development.

3) The Government should establish clear regulations requiring biodiversity and natural ecosystem impacts to be considered as key criteria in the appraisal, selection, and approval of investment projects, including both public and private investments. It should also strengthen support for the MONRE to operationalize a comprehensive national database on biodiversity and ecosystem services, fully connected across ministries, sectors, and localities to create a unified nationwide biodiversity management information system.

Rationale: International experience shows that in order to have an overall solution to the biodiversity crisis, there needs to be very close monitoring of the economic sectors that exert the greatest pressure on nature and biodiversity conservation. These include land- and ocean-use sectors, transportation, construction, energy, and extractive industries. To minimize trade-offs between development objectives and biodiversity loss, planning and investment promotion in these sectors should be closely linked with robust biodiversity risk management and the promotion of nature-based solutions to the greatest extent possible.

Box 3. Proper infrastructure planning plays a key role in minimizing biodiversity impacts

Infrastructure is a case in point, due to the long-term and often irreversible impact of investing in new roads, dams, and urban expansion that can affect ecosystems. Infrastructure decisions affect the type and location of economic activities in a given area and always have implications for changes in ecosystem assets, including irreversible losses of natural capital losses. For example, road construction can have a transformative impact on land use decisions in the vicinity. In areas with high nature and biodiversity conservation values, this can have major adverse impacts on biodiversity beyond the current project area. An economically correct perspective plus good planning that takes into account such risks can go a long way in achieving the right balance. An example of a sectoral initiative to achieve this goal is the Protocol on the Global Hydropower Sustainability Assessment. This protocol was drafted between 2007 and 2010 to promote sustainable practices in the hydropower sector. It is also the result of the efforts of many stakeholders, combining the consideration of the recommendations of the World Commission on Dams, the Equatorial Principles, the World Bank's Safeguards Policies, the IFC Standards of Operation, the International Hydropower Association's Sustainability Instruments, as well as comments from many NGOs. A public consultation is also underway to develop a new global sustainability standard (and certification) for hydropower. Based on initiatives like these, there are many opportunities to disseminate and replicate good practices to other sectors, as well as to extend technical and financial assistance to countries to implement.

Source: World Bank (2021)

The Law on Public Investment stipulates that the content of the investment policy proposal report and the project feasibility report (for appraisal) must be assessed for environmental and social impacts, but the guiding documents do not specify what environmental contents need to be assessed, and by what method (except for projects that are required to have an environmental impact assessment). Similarly, post-project impact assessments (after a project has been completed and put into operation) still lack detailed guidance on biodiversity-related aspects. As a result, even projects that

are legally required to conduct environmental impact assessments approved by competent authorities often address biodiversity issues only superficially. Negative impacts on biodiversity are not comprehensively assessed, resulting in absent or ineffective mitigation measures and the limited application of biodiversity offsets.

Once a robust database has been established, it can be used to assess the potential impacts of infrastructure projects, such as the construction of new roads. By providing detailed biodiversity information to the wider community, the database can support the implementation of environmental protection measures for infrastructure projects and investments in environmentally sensitive sectors in a cost-effective and environmentally sustainable manner.

Box 4. Using biodiversity spatial information to support investment decisions in Laos

The map illustrates the type of information that can inform project development. In the context of the Lao PDR, a key concern is the potential impact of future road construction on the sustainability of biodiversity-rich areas targeted for the expansion and development of nature-based tourism. A composite indicator developed from the database, combined with satellite-derived forest cover data, was used to depict potential biodiversity changes resulting from deforestation (assumed to occur in the future) after all secondary and tertiary roads in Laos are upgraded to primary roads. On the map, areas where infrastructure upgrades are likely to affect relatively undisturbed biodiversity are shown in blue, while areas where biodiversity is expected to be severely impacted are shown in red and dark red. The results indicate significant clustering, with the strongest biodiversity impacts associated with road upgrades in South Phongsali, Northwest Luang Namtha, West Oudomxay, East Central Luang Prabang, North and Southeast Houaphan, Northeast Xaisomboun, Southwest Vientiane, Northwest Khammouan, Southeast Savannakhet, Northeast Champasak and Southern Sekong. Clusters with lower but still significant impacts are dispersed across a broader area.

Source: World Bank (2021)

Recommendations

-  *Requirements for assessing biodiversity impacts (or environmental impacts on natural heritage) during the appraisal and evaluation of public investment projects should be strengthened and implemented in a substantive manner. Regulations should also be introduced requiring project developers to apply technical guidelines for such assessments, at least for projects in sectors with high biodiversity risks. Guidelines for appraising and assessing biodiversity impacts of development projects that pose significant risks to biodiversity should be developed and disseminated for use by commercial banks, and integrated into their internal regulations for evaluating loan applications.*
-  *Establishing a tracking and monitoring system for changes in biodiversity and ecosystem service values within protected areas before and after project implementation is a long-term task that should begin as early as possible, alongside the development of baseline biodiversity databases, and be implemented progressively. Priority should be given to completing a unified and interconnected national biodiversity management information system framework (initiated by the Ministry of Natural Resources and Environment in 2011). Protected areas and localities that have completed all or part of their baseline biodiversity databases can then integrate them into this system to enable immediate operation and biodiversity monitoring.*
-  *Develop guidelines for biodiversity tagging of public and private investment projects based on their level of impact on biodiversity. This would enable the tracking and reporting of society-wide investment expenditures on biodiversity in Vietnam to the Government and international organizations.*

4) Integrate biodiversity conservation into the content of projects and programmes under the National Target Programmes (NTPs) and other relevant sectoral programmes and targets of ministries and agencies.

Rationale: In the period of 2021-2025, Viet Nam is implementing three NTPs: the Sustainable Poverty Reduction Program (according to Decision No. 90/QĐ-TTg dated January 18, 2022), the New Rural Development Program (according to Decision No. 263/QĐ-TTg dated February 22, 2022) and the Socio-Economic Development Program for Ethnic Minority

and Mountainous Areas (according to Decision No. 1719/QĐ-TTg dated October 14, 2021 of the Prime Minister). In these programs, there are component programs and projects that are directly or indirectly related to nature and biodiversity conservation, and are all implemented at the community level³¹. Therefore, if biodiversity conservation activities are propagated to raise awareness and integrated into the content of component programs and projects, this integrated resource will be taken advantage of to both develop livelihoods for people and contribute to the conservation of biodiversity and indigenous cultural values.

In the 2026-2030 period, there are also programs and schemes of other ministries and sectors (such as the Ministry of Agriculture and Rural Development, the Ministry of Culture, Sports and Tourism, the Ministry of Science and Technology, the Ministry of Education and Training, etc.), which, if well integrated, will create an additional financial channel to implement the goals of NBSAP 2030 from the grassroots level.

31 For example, in NTP for Sustainable Poverty Reduction, Component Project 2 "Diversifying livelihoods, developing poverty reduction models", the Government encourages "organizing other livelihood diversification activities proposed by the community, in accordance with the customs, practices and needs of the community"; The NTP for New Countryside, Component No. 3 sets the goal of "... strongly implement the OCOP Program... climate change adaptation..." and concretized into many activities, including "Focusing on restructuring the Agricultural sector and developing the rural economy, handicrafts and services in the direction of circular economy, ecological agriculture, promoting advantages in terrain and climate, etc natural landscapes and socio-economic infrastructure" and "Effectively implementing the Rural Tourism Development Program in the new countryside development in the period of 2021 - 2025 in association with the preservation and promotion of traditional cultural values in the direction of sustainability, inclusiveness and multi-value". The most closely aligned with the objectives of NBSAP is the NTP for socio-economic development in ethnic minority and mountainous areas, including Project 3 "Developing sustainable agricultural and forestry production, promoting the potentials and strengths of regions to produce goods along the value chain" with sub-projects such as: Sub-project 1: "Sustainable agricultural and forestry economic development associated with forest protection and raising people's income", sub-project 2: "Supporting the development of production along the value chain, growing areas of precious medicinal herbs, promoting business start-ups, start-ups and attracting investment in ethnic minority and mountainous areas" are all possible contents integrate the issue of biodiversity conservation into livelihood development activities for people.

