



# Current status of financial mobilization and utilization for special-use forest development in Vietnam

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Special-use forests (SUFs) are forests with special value in nature conservation, scientific research, protection and environmental protection. According to Clause 2, Article 5 of the Forestry Law 2017, special-use forests are forests used mainly to conserve natural forest ecosystems, forest biological gene sources, scientific research, conservation of historical - cultural relics, beliefs, scenic spots combined with ecotourism; recreation, entertainment except for strictly protected areas of special-use forests; provision of forest environmental services (FES) including: National parks (NPs); Nature reserves; Species - habitat conservation areas; Landscape protection areas including forests preserving historical - cultural relics, scenic spots; religious forests; forests protecting the environment of urban areas, industrial parks, export processing zones, economic zones, high-tech zones; Research and scientific experiment forests; national botanical gardens; national seed forests [2]. Currently, the SUFs system is established in 54 of 63 provinces and centrally-run cities with a total area of 2,303,961 ha (forested area is 2,195,725 ha, including 2,100,785 ha of natural forest and 94,940 ha of planted forest); of which, the area of national parks is 1,168,571.68 ha, nature reserves are 1,026,334.27 ha, species and habitat conservation areas are 69,383.84 ha, landscape, historical and environmental protection areas are 198,231.71 ha and scientific experimental research forests are 10,441.82 ha [9]. The financial mechanism for SUFs development is very diverse and rich; Depending on the ability to balance the budget, the actual conditions of each locality as well as the capacity to mobilize, receive, manage and use effectively of each Management Board (MB), it usually includes 4 basic contents: Mobilizing and creating financial resources; Allocating and using financial resources; Managing financial resources; Checking and controlling finances. In which, mobilizing, creating financial resources and allocating and using financial resources (such as revenue and expenditure) play a key role.

## 1. REVENUE FOR SPECIAL-USE FORESTS' DEVELOPMENT

Regarding revenue sources for the development of special-use forests, the the Law on Forestry 2017 clearly states that the State ensures resources for the management, protection and development of special-use forests and protective forests (Article 4) and stipulates that financial sources in forestry include: State budget; Investment, contributions, support and sponsorship from domestic and foreign organizations and individuals; Revenue from forest product exploitation; forest and forest land leasing; Revenue from the obligation to pay for replacement forest planting due to the conversion of forest use purposes to other purposes; Revenue from forest environmental services (FES) and forest environment leasing; Credit capital from domestic and foreign financial institutions; Other financial sources as prescribed by law (Article 92) [2]. Article 87 of Decree No. 156/2018/ND-CP dated November 16, 2018 detailing the implementation of a number of articles of the Forestry Law also stipulates: "The State ensures the investment budget for activities to protect and develop special-use forests..." [3].

Regarding revenue from the State budget, on July 12, 2022, the Prime Minister issued Decision No. 809/QĐ-TTg approving the Sustainable Forestry Development Program for the 2021-2025 period, with a total estimated capital for the Program of VND 78,585 billion, of which: State budget: VND 13,682 billion; other legal capital sources: VND 64,903 billion. The result of mobilizing funds to implement the Program in 2021-2022 is about VND 30,330 billion, an average of VND 15,165 billion/year, of which: State budget is about VND 4,006 billion, an average of VND 2,003 billion/year, accounting for 13.2%; Other sources are about 26,324 billion VND (of which: DVMTR: 6,856 billion VND; other legally mobilized capital: 19,468 billion VND) accounting for 86.8%; average 13,162 billion VND/year [7].

Regarding promoting socialization in mobilizing investment resources for the protection and



**Table 1. Average revenue structure of a SUFs' Management Board**

No.	Revenue	2018		2019		Synthetic	
		Value (million VND)	Structure (%)	Value (million VND)	Structure (%)	Value (million VND)	Structure (%)
1	Regular expenses	5.236	31,46	5.366	27,4	10.602	29,26
2	Central development investment	404	2,42	285	1,46	689	1,90
3	Local development investment	907	5,45	1.217	6,21	2.124	5,86
4	Forest protection policy (Decision No. 24/2012/QĐ-TTg)	753	4,52	693	3,54	1.445	3,99
5	Sustainable Forestry Program	1.208	7,26	1.434	7,32	2.642	7,29
6	National Breeding Program	46	0,46	90	0,46	116	0,46
7	Science and technology topics	425	2,55	460	2,35	885	2,44
8	Other programs	1.514	9,1	982	5,01	2.496	6,89
9	Retained revenue	2.860	17,18	3.373	17,22	6.233	17,20
10	PFES	2.764	16,61	3.247	16,58	6.011	16,59
11	Other	499	3	2440	12,46	2.939	8,11
<b>Total</b>		<b>16.646</b>	<b>100</b>	<b>19.587</b>	<b>100</b>	<b>36.233</b>	<b>100</b>

