

# **Adopting a Natural Capital Approach to Integrate Natural Resources Management, Environmental Protection and Response to Climate Change in a time of International Economic Integration,**

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International economic integration has become the key to Viet Nam's continued economic prosperity, and environmental management has become central to international economic integration, as seen in the 2030 Development Agenda and Sustainable Development Goals, the move to a green economy and low-carbon growth, and Free Trade Agreements like the Trans-Pacific Partnership Agreement. In this new era of green growth and the new climate economy, MONRE needs to adopt a unified approach to natural resources management, environmental protection and response to climate change with a clear focus and orientation.

## **Focusing on what unites, not what divides.**

MONRE tends to see natural resources (eg minerals, water, land), the environment (biodiversity, pollution control) and response to climate change as separate issues, and to manage them separately. By managing them separately, MONRE ignores what they all have in common. Until recently, market economics has also supported this idea, by valuing natural resources and the environment differently.

1. Many natural resources, such as minerals, are traded in the market, and given a market price. Therefore, they have been viewed as economically valuable.
2. But many essential environmental goods and services, such as pollination services, are not traded in the market, and have no market price. Therefore, they have been viewed as having no economic value.

Today this mind-set has changed. New methods of valuation are able to put a monetary value on environmental goods and services that have no market price. Both market-priced and unpriced natural resources and environmental goods and services are able to be valued economically. The value of their contribution to the

economy can be accurately assessed. Together, natural resources and environmental goods and services can be defined as a nation's natural capital.

### **Adopting a natural capital approach**

While Viet Nam continues to examine how to include natural capital accounting into its national accounts, MONRE can integrate the management of natural resources and the environment, including climate change adaptation and mitigation, by adopting a natural capital approach. This unified approach aims at managing the nation's entire stock and flows of renewable and non-renewable resources as the nation's natural capital.

Natural capital valuation tools most suited to Viet Nam need to be identified and applied, along with the use of an integrated spatial planning approach to unify land use planning, resource use planning and environmental planning. Competing uses of natural capital need to be assessed in terms of net benefits, with degradation and depletion of natural capital stocks and flows valued in any trade-off. This approach can help resolve conflicting development proposals by focusing on clear economic criteria. It can also help Government decision-making on resource use and environmental protection to be more focused, more transparent, and more clearly understood by the public.

Increasing the quality, not just the quantity, of the nation's natural capital stocks needs to be addressed. There is a clear economic case for re-investing in quality natural capital. High quality natural capital reduces annual infrastructure maintenance costs and increases the life span of the investment. For example, the need to frequently repair rural roads in highland areas is reduced, and the life span of roads increased, by adopting an ecosystem-based approach to road siting and land clearance to reduce landslide and erosion risks. In the case of hydropower dams, improved upland management practices reduce sedimentation loads in rivers so that dam operators need to dredge their reservoirs less frequently, and the life span of the dam is increased. Similarly, improved upstream water management can lower operational costs of downstream urban water treatment plants and provide urban residents with better quality water. In coastal areas, landowners benefit from having mangrove forests that reduce storm surges and decrease salinity. The

Government has legislated to ensure that beneficiaries of such services pay those that provide them.

Article 7 of Decree No. 99/2010/ND-CP of September 24, 2010 of the Prime Minister lists payers and types of forest environment services which must be charged, referring to fee-for-service payments between those protecting forest ecosystem natural capital ensuring supply of forest ecosystem services, and those that benefit from these services. It has been effectively put into practice by hydropower generation establishments. However, arrangements have yet to be widely adopted for other beneficiaries listed in the Decree such as clean water production and supply establishments, industrial manufacture establishments, tourist service providers and those liable to pay for supply of spawning grounds, and use of water from forest for aquaculture. These are opportunities for protecting natural capital while strengthening poor rural livelihoods that could be addressed by members of the new Natural Capital Platform.

Managing natural resources and environmental goods and services as natural capital acknowledges the central role played by the environment in the national economy. It allows for stronger support of the country's Green Development, low-carbon growth strategies. It can help MONRE more easily implement ecosystem-based approaches to climate change and socio-economic development. It provides a single unifying orientation for all units in MONRE, allowing them to focus together on a common cause: minimising depletion and degradation of natural capital; restoring and rehabilitating natural capital; and realizing the full value of any natural capital priced and traded by the market.