Recommendations

 *Develop a mechanism for coordination and information exchange with the Steering Committee of the NTPs, the management board of the target programs of the Ministry to develop training programs, raise awareness for officials, businesses and the community about the role of biodiversity conservation, provide technical support for the development of schemes and projects in line with the objectives of the Program and contribute to the restoration, conservation and development of nature and biodiversity conservation in local communities.*

5) Continue to mobilize ODA capital for biodiversity as a supplementary financial sources for the state budget

Rationale: ODA has always played an active role in supporting the work of nature and biodiversity conservation in Viet Nam for decades. In addition to providing direct support to biodiversity conservation projects, ODA projects also bring to Viet Nam a team of internationally experienced experts in the field of biodiversity conservation.

In the coming period, the trend of non-refundable ODA aid for biodiversity conservation will continue to remain stable, with the increasingly strong participation of international financial funds with biodiversity targets. In addition, Viet Nam is also asking donors to support concessional loans to implement the NDC on climate change adaptation or the JETP Program, both of which integrate the contents of biodiversity conservation. Leveraging these sources of capital will be a significant financial addition to the implementation of NBSAP.

Recommendations

 *In order to improve the efficiency of ODA funding, it is necessary to have close coordination between activities, tasks and schemes of state agencies, PAs and ODA projects. Therefore, it is necessary to strengthen coordination, information exchange and mutual consultation between the Nature and Biodiversity Conservation Agency (NBCA/ MONRE) and stakeholders, the community of major donors for biodiversity conservation in Viet Nam such as UNDP, IUCN, WWF, World Bank, ADB, GIZ, etc USAID, Helvetas... and global financial funds such as GEF, GCF.*

✉ Areas where international cooperation needs to be actively strengthened might be: the development of databases and systems for tracing and tracking changes in nature and biodiversity conservation both physically and financially, and the use of that information to support the design and implementation of policies, development programs and projects; learn knowledge and experience, experiment with the application of new financial mechanisms for biodiversity conservation such as the credit mechanism, the debt swap mechanism for biodiversity conservation, green bonds, green credit, etc.; assessment of the value and loss of nature and biodiversity conservation from economic activities and government policies (such as agricultural subsidy policies, fisheries, etc.), analysis of biodiversity risks and ecological thresholds of biodiversity, etc. In addition, cooperation with development partners also helps Viet Nam refer to initiatives on mobilizing financial resources from the private sector such as blended financing mechanisms, diverse methods of biodiversity offsets and many other initiatives to be implemented in Viet Nam.

5.4.2 Mobilize the participation of the private sector and the community

1) Continue improving mechanisms, policies, and guidance to enable commercial banks to expand green finance and green credit activities, with greater emphasis on nature conservation and biodiversity.

Rationale: Global pressure, particularly from developed countries that are major export markets for Vietnam, is increasingly focused on green production and consumption, with tightening technical and financial requirements in this area. In response, the business community and domestic commercial banks have been gradually shifting toward green credit and developing a range of ESG financing products. However, banks still lack guidance from the State Bank of Vietnam on green taxonomies, as well as procedures and technical standards for assessing green factors — including biodiversity impacts — in loan applications, and they have not yet been systematically connected to international green capital markets.

Box 5. Incorporating biodiversity standards into financial decisions

In order for the financial sector to perform well in its role of management, risk diversification and effective allocation of resources for high-performance uses, central banks, financial sector regulators and supervisory authorities will need to take steps to enable the integration of ESG criteria into financial decisions, including: supporting the assessment of investment risks, enhancing transparency and applying standards and reporting on the impact of investment in financial markets. These are important to achieve closer alignment between financial flows and the SDGs and ensure market integrity and financial stability. Actions in the following four areas will be transformative:

- *Classification and labelling:* (i) develop taxonomies that identify economic activities contributing to the sustainable use of biodiversity and the provision of ecosystem services; and (ii) promote the standardization and wider use of biodiversity metrics for impact reporting within sustainable finance mechanisms (for example, through capital markets via green bonds or other thematic bonds, and through banking finance via green loans or other sustainability-linked lending instruments).
- *Supervisory and management risk assessment:* (i) develop tools and methodologies to integrate biodiversity risks into the approaches used by central banks and supervisory authorities to monitor and oversee financial stability; and (ii) encourage or require the incorporation of biodiversity criteria into the risk assessment and investment processes of the financial sector.
- *Publicize information:* Promote nature-related disclosure by drawing extensively on the experience and initiatives of pioneering countries and international organizations.
- *International networking:* Join support networks, such as the Financial System Greening Network, the Alliance of Finance Ministers for Climate Action, and the Sustainable Banking Network, to promote the standardization of nature and biodiversity risk assessments in monitoring tools and methodologies, and help state management agencies to apply them.

Source: World Bank (2021)

Recommendations

 The World Bank has suggested four areas of work that the SBV needs to do to quickly incorporate ESG standards into banking and financial sector decisions. Currently, the SBV has issued an official letter directing credit institutions to report on guiding the implementation of environmental risk management in credit extension activities of credit institutions and foreign bank branches. It can be said that the SBV has made positive moves according to this trend, but those are only the initial efforts. In order to truly unlock this potential green credit market, the SBV needs to:

- (i) Continue to develop and improve the legal framework guiding the implementation of green banking and green credit for credit institutions; coordinate with organizations, departments and sectors to determine criteria and norms for green projects, including criteria and standards on biodiversity. In addition, the SBV needs to research, develop and implement appropriate mechanisms and policies, specifically for green credit activities, associated with green goals in general and the goal of biodiversity conservation in particular, in order to encourage and promote commercial banks to boldly bring more capital in this field in the coming time.
- (ii) Continue to mobilize resources to implement green credit policies associated with biodiversity conservation in Viet Nam. Strengthen proactive access to green international capital through key ministries, departments and sectors or directly approach financial institutions, non-governmental organizations, Green Credit Trust Fund (GCTF established by SECO in Viet Nam), mobilize capital in the form of green bond issuance, etc.

For the banking system, it is necessary to:

- (i) Strengthen training and capacity-building for banking staff on green banking and green credit practices; raise awareness on the efficient and sustainable use of energy and natural resources, as well as biodiversity protection; and enhance technical capacity for assessing environmental and biodiversity risks associated with green projects through training courses, workshops, awareness-raising, and knowledge dissemination activities.
- (ii) Diversify green credit products in accordance with the objectives and nature of activities related to biodiversity conservation. The experience of many international organizations in developing similar credit products is a good lesson for banks to refer to.

- (iii) Strengthen the inspection and supervision of the risk management of green credit granted to customers. Coordinate with non-governmental organizations operating in the field of environmental protection, research institutes, and local communities to enlist experts and professional knowledge in this matter.

2) Explore and develop innovative mechanisms to grant greater autonomy to the management boards of protected areas, enabling them to attract additional private sector investment for the use of ecosystem services within protected areas, and to reinvest the resulting revenues into biodiversity conservation efforts.

Rationale: Protected areas are the places where nature conservation and biodiversity conservation activities are carried out most directly and regularly. Therefore, improving the effectiveness of protected area management, while strengthening the autonomy and accountability of protected area management boards in conserving and developing biodiversity and ecosystem services, is a core component of the NBSAP 2030.

However, the current mechanism for granting autonomy and accountability does not distinguish protected areas from other public service delivery units, despite the specific functions and responsibilities of protected area management boards. Moreover, the governance mechanism applied across protected areas remains largely uniform, without taking into account differences in comparative advantages such as location, accessibility, and levels of biodiversity richness among individual protected areas.