(Source: [5])

development of special-use forests, it is reflected in the Law on Forestry 2017 and Decree No. 156/2018/ND-CP dated November 16, 2018 of the Government. Specifically, Clause 4, Article 53 of the Law on Forestry 2017 stipulates that: "Forest owners shall organize, cooperate, associate or lease forest environments to organizations and individuals for ecotourism, resort and entertainment business in special-use forests, ensuring that they do not affect the conservation of natural ecosystems, biodiversity, environmental landscapes and other functions of the forest". From Article 61 to Article 65 of the Law on Forestry, regulations on Payment for Forest Environmental Services (PFES) are specified, including five types of services and seven groups of payers. The five types of PFES include soil protection, prevention of erosion, and reduction of sedimentation in reservoirs, rivers, and streams; Regulating and maintaining water resources for production and social life; Absorbing and storing carbon from forests; reducing greenhouse gas emissions from limiting deforestation and forest degradation, sustainable forest management, green growth; Protecting and maintaining the beauty of natural landscapes, conserving biodiversity of forest ecosystems for tourism business; Providing spawning grounds, food sources, natural breeds, water sources from forests and environmental factors, forest

ecosystems for aquaculture. Seven groups of payers who must pay for forest environmental services include: Hydropower production facilities must pay for services on land protection, limiting erosion and sedimentation of lakes, rivers, streams, regulating and maintaining water sources for hydropower production; Clean water production and supply facilities must pay for services on regulating and maintaining water sources for clean water production; Industrial production facilities must pay for services on regulating and maintaining water sources for industrial production; Organizations and individuals doing business in ecotourism, resorts and entertainment services must pay for services related to protecting and maintaining the beauty of natural landscapes and conserving biodiversity of forest ecosystems; Organizations and individuals engaged in production and business activities that cause large greenhouse gas emissions must pay for services related to absorbing and storing carbon in forests; Aquaculture facilities must pay for services related to providing spawning grounds, food sources, natural breeds, water sources and environmental factors, forest ecosystems for aquaculture; And other group of payers as prescribed by law [2]. In addition, in order to mobilize financial resources from global climate finance initiatives, on December 28, 2022, the Ministry of Agriculture and

**Table 2. Average expenditure structure of a RDDD Management Board**

STT	Revenue	2018		2019		Synthetic	
		Value (million VND)	Structure (%)	Value (million VND)	Structure (%)	Value (million VND)	Structure (%)
1	Staff salaries	5.005	29,53	5.173	28,36	10.178	28,92
2	Machine operation cost	2.117	12,49	2.123	11,64	4.241	12,05
3	Forest development expenditure	541	3,19	549	3,01	1.091	3,10
4	Expenditures for performing professional tasks related to sustainable forest management	2.210	13,04	2.341	12,83	4.551	12,93
5	Construction and equipment investment costs	1.895	11,18	3.033	16,63	4.928	14,00
6	Conservation and scientific research expenses	356	2,1	253	1,39	609	1,73
7	Buffer zone community support	491	2,9	487	2,67	978	2,78
8	For wildlife rescue operations	34	0,2	17	0,09	51	0,14
9	Biodiversity survey expenditure	94	0,55	46	0,25	140	0,40
10	Fixed asset depreciation	358	2,11	507	2,78	865	2,46
11	Allocation to the public service unit's fund	2.772	16,36	2.725	14,94	5.497	15,62
12	Forest inventory and monitoring	56.9	0,34	55	0,3	112	0,32
13	Other expenses	1.018	6,01	932	5,11	1.950	5,54
<b>Total</b>		<b>16.947</b>	<b>100</b>	<b>18.242</b>	<b>100</b>	<b>35.189</b>	<b>100</b>

*(Source: [5])*

Rural Development submitted to the Government for promulgating the Decree No. 107/2022/ND-CP on piloting the transfer of emission reduction results and financial management of greenhouse gas emission reduction payment agreements in the North Central region. Thanks to that, forest owners in the North Central region in general and the Specialized Forest Management Boards in this region in particular have more opportunities to receive financial resources from the transfer of emission reduction results [8] (Table 1).

