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Sustainability as Strategy or Symbolism? Leadership, Governance, and ESG Integration in Kenyan Organizations

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Abstract

Sustainability has emerged as a critical ethical and strategic issue in corporate governance, yet its adoption in emerging economies remains uneven. This study examined whether sustainability initiatives in Kenyan organizations function as genuine strategic value-creation mechanisms or merely symbolic tools for legitimacy. Drawing on institutional theory and sustainable leadership scholarship, the research explores how coercive, normative, and mimetic pressures interact with governance structures and executive commitment to influence ESG adoption, disclosure quality, and assurance practices. Using a mixed-methods design, the study combined ESG disclosure analysis (2021–2025), financial performance indicators, and executive interviews across publicly listed and major private firms. The findings identify three organizational archetypes: strategic integrators, who embed sustainability within operations and risk management; compliance-driven adopters, who respond primarily to regulatory and investor expectations; and symbolic reporters, whose ESG engagement is largely performative. While institutional pressures have expanded disclosure practices, meaningful sustainability integration depends on ethical leadership, robust board oversight, and credible assurance systems. Strategic integrators demonstrate stronger resilience, enhanced stakeholder trust, and superior long-term performance. The study advances institutional theory by contextualizing ESG adoption within Sub-Saharan African organizational environments and extends sustainable leadership scholarship to emerging markets. It underscores the importance of regulatory coherence, governance maturity, and accountability mechanisms in curbing symbolic compliance and embedding sustainability as both a strategic priority and ethical imperative.

Keywords: Environmental, Social & Governance (ESG); institutional theory; sustainable leadership; legitimacy; emerging markets; Kenya; greenwashing; corporate strategy

1. Introduction

Sustainability has evolved from a peripheral Corporate Social Responsibility (CSR) concern to a core element of corporate governance and ethical oversight. Between 2021 and 2026, Environmental Social and Governance (ESG) considerations have become central to global capital markets, regulatory reforms, and stakeholder activism. Mandatory and quasi-mandatory disclosure frameworks have expanded, institutional investors increasingly incorporate ESG metrics, and boards face heightened scrutiny over climate, social impact, and long-term accountability (Christensen et al., 2021; Gillan et al., 2021; IFRS Foundation, 2023).

Yet, the rapid institutionalization of sustainability raises a critical ethical question: Does increased disclosure reflect genuine organizational transformation, or symbolic compliance with legitimacy pressures? Evidence shows that while ESG reporting has grown, the depth and consistency of implementation remain uneven (Berg et al., 2022; Marquis et al., 2022). This discrepancy has amplified concerns about greenwashing, overstated disclosures, and leadership accountability (Hummel & Schlick, 2023).

These challenges are particularly pronounced in emerging markets, where regulatory enforcement is uneven, and organizations face external pressures to align with global ESG standards while operating within domestic governance frameworks lacking robust oversight. Such conditions often foster symbolic adoption, where compliance occurs formally without substantive operational change (Jamali et al., 2023).

Kenya exemplifies this tension. With ambitious climate goals, promotion of green finance, and growing sustainability reporting aligned with SDGs, Kenyan firms increasingly engage in ESG disclosure. Yet, the extent to which these practices reflect authentic ethical transformation versus reputational positioning remains underexplored empirically.

Key Research Question

To what extent is sustainability in Kenyan organizations substantively embedded as an ethically grounded strategic transformation, and to what extent is it enacted as symbolic legitimacy management in response to institutional pressures?

Specific research Questions:

1. How do institutional pressures shape the form and depth of ESG adoption in Kenyan organizations?
2. How do governance structures and leadership commitment influence whether sustainability is strategically embedded or symbolically enacted?
3. What ethical and performance outcomes result from strategic versus symbolic sustainability adoption?

Problem Gap Contribution Statement

Despite the proliferation of sustainability reporting, research has largely focused on disclosure quantity rather than governance substance. While studies examine ESG determinants, ratings, and performance links, they often neglect the organizational architectures, boards, risk management, executive accountability, and assurance systems

that determine whether sustainability reflects genuine transformation or symbolic compliance. This gap is especially significant in emerging markets, where ESG pressures intersect with uneven enforcement and evolving governance infrastructures. Contemporary debates highlight decoupling, greenwashing, and disclosure inflation, yet empirical analysis of how institutional pressures translate into either strategic integration or performative adoption remains limited. This study addresses this gap by reconceptualizing sustainability as a governance architecture rather than a reporting outcome. Integrating institutional theory with ethical governance and leadership perspectives, it develops and empirically tests a framework explaining why ESG adoption in Kenyan organizations fluctuates between substantive transformation and symbolic legitimacy. In doing so, the research advances understanding of corporate accountability and structurally grounded ESG integrity in emerging economies.

The study hypothesizes that in Kenya:

- a) Institutional pressures increase the likelihood of ESG disclosure adoption but do not independently ensure substantive integration.
- b) Leadership governance functions as a moderating mechanism that shapes whether organizations respond to institutional pressures through strategic embedding or symbolic compliance.
- c) Assurance systems operate as credibility-enhancing mediators, strengthening the alignment between reported sustainability commitments and stakeholder trust.