Recommendations

 The expert group considers that, if these measures are implemented, revenue generation from the leasing of ecosystem services in eligible protected areas could increase significantly, providing protected areas with additional resources and stronger incentives to invest more substantially in biodiversity conservation. If nationwide implementation across all protected areas is not yet feasible during the NBSAP period, pilot implementation should be considered for selected protected areas representing different reclassified categories of protected areas (as outlined in Box 6), in order to generate robust evidence for adjusting relevant mechanisms and policies in the subsequent phase.

✉ Additionally, further revisions to Decree 156 should be considered to create a genuinely enabling investment environment for businesses seeking to lease forest environmental services for commercial purposes, accompanied by strict control and monitoring of the impacts of such business activities on biodiversity and ecosystems within protected areas. A robust biodiversity database, together with an objective and automated biodiversity monitoring and tracking system involving specialized biodiversity organizations, will be a prerequisite for expanding ecosystem service leasing activities in these protected areas.

Box 6. Steps to strengthen PA's financial sustainability

First, the solutions for ensuring sustainable financing for protected areas include: (1) maintaining core budget allocations at adequate levels to enable effective protected area management, recognizing protected areas as public assets that provide essential public services; (2) establishing criteria to identify which protected areas have the potential to transition toward greater financial autonomy; (3) developing action roadmaps to achieve these objectives and to support and enable protected area management boards to strengthen financial autonomy and sustainability over the next five years; (4) developing sustainable finance strategies and plans tailored to the needs, opportunities, and potential of each protected area in relation to financial autonomy and sustainability; (5) identifying, developing, and implementing autonomous revenue sources and new investment streams for protected areas; (6) exploring new public financing mechanisms for protected areas that can complement annual core budget allocations; (7) adopting a more business-oriented approach to financial management; (8) ensuring appropriate incentive policies to encourage revenue generation by protected areas; (9) allocating sufficient funding and technical support for investments needed to improve protected area financing and income generation; (10) investing in capacity development and skills enhancement for staff to strengthen efforts toward financial autonomy and sustainability; and (11) addressing structural constraints that hinder progress toward the financial autonomy and sustainability of protected areas.

Second, protected areas may be classified into three groups. Group A consists of protected areas with the potential to transition to Level 1 or Level 2 autonomous public service units based on their existing revenue sources. These are units generating sufficient income to cover more than 50% of their annual expenditures and demonstrating opportunities to increase and/or diversify revenue streams and investments. These protected areas would be in a position to develop comprehensive financial autonomy plans and prepare for a transition toward an enterprise-style operational model.

Group B includes protected areas that show potential to progress toward Level 2 or Level 3 autonomy by expanding their existing funding and revenue base. These are protected areas generating sufficient income to cover less than 50% of their annual expenditures, but which are considered to have potential to expand revenues from ecotourism, PFES schemes, and/or other sources. These protected areas would prepare sustainable financing strategies aimed at increasing funding, generating additional revenue, and strengthening financial autonomy.

Group C consists of protected areas that will still require full state budget support in the near future because they have no significant alternative opportunities for generating additional income. These protected areas would be tasked with preparing financial assessments and scoping studies to determine whether there are any untapped opportunities that could supplement state budget funding.

Source: GIZ and VNFOREST (2021)

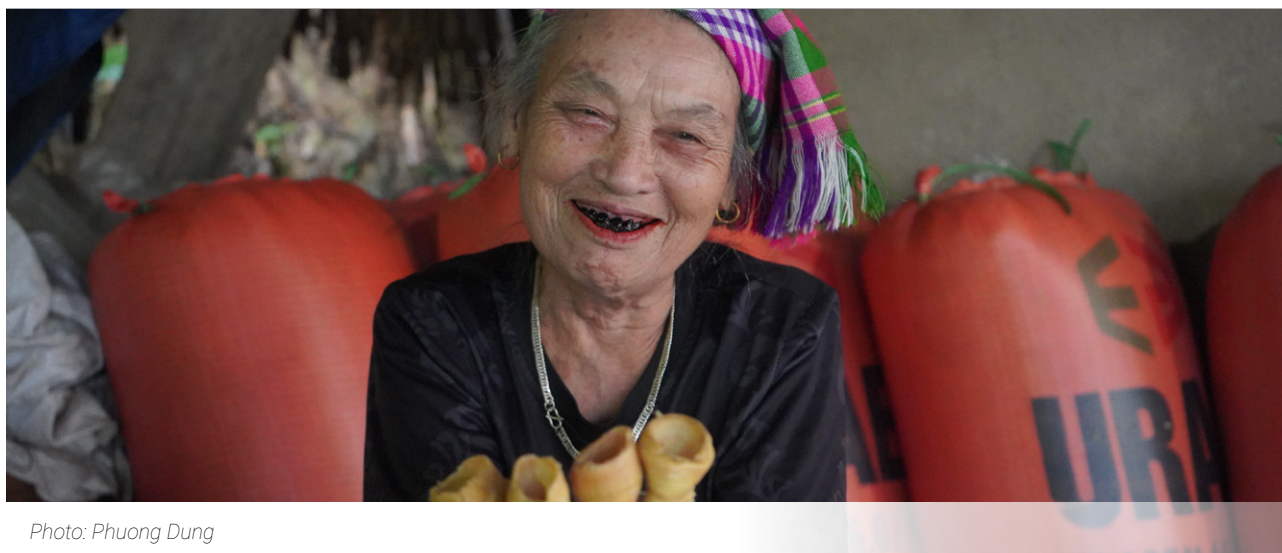


Photo: Phuong Dung

3) Promote community participation in co-management models in protecting aquatic resources, expand to other ecosystem services in combination with diversifying income for community members by combining fishing, aquaculture with community-based tourism development or other innovative livelihood models.

Rationale: The co-management model has proven to be a very effective model to support state management agencies to better manage and protect natural resources. Although this model does not directly create new financial sources (even requires additional support from the state budget), it helps to use the state budget for biodiversity in a more effective way.

Box 7. Co-management model in protecting aquatic resources combined with community-based tourism development in Nhon Ly commune, Quy Nhon city, Binh Dinh province

Nhon Ly commune is about 22km from the center of Quy Nhon city by road, located in the Nhon Hoi key economic zone of the province, with a coastline stretching 29 km. Formerly a pure fishing commune, with fishing being a main economic and livelihood activity. In 2018, the commune was one of the communes selected to participate in the project of Coral Reef Conservation in Hon Kho Nhon Hai, UNDP GEF/SGP. In order to replicate the achievements of this project, Nhon Ly commune continues to participate in the project “Improving the capacity of local community organizations in association with the assignment of management and protection of coral reefs in the coastal waters of Quy Nhon Bay” (VNM/ICCA-GSI/2019/01). The project is implemented in four communes: Nhon Hai, Nhon Ly, Nhon Chau, and Ghenh Rang, in 2019 – 2021. The Commune People’s Committee has issued Decision No. 135/QĐ-UBND of Nhon Ly commune on 20/09/2020 establishing community organizations to protect aquatic resources. Subsequently, the People’s Committee of Quy Nhon City issued Decision No. 445/QĐ-UBND dated February 4, 2020 assigning the Nhon Ly commune community organization to manage the Bai Dua beach area with an area of 8.0217 hectares, of which 4 hectares are strictly protected subdivisions. These are the first co-management models established under the new Fisheries Law across the country.

Immediately afterwards, the demarcation of boundaries and the release of buoys to plant landmarks in sea areas assigned to community organizations for management was carried out. The community organization developed its charter, operational regulations, and coral reef protection plan; established guard rafts for monitoring and protection; and assigned youth protection teams to carry out surveillance and safeguarding activities. Activities to raise community awareness in environmental protection, ecosystems, coral reef protection, and aquatic resources have achieved positive results. The coral reef ecosystem is protected and coral reef damage is prevented. The results of the monitoring and assessment of coral reefs in June 2021 showed that the coverage of live corals in the Bai Dua area with hard corals reached 62.5%, soft corals reached 13%.