According to the Study on evaluating investment policies for sustainable development of special-use forests in Vietnam, jointly conducted by the German International Cooperation Agency (GIZ) and the General Department of Forestry, the results of the survey of 51 special-use forest management boards showed that the average revenue of a special-use forest management board in 2019 was 19.6 billion VND, higher than 16.6 billion VND in 2018; The average revenue structure for a special-use forest management board focuses on 3 main sources: Regular expenditure (29.26%), retained fees (17.02%) and sources from forest environmental service payments (16.59%), while

revenue from target programs is insignificant (such as the National Seed Program accounting for 0.46%).

Thus, in terms of revenue for special-use forest development, financial sources are mobilized in a variety of ways but are not balanced, depending heavily on the State budget. Regarding resource creation, the Management Boards have developed ecotourism business activities, developed forest environmental services... however, the level of development is different and uneven among the Special Reserve Management Boards.

## 2. SOURCES OF FUNDING FOR SPECIAL-USE FOREST DEVELOPMENT

The cost of developing special-use forests includes many items, mainly focusing on forest management and protection, investment in buffer zone communities and other costs. The average support level for forest management and protection is 100,000 VND/ha/year. Buffer zone communities are supported with an average of 50 million VND/community/year to develop their livelihoods [11]. In addition, there are other costs such as costs for preparing forest protection records; costs for forest protection inspection and acceptance;



costs for investment in works and equipment; costs for conservation and scientific research; costs for wildlife rescue activities, etc (Table 2).

An analysis of the average expenditure structure of a Special-Use Forest Management Board in 2018 and 2019, based on the above-mentioned survey by GIZ and the Vietnam General Department of Forestry, shows that the highest proportion of spending was on staff salaries (28.92%), followed by appropriations to the fund of the public service unit (15.62%), a portion of which was later mostly allocated to additional salary payments. Investment in infrastructure and equipment accounted for 14%, administrative operation costs for 12.05%, and expenditures on professional tasks related to forest protection and management for 12.93%. Expenditures with lower proportions included biodiversity conservation and scientific research (1.73%), wildlife rescue activities (0.14%), and forest resource monitoring (0.32%), despite the high demand for budget in these areas. Moreover, spending on biodiversity surveys - a pressing and essential task for nature and biodiversity conservation, environmental protection, sustainable use of natural resources, and national sustainable development, was also very limited, accounting for only 0.4% over the two years of 2018 and 2019. Thus, the current developing special-use forests' expenditures are mainly focused on administrative operations and forest protection management activities.

### 3. PROPOSING SOLUTIONS TO PERFECT SUSTAINABLE FINANCIAL MECHANISMS FOR SPECIAL-USE FOREST SYSTEMS

In recent times, the Government's SUF development goals have been basically achieved. However, in the context of increasing pressure on livelihoods, limited resources, and the ongoing degradation of forest resources and biodiversity, SUF Management Boards are facing many difficulties and challenges such as limited state budget for professional activities; difficulty in mobilizing and attracting non-state budget investment sources, especially investment sources from the private sector. In particular, the implementation of the financial autonomy mechanism still has many obstacles, and there are still other barriers, difficulties and challenges related to institutions, policies, quality of human resources, infrastructure conditions, etc... These factors limit the assignment of tasks, signing of results-based contracts. Thereby hindering improvements in financial efficiency and the generation of income to reinvest in conservation activities and to enhance the income of officers, staff, and workers at

Special-Use Forest Management Boards [4]. Therefore, achieving financial sustainability for SUF areas is critically important.

Financial sustainability for special-use forests reflects the ability to ensure adequate, stable, long-term financial resources and the ability to allocate them in a timely manner in an appropriate form, to cover all costs for special-use forests. At the same time, it ensures that special-use forests are managed practically and effectively, meeting conservation and other objectives. To ensure the synchronous and effective implementation of sustainable financial mechanisms for the special-use forest system in Vietnam, the author recommends the following recommendations:

*First, perfecting sustainable financial mechanisms and policies*

Currently, the financial mechanism for the SUF system is implemented according to the Law on Forestry 2017, regulations and detailed instructions for the implementation of the Forestry Law; regulations of specialized laws such as: Law on Biodiversity, Law on Environmental Protection, Law on Cultural Heritage, Law on Handling of Administrative Violations and a number of other relevant laws. After the Forestry Law was passed by the National Assembly, the Ministry of Agriculture and Rural Development submitted to the Government for promulgation Decree No. 156/2018/ND-CP detailing the implementation of a number of articles of the Forestry Law, including many important chapters and articles regulating SUF; reflecting contents such as: Regulations on management of 3 types of forests, payment for forest environmental services, forest fire prevention and fighting, investment and development policies for SUF [3]. It can be affirmed that the Law on Forestry 2017 and its guiding documents are new step forward in the process of institutionalizing major policies and guidelines of the Party and State. The current regulations in forestry law not only focus on forest protection but also cover and ensure that forestry activities are based on the value chain, from forest protection, forest development, forest use, production organization, processing and trade of forest products. Notably, the current regulations have created a legal corridor to encourage the Management Boards of Special-use Forests not only to carry out the tasks of forest protection, biodiversity conservation of forest ecosystems but also to take advantage of opportunities to exploit and mobilize financial resources outside the budget through ecotourism activities, payment for forest environmental services, science and technology and international cooperation.