In addition, taking advantage of the landscape and tourism and cultural resources of the ancient fishing village, along with the location right next to FLC’s high-class resort area, community organizations in the commune have combined the development of a community-based tourism model, with services such as homestays, guided tour of the village, experience fishery activities (net weaving, boat ride, fishing/squid...), cuisine, shopping for local products, marine tourism, tourist transportation, spiritual tourism, local cultural experience, educational and volunteer tourism, etc. Community-based tourism has made a start of development, through tourism activities of businesses and people. In 2016, the number of tourists reached 225,000, in 2018 it reached 329,000. Most of them are domestic tourists, the average travel time to Nhon Ly is 1-2 days. The community-based tourism model associated with local identity has been formed and developed resonantly in Nhon Ly. The combined model of community-based tourism and community organizations participating in the protection of coral reefs has initially shown effectiveness: people have more sustainable livelihoods and are more aware of protecting coral reef resources - one of the most attractive values to attract tourists to come here.

However, biodiversity risks remain. According to a 2021 report by World Wide Fund for Nature, the community organization in Nhon Ly continues to operate passively, with no clearly defined co-management coordination mechanism among local authorities, the community organization, and relevant stakeholders, and no community fund established to support its operations. In addition, there are emerging conflicts between coastal coral reef conservation activities and tourism service activities. There is a growing tendency to shift from protecting coral reefs as habitats and breeding grounds for aquatic species toward protecting them primarily as tourism landscapes. The activities of the co-management groups have increasingly mimicked those of community-based tourism cooperatives. Internal tensions within the community have also emerged – and appear to be intensifying – between nearshore fishers and households engaged in tourism services.

The case of Nhon Ly highlights an important lesson on the need to pursue the dual objectives of co-management: protecting and developing aquatic resources while also supporting community livelihoods. The co-management approach can only succeed when both objectives are effectively achieved. Sustainable and viable livelihood development is therefore a key factor for the success of co-management.

Source: Ngo Anh Tuan and Dao Viet Long (2021), Binh Dinh Department of Tourism (2022): Community-based tourism development project in Ly Luong village, Ly Hung – Nhon Ly commune and Bai Xep area – Ghenh Rang ward, Quy Nhon city until 2025, direct interview with community organizations in Nhon Ly commune.

Recommendations

- ✉ With regard to the institutional framework, it is necessary to review, assess, and revise the 2017 Fisheries Law and its implementing regulations in order to create an enabling legal framework for co-management models in aquatic resource protection. This includes developing fisheries protection and exploitation planning; formulating and promulgating mechanisms and policies; and strengthening the institutional and policy framework for co-management in aquatic resource protection, particularly through the implementation of the National Programme on the Protection and Development of Aquatic Resources to 2030 (issued under Decision No. 76/QĐ-TTg dated 18 January 2024).
- ✉ Review and consolidate existing PAs and aquatic resources protection zones, community organizations; implement the establishment of new MPAs, aquatic resources protection zones associated with community organizations to further promote the co-management approach;
- ✉ Promulgate regulations on fisheries exploitation management and coordination mechanisms for co-management in aquatic resource protection, clearly defining the functions and authorities of community organizations, particularly in detecting and addressing violations of regulations on the protection and development of aquatic resources. Provide guidance to community organizations in developing plans for aquatic resource protection and development, livelihood development plans, and community credit plans.
- ✉ Provide support to authorities, enforcement forces, and community organizations with the means and equipment necessary for co-management activities, particularly equipment and facilities for patrol, monitoring, protection, and development of aquatic resources.
- ✉ Develop a database system on co-management linked to the aquatic resources database system, and promote the application of Industry 4.0 technologies within co-management systems for aquatic resource protection.
- ✉ Urgently establish community funds and secure financial resources for the community organizations to operate. Develop and promulgate appropriate incentives and policies for individuals participating in the co-management model in the protection of aquatic resources.

5.4.3 Increase the mobilization of other feasible revenue sources in the NBSAP 2030 period

Revenue from access to genetic resources and benefit sharing (ABS). Continue identifying solutions to address technical bottlenecks and review, supplement, and revise relevant legal documents in order to establish a coherent legal framework (including financial guidance documents) for the implementation of the ABS mechanism.

Aquatic resources protection fees. The Circular on aquatic resources protection fees is being drafted. After the Circular issuance, the Ministry of Agriculture and Rural Development needs to promote the implementation of the Circular, and at the same time monitor, supervise and promptly evaluate and draw lessons-learned to improve it.

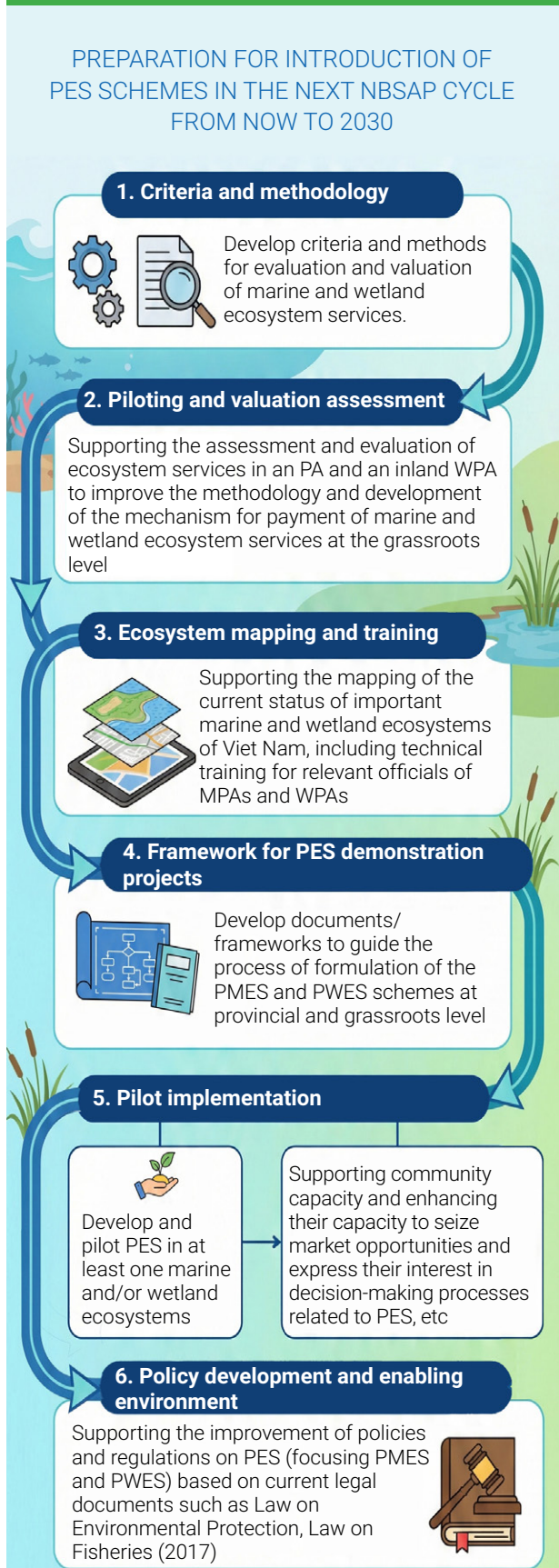
In addition, when the aquatic resources protection fees are implemented, this will be an additional source of financing for the PA Management Boards and community organizations. Therefore, it is also necessary to assess the impact of this revenue on the conservation activities of MPAs and community organizations participating in co-management in aquatic resource protection.

Carbon offsets. Carbon offsetting is one of the five components to be implemented under the PFES scheme, but it has not yet been put into operation. Currently, the Ministry of Finance is coordinating with the Ministry of Agriculture and Environment to develop a carbon market development proposal. Under this framework, the carbon market is intended to serve as a mechanism for promoting greenhouse gas emission reductions and the transition toward a carbon-neutral economy. Corporations and businesses would use this market to offset their greenhouse gas emissions by purchasing emission allowances or carbon credits from entities that remove or reduce greenhouse gas emissions. Protected area management boards are expected to be among the entities with the greatest potential to supply carbon credits. Once the carbon market becomes operational, protected areas could expand their revenues from forest environmental services to this new market segment.



Van Long wetland, Ninh Binh. Photo: Visit Ninh Binh

Figure 12. Steps for integrating the Ecosystem Services Payment mechanism into the NBSAP 2030



5.4.4 Preparing conditions for the implementation of other financial solutions of BFP from 2030 onwards

Expand the scope of PES to PMES and PWES.

Due to the complex nature of marine and wetland ecosystems, the technical gap to account for and map the natural capital of marine and wetland ecosystems and the services provided by these ecosystems, there is still no framework for the process and method of PMES and PWES. In preparation for the introduction of these schemes in the next NBSAP cycle, in the period from now to 2030, it is necessary to solve the following problems³² (see Figure 12):

Biodiversity offsets. In Vietnam, biodiversity offsetting is currently understood to mean that project developers whose activities cause biodiversity loss are responsible for: assessing the biodiversity of the project-affected area; forecasting the level of biodiversity loss (if any) resulting from project implementation that cannot be mitigated; and proposing biodiversity offset measures. Biodiversity offset plans must meet several basic requirements, including: the biodiversity being offset must be equivalent to or greater than the biodiversity lost; and priority should be given to implementing offsets within the area where biodiversity loss occurs as a result of the project. Where on-site implementation is not feasible, project developers are required to propose another suitable location in accordance with legal regulations. All of these requirements are extremely difficult for individual project developers to fulfill, resulting in the limited practicality and feasibility of these regulations.

In many countries around the world – including the United States, the United Kingdom, Australia, Canada, Germany, and Brazil – market-based biodiversity offset models have been implemented with a high degree of feasibility (as presented in Annex 6). Under these models, the economic instrument of “biodiversity credits” is traded between buyers and sellers in the market, while biodiversity banks are established to facilitate the biodiversity credit market. Accordingly, Vietnam should invest more strongly in research, pilot implementation, and the refinement of relevant mechanisms, policies, and legal frameworks in order to operationalize biodiversity offsetting in practice at an early stage, thereby generating financial resources for biodiversity conservation and compensating for biodiversity losses caused by socio-economic development activities.

³² Nguyen Van San and Tran Thi Thu Ha (2023)

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ANNEX

Annex 1. List of consulted organizations

A. Central Agencies

(a) *Ministry of Natural Resources and Environment*

1. Department of Natural Resources and Environment
2. Department of Climate Change
3. Department of Science and Technology
4. Environmental Protection Fund

(b) *Ministry of Agriculture and Rural Development*

1. Planning Department
2. Department of Finance
3. Department of Science and Technology
4. Forestry Department
5. Department of Fisheries
6. Fisheries Surveillance Department

B. International organizations and donors

1. UNDP
2. Global Environment Facility
3. World Bank
4. Asian Development Bank
5. GIZ in Viet Nam
6. IUCN Viet Nam
7. WWF

C. Agencies and units in the localities of the two provinces conduct field surveys

(a) *Lao Cai Province*

1. Department of Natural Resources and Environment of Lao Cai Province
2. Department of Agriculture and Rural Development of Lao Cai province
3. Department of Culture, Sports and Tourism of Lao Cai province
4. Management Board of Hoang Lien National Park
5. People's Committee of Ta Phin Commune, Sapa, Lao Cai

(b) *Lam Dong Province*

1. Department of Natural Resources and Environment of Lam Dong province
2. Department of Agriculture and Rural Development of Lam Dong province
3. Department of Culture, Sports and Tourism of Lam Dong province
4. Management Board of Bidoup – Nui Ba National Park (participated in the workshop on developing a sustainable financial plan of the National Park Management Board)
5. Lam Dong Provincial Hospital & Tourism Fund

D. Organizations and individuals in the private sector and communities

1. Sapanapro Company and Community participate in ABS project in Lao Cai
2. Bank for Investment and Development of Vietnam
3. Conservation Viet Nam (NGO)
4. Tourism development community organization and co-management of aquatic resources protection in Nhon Ly commune, Quy Nhon city (combined with another project)

Annex 2. Consultation questionnaire with key stakeholders

1. Central Agencies

- Among the functions and tasks of your agency, which functions and tasks are associated with the issue of nature and biodiversity conservation (compare with the contents and tasks of the Strategy for Climate Change above).
- To perform those functions and tasks, how has your agency been allocated funding (specify the source)? Is that funding enough for your agency to effectively perform its tasks related to nature and biodiversity conservation? If not, how do you think the agency needs to be adjusted? How is it likely to be adjusted from now to 2030?
- In addition to the funding allocated by the state budget, the agency assesses the current situation and prospects of other revenue sources for nature and biodiversity conservation in the coming time (ODA and concessional loans, international funds related to the environment, investment/payment by enterprises, the private sector for biodiversity, etc. PPP).
- In addition to the funding allocated by the state budget, the agency assesses the current situation and prospects of other revenue sources for biodiversity in the coming time (ODA and concessional loans, international funds related to the environment, investment/payment of enterprises, private sector for biodiversity, etc. PPP).
- According to the agency, from now to 2030 and after 2030, what is the feasibility of promulgating new fees to serve nature and biodiversity conservation (fees for protection of aquatic resources, payment mechanism for PMES marine biodiversity, mechanism for managing access to genetic resources and sharing benefits from the use of ABS genetic resources, etc.).
- If it is not feasible, why, what conditions need to be prepared, what is the roadmap?
- How can we monitor, extract and record the expenditure for nature and biodiversity conservation in the general operating budget or revenues from the above-mentioned fees?
- Among the groups of solutions that the BFP has outlined (see Tables 3.2 and 3.3), what solutions do you see as feasible and why? What is your assessment of the prospects of those solutions to 2030?
- In addition to the groups of solutions that BFP has stated, what other potential solutions do you see, why? What is your assessment of the potential of these solutions to 2030 and beyond? What conditions are needed to realize them?
- What are the opportunities and challenges for attracting private investment in aquatic resources and biodiversity activities in the form of PPP? Is there any adjustment expected in the law on PPP to open up capital sources for this form in the field of environmental protection and biodiversity?

2. International organizations and donors

- What is the general trend of funding for nature and biodiversity conservation in the world? What international financial sources can Viet Nam exploit for this sector?
- What is the level of interest of international organizations and donors in the issue of nature and biodiversity conservation in Viet Nam? With these concerns, are there currently any programs, projects or activities with international funding related to biodiversity in Viet Nam?
- What are the prospects to 2030 and beyond 2030 of those international commitments to nature and biodiversity conservation in Viet Nam?
- Currently, what activities are and are expected to be carried out to finance the issue of human resources and biodiversity in Viet Nam? What will be the form of support (integrated into the budget? implemented according to the program or project of non-refundable aid directly to the locality? Concessional loan project? Support/lending to local funds or private enterprises). Your agency's assessment of the effectiveness of these activities

- In the coming time, what is the prospect of funding Viet Nam for Youth in your national strategy? Can you give a preliminary estimate of the size and form of these grant programs?
- Can you assess the successes and challenges for Viet Nam's current and future biodiversity activities?
- In order to attract more international resources for nature and biodiversity conservation, what issues does Viet Nam need to improve?

3. Management Board of MPAs, national parks, marine MPAs, protection forests, special-use forests

- In your operational functions, what are the functions related to nature and biodiversity conservation? What are the difficulties in performing that function in recent years?
- Where does the funding for your unit's environmental protection and biodiversity work come from (Ask more deeply by each funding source and by each type of autonomous unit)? Is that funding enough for your unit to perform this function? If not, how much is lacking compared to what is necessary to complete the function of the task, and for what activities is it mainly lacking?
- How did you overcome that lack of funding?
- In addition to the funding allocated by the state budget, what other sources of revenue do you have? Can this revenue be reused for your organization's environmental protection and biodiversity work? If not, why?
- More specifically: What sources of revenue do you have from forest environment leasing activities? In your opinion, what potential revenue sources have not been implemented?
- What is the prospect of revenue sources for nature and biodiversity conservation in the coming years for your unit? In particular, with potential revenue sources but not yet implemented, what are the problems, in which what are the problems with mechanisms and policies?
- What are the other challenges for the work of environmental protection and biodiversity (in addition to funding)? Do you have any recommendations on policies related to the effective exploitation and use of revenue sources for the target of biodiversity in your unit in the coming time?