*The wildlife rescue*

However, it is essential to revise and supplement regulations on forestry development investment policies and PFES policies in a way that expands existing PFES revenue sources. It is also necessary to promote and create favorable conditions, as well as mechanisms and policies, to implement agreements on the transfer of emission reduction outcomes between partners and localities; to pilot, review, and scale up policies on payments for forest carbon sequestration services. In addition, it is necessary to develop technical and economic norms as a basis for the State to assign tasks, place orders, or organize bidding for the provision of public products and services. In particular, urgent efforts are needed to develop and issue technical and economic norms for: (i) forest protection, inventory, and monitoring; (ii) rescue, rehabilitation, and release of wild animals; (iii) forest biodiversity monitoring; and (iv) collection, processing, and preservation of forest biological specimens.

*Second, promote socialization and attract investment from the private sector.*

Assessing the status of forest management and development up to 2017, Directive No. 13-CT/TW dated January 12, 2017, of the Party Central Secretariat on strengthening the Party's leadership in forest management, protection, and development concluded that: "Forest management, protection and development remain limited and weak; planning for forest protection and development is not synchronized with

land use planning and socio-economic development planning; forest areas loss due to wildfires and landslides is increasing; afforestation and reforestation efforts are behind schedule; the socialization of forest management, protection, and development remains limited; while forest cover has increased, it is difficult to achieve the targets set in the 12<sup>th</sup> National Party Congress Resolution..." [12]. This shows that the Party and the State have comprehensively reviewed and analyzed the constraints in forest management and development, in which the socialization of forest management, protection, and development is identified as an important factor, yet has not been effectively promoted.

To specify the content of socialization of forest management, protection and development from Directive No. 13-CT/TW of the Central Secretariat, on April 1, 2023, the Prime Minister issued Decision No. 523/QD-TTg, which identified "Research and development of policies to promote the socialization of forestry, attract investment in forestry, natural forest management, community forestry development, and forest environmental services" as one of the important policy solutions [6]. Currently, the socialization of forest planting and forest restoration is increasingly receiving attention and response from people, businesses and organizations, contributing to the sustainable development of the country. Over the past years, the State has encouraged economic sectors to participate in



forest development, through many important policies such as land allocation and forest allocation, specific policies to encourage investment, develop cooperation, link production, support preferential loans, etc... Since then, it has mobilized all resources and diversified capital sources for implementation, of which capital from the state budget accounts for about 17%, the remaining 83% is socialized capital from investment mobilization, contributions, and support from organizations, businesses, and individuals. In addition, the formation and effective organization of the Forest Protection and Development Fund system from the central to local levels is also a typical success of the forestry sector in effectively and sustainably mobilizing social resources for forest management, protection, and development. Revenue sources for forest environmental services will continue to be expanded in the coming time, first of all, forest carbon services and forest carbon credit trading. In the coming time, to promote socialization and attract investment from the private sector, it is necessary to improve the investment and business environment, reform administrative procedures to promote the leasing of forest environments, organize cooperation and linkage between forest owners and businesses, research institutes, schools and training facilities in scientific research and teaching activities, etc.

*Third, promote access to new financial initiatives*

Payments for ecosystem services are receiving increasing attention and promotion from the international community as one of the effective and sustainable financial mechanisms for forest protection, reducing deforestation and forest degradation. In addition, markets for the purchase, sale, transfer, and exchange of emission reduction results, forest carbon credit trading, and result-based payments under the REDD+ mechanism have shown positive signs. Currently, several international organizations, corporations, and foreign enterprises are expressing interest and promoting cooperation with the Ministry of Agriculture and Rural Development (MARD) in developing projects and agreements for forest carbon emission reduction result transfers, such as the Emergent Forest Finance Accelerator and the German Agency for International Cooperation (GIZ), among others.

However, to effectively access these new financial initiatives, it is necessary to strengthen the organization of policy dialogue forums, conferences, workshops, and training courses to build capacity for implementing new financial themes, mechanisms, and initiatives. Active participation in knowledge-sharing

networks at the regional, national, and international levels is also essential for exchanging experiences and staying updated. ■

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