4. Enterprises and NGOs operating in the field of nature and biodiversity conservation

- Why do you choose to operate or invest in this field? For businesses, what benefits do you gain from this job?
- Where does the funding for your work on environmental protection and biodiversity come from? What is the level of response of those funding sources to the needs of your unit to carry out the work of environmental protection and biodiversity? How did you overcome that lack of funding?
- What amounts have or will you have to pay in accordance with the law or voluntarily related to nature and biodiversity conservation (e.g. forest environment lease, PES protection, etc.)? If the payment has been made, it is proposed to specify the paid amounts.
- If your organization/business is implementing inclusive business models (for example, the ecological shrimp farming model in mangrove areas or the shrimp-rice model of Minh Phu Group in cooperation with Tri Luc cooperative in Ca Mau, or other agricultural models such as Tu Comedy (Bai Tu Long National Park), then what investment activities of your organization/enterprise are considered as investments in nature and biodiversity conservation? What should be done to ensure that these investments are transparently recorded and recognized as investments of enterprises for the goals of environmental protection and biodiversity?
- What is the prospect of revenue sources for nature and biodiversity conservation in the coming years for your unit?
- If you look more broadly at the prospects of the whole market for other NGOs and businesses, how do you evaluate (positively)? Pessimistic? Why? How much will the increase/decrease of this market in the coming years be from your perspective? Why...

- In order to attract more NGOs and businesses to participate in any field, what encouraging policies are needed from the government?
- What is the possibility of implementing PPP in nature and biodiversity conservation? If there is such a PPP contract, what should the State do and what should the private sector do? In what specific fields, in what form, and why?

5. Local Departments

- In the functions and tasks of your agency, what are the functions and tasks associated with the issue of environmental protection and biodiversity (compared with the contents and tasks of the Strategy on Climate Change above)?
- To perform those functions and tasks, how has your agency been funded? Is that funding enough for your agency to effectively perform its tasks related to biodiversity? If not, how do you think the agency needs to be adjusted? How is it likely to be adjusted from now to 2030?
- In the local area, what revenue sources are being used again to serve the Youth and Youth Forests (for example, revenue from tourism, visiting PAs, etc.). What is the mechanism for re-allocating part of that revenue to the current work of environmental protection and biodiversity? Assessment of the reasonableness/unreasonableness of those regulations?
- Assess the potential of those revenue sources in the coming time (until 2030) and the level of allocation of such revenue sources for environmental protection and biodiversity.
- What policies has the locality had in place to attract non-state actors (enterprises, communities, NGOs) to participate in the field of environmental protection and biodiversity? How effective is it? What encouraging policies are needed from the central and local governments?
- What is the possibility of implementing PPP in local nature and biodiversity conservation? If there is, please describe the contract clearly. If not, explain why?

Annex 3. Proposed financial solutions for discussion to strengthen biodiversity in Viet Nam

NO.	Solutions/Quick Review Criteria	Expert Selection Results
1	Biodiversity offset	Selected
2	Biological Survey	Discard
3	REDD+	Integration in PEES
4	Human Resource Management	Through-the-line solution
5	Increasing ODA attraction	Selected
6	Bilateral ODA	Selected (integrated into ODA solution)
7	Climate Aid/Financing (Combating Transformation)	Selected (integrated into ODA solution)
8	Multilateral ODA	Selected (integrated into ODA solution)
9	Other official sources of financing	Selected (integrated into ODA solution)
10	Payment of Ecosystem services (PES)	Selected
11	Payment of intermediary services and/or fees	Selected
13	Promoting sustainable tourism	Selected
16	Taxes on natural resources (non-renewable)	Discard
17	Fuel Tax	Discard
18	Taxes on renewable natural capital	Discard
21	Water Tax	Discard
22	Water Extraction Fee	Discard
23	Wastewater charges	Discard
24	Penalties for illegal hunting and gathering	Discard
25	Public-Private Partnership	Discard
26	Results-based budgeting	Selected

Source: BFP Report

Annex 4. Tasks of spending on the State budget's work on nature and biodiversity conservation

Recurrent expenditures	Recurrent expenditure tasks				Tasks of development investment expenditure
	Environmental sector	Scientific sector	Economic sector	Training sector	
Central level	a) Monitoring of national biodiversity; b) Develop a report on biodiversity nationwide; report on the current status of biodiversity of the PAs under the management of the central government; c) Formulate and adjust the master plan on biodiversity conservation of the whole country; formulate and adjust the planning for biodiversity conservation of ministries and central agencies; d) Develop and maintain a national database on biodiversity; dd) Formulate, appraise and adjust the list of endangered, precious and rare species prioritized for protection, the list of invasive alien species, the list of wild species banned from exploitation in the wild, the list of wild species permitted to be conditionally exploited in the wild, and the list of genetic resources banned from export; survey and assess populations to amend and supplement the List of endangered, precious and rare species prioritized for protection; e) Compile dossiers of nomination of MPAs to achieve international titles in conservation, including agricultural reserves of international importance (Ramsar area), biosphere reserves, and ASEAN heritage gardens; g) Zoning and identifying ecological zones with high biodiversity, ecologically degraded regions, and sensitive ecological zones at national and regional levels;	a) Scientific research and application of technologies on conservation and sustainable use of biodiversity; research and apply the development of models of biodiversity conservation; b) Scientific research and technology transfer in the field of biosafety management; to detect and identify genetically modified organisms, products and goods originating from genetically modified organisms; risk analysis, assessment and biosafety management of genetically modified organisms; c) Research and development of valuable indigenous plant and livestock varieties that are threatened with extinction; study and assess the extent of biodiversity vulnerability of biodiversity and ecological regions; assess the current status, analyze the risk of invasion and the extent of invasion of invasive alien species; d) Study and apply the ecosystem approach and access to genetic resources; economic tools in biodiversity conservation;	a) Formulate programs and schemes, including: Program on control of trade and consumption of endangered species; The project to restore important natural ecosystems that have been degraded; Project on strengthening the management capacity of the environmental protection system; Project on consolidating the organizational system of biodiversity; Scheme on strengthening the prevention and combat of crimes related to ethnic minorities and other programs and schemes in accordance with law; Funding for the implementation of the above-mentioned programs and schemes shall comply with the approval decisions of competent authorities according to the nature of each capital source and the current budget decentralization. b) Expenses for operation of the PA Management Boards under the central management;	Training and fostering to improve professional qualifications in biodiversity for officials of the central government and PAs under the management of the Central Government.	a) Conduct a basic surveys on biodiversity; b) Restoration of natural ecosystems; c) Conservation of species on the List of endangered, precious and rare species prioritized protection: d) Invest in the construction, upgrading and renovation of the State's biodiversity conservation establishments; dd) Implement programs on control, isolation and eradication of invasive alien species; e) Other investments related to the sustainable biodiversity conservation and development as prescribed by law.

Recurrent expenditures	Recurrent expenditure tasks			Tasks of development investment expenditure
	Environmental sector	Scientific sector	Economic sector	Training sector
	h) Propagating and educating the law, raising awareness of biodiversity conservation and biodiversity, providing professional training on biodiversity to the provincial level; i) Formulate and promulgate standards, economic and technical norms and technical processes on biodiversity conservation; develop strategies and plans for biodiversity conservation at the national and regional levels; k) International cooperation on the conservation and sustainable development of biodiversity (including reciprocal implementation of international projects funded by Viet Nam and reporting to countries for implementation of international treaties on biodiversity); l) Expenditures on activities of the Steering Committee for the implementation of the National Strategy on Biodiversity.	d) To study scientific methods and technologies for conservation and sustainable use of genetic resources; preserving the genetic resources of animals, plants and microorganisms; to conserve and relocate wild species, plant varieties, livestock and precious and rare microbial species; traditional knowledge of genetic resources; e) To study, update, compile and republish the Viet Nam Red Book; g) Other scientific studies related to biodiversity.	c) Formulate and appraise projects on establishment of national-level PAs with an area of two or more provinces or centrally-run cities as assigned by the Government; d) Develop and test models of conservation and sustainable development of biodiversity at the central level; dd) Other tasks related to the central level of biodiversity.	
Local level	a) Monitoring of local biodiversity; b) Formulate reports on the current status of local biodiversity; report on the current status of biodiversity of PAs managed by the locality; c) Formulate, appraise and adjust the planning on biodiversity conservation of provinces and centrally-run cities; d) Statistical statistics of the population under decisions of competent authorities; building and maintaining a database on local biodiversity; dd) Make reports on species on the list of species prioritized protection in their localities;	a) Scientific research on the conservation and sustainable use of biodiversity; researching and applying and developing models of local biodiversity conservation; b) Scientific research and technology transfer in the field of biosafety management; to detect and identify genetically modified organisms, products and goods originating from genetically modified organisms; analysis, risk assessment and biosafety management of local genetically modified organisms;	a) Expenses for operation of the PA Management Boards under the management of the locality; b) Assessment of the current status, analysis of the risk of infringement and the extent of infringement and isolation and eradication of invasive alien species in the locality; c) Develop and test models of biodiversity conservation and sustainable development in localities;	Training and fostering to improve professional qualifications in biodiversity for officials of local agencies and PAs under local management.

Recurrent expenditures	Recurrent expenditure tasks			Tasks of development investment expenditure
	Environmental sector	Scientific sector	Economic sector	Training sector
	e) Compile dossiers of nomination of PAs to achieve international titles in conservation, including agricultural reserves of international importance (Ramsar area), biosphere reserves, and ASEAN heritage gardens; g) Zoning and identifying ecological zones with high biodiversity, ecologically degraded zones, and sensitive ecologically zones under local management; h) Propagating and educating the law, raising awareness of biodiversity conservation and biodiversity, providing professional training on biodiversity in localities; i) Formulate and promulgate standards, eco-technical norms and technical processes on biodiversity conservation; develop local biodiversity conservation strategies and plans; k) International cooperation on biodiversity conservation and sustainable development (including reciprocal implementation of international projects under commitments to which localities are members); l) Expenditures on activities of the Steering Committee for the implementation of the local biodiversity action plan.	c) Implement the program on conservation and sustainable use of endangered, precious and rare species and genetic resources; preserving genetic resources of animals, plants and microorganisms, preserving in place and relocating plant varieties, livestock and local precious and rare microbial strains; d) Research and development of valuable indigenous plant varieties that are threatened with extinction; research and assessment of the extent of biodiversity damage; dd) Other scientific research related to biodiversity.	d) Rescue and re-release of wild animals and plants on the list of endangered, precious and rare species prioritized protection in terms of natural habitats and natural habitats; expenses for assessment, transportation of specimens and destruction of dead specimens in the process of rescue; dd) Other tasks related to biodiversity in the locality.	

Source: Law on Biodiversity (2008), Joint Circular No. 160/2014/TTLT-BTC-BTNMT dated 29/10/2014 guiding the management, use and settlement of recurrent expenditures from the state budget for the implementation of tasks and projects according to the National Strategy on Biodiversity to 2020, with a vision to 2030

Annex 5. Types of green products provided by Vietnamese commercial banks

	Product Type	BIDV	VCB	VietinBank	Eximbank
1	Project-based funding	Priority areas: Renewable energy; energy efficiency; clean traffic; Environmentally friendly products and circular economy adaptation; Production process and technology; Sustainable water supply and drainage management; Green construction; Agriculture and forestry and pollution prevention; Ecotourism.	X Priority sectors: Aquatic resources (solar power, rooftop solar power, wind power); Water supply and wastewater treatment	X Priority sectors: Aquatic resources (solar power, rooftop solar power, wind power); agriculture and Ecotourism	X Priority sectors: Aquatic resources (solar power, rooftop solar power, wind power); sustainable agriculture
2	Donation, voluntary contribution	Donation activities to support community development, child care, forest planting and protection. However, these activities are purely voluntary social contributions, not individually issued private loans or bonds.			
3	Private bonds issued separately with environmental scoring	N/A	N/A	N/A	N/A
4	Preferential interest rate loans	Grant preferential loans according to each special program. BIDV and VCB participated in the pilot project on green finance and green credit with a total value of VND 2,000 billion according to Directive No. 03/CT-NHNN dated March 24, 2015 of the Governor of the State Bank of Viet Nam on promoting green credit growth and managing environmental and social risks in credit extension activities. The interest rate applied to small and medium-sized enterprises is 1-3% lower than the market interest rate. Commercial banks participating in this program are refinanced by the SBV with an interest rate lower than 1% compared to the usual rate.	The \$1.5 million GIF loan from 2019 supports green investment as part of a project in the field of low-carbon conversion into energy savings.	Grant preferential loans under special programs. - Credit products for rooftop solar projects from August 2020; - Customers: Enterprises (including micro-enterprises) sign a power purchase contract with EVN or a unit authorized by EVN; - Preferential interest: from 8.1%/year; - Total value of credit packages: 10 billion VND; - VietinBank applies a flexible mortgage mechanism for each customer. Businesses can mortgage with the project's assets and equipment up to 70% of the assessed value of the equipment.	N/A

Product Type	BIDV	VCB	VietinBank	Eximbank
Example	On May 26, 2021, BIDV and the French Development Agency (AFD) signed a credit agreement worth \$100 million to promote green investment in the field of aquatic resources and energy efficiency. Accordingly, AFD will provide preferential credit worth \$100 million to BIDV and technical assistance worth EUR 300,000 to BIDV and its customers.	- High-tech clean agriculture project: Disbursement of VND 2,500 billion. Announcing a credit package for clean agriculture (10,000 billion VND); Clean water supply (10,000 billion VND); industrial development and supporting industries (10,000 billion VND); loans for the development of the health sector (30,000 billion VND). - In 2019, a credit package worth \$200 million was implemented for aquatic resources projects (green energy) from the Japan Bank for International Cooperation (JBIC). - The bank has its own product to finance energy projects. As of August 31, 2020, disbursement for energy projects reached VND 27,267 billion.	- Product package for Viet Nam's clean agriculture from 2019: - The policy product package with a ceiling interest rate for short-term loans for new agricultural and rural projects is 6.5%/year. In particular, with high-tech agricultural projects, the loan interest rate is 0.5 – 1.5%/year lower than ordinary production and business loans with the same term. - The credit policy supports agricultural development in the direction of large-scale commodity production, technology application with unsecured loans up to 70-80% of the project value. In particular, when customers participate in agricultural insurance, they will enjoy preferential policies with a minimum interest rate of 0.2%/year compared to the normal interest rate. - Other credit product packages specifically for the agricultural industry are designed specifically for each specific customer group: Financing package for NTTs, loans for the development of handicraft villages based on cash flow management of export contracts; develop export agricultural product chains to provide financial support for individuals and organizations in the agricultural product value chain with quick procedures. Collateral is the royal currency exchanged between individuals and businesses.	

	Product Type	BIDV	VCB	VietinBank	Eximbank
5	ESG Investment Trust	N/A	N/A	N/A	N/A
6	Green Bonds	Viet Nam does not have green bonds, but has only issued green bonds for local governments on a pilot basis in two cities (Ho Chi Minh City and Ba Ria – Vung Tau). Pilot project on issuance of local government green bonds in Viet Nam Ho Chi Minh City ☐ Bond Type: Local Government Green Bond ☐ Term: 15 years ☐ Total value: 523.5 billion VND (equivalent to 24 million USD) ☐ Use: Funding 11 green projects in the areas of sustainable water management, climate change adaptation, and sustainable infrastructure. Ba Ria – Vung Tau ☐ Bond Type: Local Government Green Bond ☐ Duration: 5 years ☐ Total value: 80 billion VND (equivalent to 3.7 million USD) ☐ Use: Funding projects in the field of sustainable water management.	VietinBank has been doing research on green capital market and green bond on the basis of sharing knowledge and experiences from major financial institutions in the world such as the IFC and MUFG Bank.	N/A	
7	Gift deposits	N/A	N/A	N/A	N/A
8	Grants make a positive impact	N/A	N/A	N/A	N/A
9	Other: Credit guarantees for aquatic resources projects	All three banks issue credit guarantees for this activity.			N/A

Annex 6. Some biodiversity offset mechanisms at the national and local levels

	Biodiversity offset Fund	Mitigation/Conservation Banking	The project owner shall comply with the Government's regulations	The Government implements with the support of the project owner
A. Types of biodiversity offsets Systems	- It is a mechanism in which the project owner is required to pay a fixed or proportional fee according to the total project capital, instead of having to directly carry out compensation activities or purchase credits for the conservation of biodiversity. So, it is also sometimes referred to as an alternative payment system. - The biodiversity offset will be transferred directly to activities that compensate for the loss of biodiversity caused by the project, or used to support other projects that are indirectly related to biodiversity such as funding management or research in biodiversity	- Mitigation banking (also known as conservation banking) is the purchase of credit from a third party, which has recovered or owns other locations in the same area to offset the impact of the project - Entity "banks" that live in the conservation area are usually located on private land (individuals or communities). The value of living entity credits varies according to economic factors, land value, competition, and market demand. - There are often intermediaries who connect buyers and sellers of credits	The project owner (which can be a private or public entity) is responsible for making the biodiversity offset, but the area and method of biodiversity offsets are decided by the government's environmental agency. This is also the agency that guides the design of biodiversity offsets activities.	The government conducts biodiversity offset, which is usually part of the biodiversity development strategy, but the cost of biodiversity offsets is paid by the project owner (which can be private or public). The amount of money to be paid by the project owner is based on the area and quality of living entities affected by the project. The biodiversity offset site is expected to be similar or (ideally) better than the project loss zone.
B. Conditions of application	- Can be applied when land use rights are uncertain, as the budget is usually used for PAs - It requires state management agencies to have a certain management and enforcement capacity, but not as high as in the mitigation banking mechanism	- Operates well in the event that there is a lot of privately owned land with well-defined land use rights - It requires the infrastructure of the market to be well developed and requires very high capacity of state agencies	- There must be a good database of locations and quality of living entities, including data on potential biodiversity offset sites. - State agencies must have certain capacity, especially when biodiversity offset for each project is part of a mixed package	- Can be applied when land use rights are uncertain, as the budget is usually used for PAs - Suitable in countries that are looking to drastically expand the area of PAs or increase funding for the system of PAs

	Biodiversity offset Fund	Mitigation/Conservation Banking	The project owner shall comply with the Government's regulations	The Government implements with the support of the project owner
C. Example	The Brazilian Environmental Compensation Fund was established under the National PA System Law. It transfers capital from major infrastructure projects to PAs and other conservation initiatives. For example, the Bolivia-Brazil Gas Pipeline Project has spent 0.5 percent of the project's investment costs on field enhancement activities at 12 PAs near where the pipeline passes.	In the US, mitigation banking is used nationwide to ensure the principle of "no net loss" in foreign investment banks under the Clean Water Law. In Australia, Victoria's BushBroker Program has been based on identifying landowners who are willing to conserve and manage indigenous vegetable varieties. Bushbroker officials use the Habitat Hectare method to assess potential biodiversity offset sites, determine the number and type of credits to be sold to project owners	In Colombia, mining, oil and gas projects, new port construction projects, infrastructure and new international airports are often required for biodiversity offsets (resolution 1517 of 2012, Article 2). The biodiversity offset is carried out by the private sector but the location is designated by the National Environmental Licensing Agency in accordance with the law.	- The biodiversity offset roadmap for Liberia proposes that large mining companies should be incentivized or required to support biodiversity offset activities within the proposed PA, allowing them to become part of the official biodiversity network. - Mozambique's biodiversity offsets roadmap proposes a system in which project owners will support biodiversity offset in order to strengthen parts of a large network of PAs that are severely underfunded.
D. Strengths	- Biodiversity offset funds are a direct way to implement and compare with the country's conservation or "net loss" legal frameworks - Less burden for the project owner because of the simple payment mechanism, proportional to the investment scale of the project	- The project owner (public or private) does not need to spend time or effort to find a biodiversity offset location, as this work is the responsibility of a third party (such as BushBroker) - The biodiversity offset site is similar, sometimes having been restored before the adverse impacts of the development project occurred, so there is usually no delay between the time of loss and recovery of the biodiversity - A large biodiversity offset site may provide relief biodiversity offset services for two or more projects - Shortening the time for projects to apply for environmental permits - Low-capacity project owners (such as small businesses) can still participate	- Approaches can be designed to embody the principle of "No Net Loss" or "Net Benefit" - The biodiversity offset site is similar, preserved or restored before the negative impacts of the project take place, so there is usually no delay between the time of loss and recovery of biodiversity - Shortening the time for projects to apply for environmental permits - Promote a strategic approach to biodiversity conservation at the landscape level, as the site of biodiversity offsets is pre-designated	- The project owner (public or private) does not need to spend time or effort to find a place for biodiversity offsets, because the State is already responsible - The biodiversity offset site is similar and protected with the support of the project owner, before the initial negative impacts of the project take place, so there is usually no delay between the time of loss and recovery of the biodiversity - A large biodiversity offset site can provide relief biodiversity offset services for many projects - Promote a strategic approach to biodiversity conservation at the landscape level, as the site of biodiversity offsets is pre-designated

	Biodiversity offset Fund	Mitigation/Conservation Banking	The project owner shall comply with the Government's regulations	The Government implements with the support of the project owner
E: Weakness	- Seriously, the biodiversity offset fund is not a real biodiversity offsets mechanism, because conservation activities do not necessarily include: (i) containing ecosystems and species similar to those that were infringed on by the original project; and (ii) a "beneficial exchange" for an ecosystem with a higher conservation priority. - In the absence of proper oversight mechanisms when licensing projects, a simple biodiversity offset mechanism can encourage, rather than prevent, projects that upset natural features - Without clear criteria and processes on how the proceeds will be used for the goal of biodiversity conservation, the money may pile up in accounts that cannot be disbursed or used for other unrelated purposes - If the biodiversity offset amount of the project owner (public or private) is calculated as a fixed amount or depends on the total investment of the project (not according to the specific impact of the project), it does not motivate the project owner to reduce the negative impact on the project according to the order of the mitigation measures in place. - The biodiversity offset fund is nothing more than a disguised tax, making it very easy to be criticized politically, leading to abolition or cuts.	- An effective mitigation banking system often requires ensuring land use rights, a strong legal system, and very strong government supervision and regulation; therefore it may only be suitable for highly developed countries - Over time, landowners may not be able to adequately manage the designated reclaimed land from the perspective of biodiversity conservation, due to frequent increases in expenditure or lack of commitment to conservation... - The potential supply of high-value reclamation sites is limited, especially when many landowners are hesitant to commit to long-term constraints on land use or water resources - Some banks are relieving reliance on recovery chargebacks (rather than loss-prevention chargebacks). That's high-risk, cost-ineffective, or some species can't recover.	- Project owners still have to implement biodiversity offset measures, and they may not have enough capacity and commitment. - Finding the right biodiversity offset location can be challenging, especially when it comes to finding an identical system.	- The biodiversity offset site can be very far from the original project site; In that case, the parties involved may assume that there is no connection between the original project and the place of biodiversity offsets. - Mining industries and private businesses may be reluctant to support government biodiversity offsets, fearing that their money will be diverted elsewhere.

Source: World Bank (2016): *Refund Handbook*