Contribution to Business Ethics

This paper makes three primary contributions:

- First, it extends institutional theory by incorporating ethical governance and leadership accountability as moderating mechanisms in emerging markets.
- Second, it provides empirical evidence from Sub-Saharan Africa, a region underrepresented in ESG governance research between 2021 and 2026.
- Third, it contributes to greenwashing and disclosure integrity debates by distinguishing between reporting adoption and strategic integration.

By centering sustainability within ethical governance discourse rather than performance metrics alone, the study aligns closely with the normative and accountability-oriented mission of the Journal of Business Ethics.

2. Theoretical Framework

2.1 Institutional Theory and the Ethics of Conformity

Institutional theory suggests organizations conform to socially constructed norms, coercive, normative, and mimetic pressures to gain legitimacy, yet conformity does not guarantee ethical or operational substance. Sustainability research highlights that the global distribution of ESG norms has intensified institutional pressure, but substantive behavioral change remains uneven (Christensen et al., 2021; Jamali et al., 2023). ESG disclosure, institutionalized through reporting frameworks and investor demands, often serves symbolic compliance (IFRS Foundation, 2023). This decoupling—formal structures without operational change creates a moral hazard, as stakeholders may overestimate actual performance (Marquis et al., 2022). In emerging markets like Kenya, alignment with international ESG expectations occurs amid limited

regulatory enforcement, reinforcing that institutional pressure is necessary but insufficient for meaningful sustainability integration.

We therefore conceptualize institutional pressure as a necessary but insufficient condition for substantive sustainability integration.

2.2 Coercive, Normative, and Mimetic Pressures in ESG Adoption

Coercive Pressure

Coercive pressure arises from formal regulations, listing requirements, and policy mandates. Between 2021 and 2026, global momentum toward mandatory climate-related disclosure has intensified coercive influence (Christensen et al., 2021). Empirical evidence suggests that mandatory disclosure regimes increase reporting frequency and comparability. However, they do not automatically improve environmental performance outcomes. Therefore:

H1: Coercive institutional pressure is positively associated with sustainability disclosure adoption but not necessarily with strategic sustainability integration.

Normative Pressure

Normative pressure stems from professional networks, industry associations, and stakeholder expectations. ESG rating agencies, auditing firms, and professional accounting bodies contribute to normative convergence around sustainability practices (Berg et al., 2022). Normative pressure shapes perceptions of what constitutes responsible corporate behavior.

However, normative pressure may incentivize standardization rather than innovation. Firms may conform to reporting templates without altering core operational processes.

H2: Normative institutional pressure increases reporting standardization but does not independently predict deep strategic embedding of sustainability.

Mimetic Pressure

Mimetic pressure arises under conditions of uncertainty, where firms imitate perceived leaders. In emerging markets, multinational corporations and large domestic firms often serve as templates for sustainability adoption.

Imitation reduces reputational risk but may foster superficial replication. When sustainability becomes a competitive signaling mechanism, mimetic diffusion can produce widespread rhetorical adoption without consistent implementation depth.

H3: Mimetic pressure increases symbolic sustainability practices, particularly in sectors characterized by high reputational visibility.

2.3 Ethical Governance and the Moral Foundations of Sustainability

While institutional pressures drive ESG diffusion, they do not ensure ethical commitment. Corporate governance through board oversight, ESG-linked executive compensation, transparent metrics, internal audits, and independent assurance anchors sustainability in ethical practice. Without these structures, sustainability risks are mere reputational signaling. Governance quality predicts disclosure integrity and mitigates greenwashing, aligning rhetoric with operational performance (Hummel & Schlick, 2023).

H4: Governance maturity is positively associated with substantive sustainability integration.

2.4 Responsible and Sustainable Leadership as Moderating Mechanism

Between 2021 and 2026, leadership scholarship increasingly emphasizes the ethical dimensions of sustainability, highlighting responsible leaders who balance stakeholder interests, maintain long-term strategic focus, and uphold moral accountability (Pless et al., 2021; Strand, 2022). Such leaders embed sustainability into the organization's normative and strategic core, influencing resource allocation, culture, risk tolerance, and ethical climate. In contexts of institutional complexity (Jamali et al., 2023), leadership interprets external pressures, regulatory, market, and normative, transforming them into genuine internal commitments. Strong leadership thus moderates the effect of institutional pressure, enhancing the likelihood that sustainability adoption is substantive rather than symbolic.

H5: Leadership commitment positively moderates the relationship between institutional pressure and substantive sustainability integration.

2.5 Sustainability Reporting, Decoupling, and Greenwashing

Sustainability reporting provides transparency and reinforces legitimacy, yet when it is disconnected from actual organizational practices, it introduces significant ethical concerns. ESG rating divergence and disclosure inflation signal inconsistencies (Berg et al., 2022; Marquis et al., 2022). Weak assurance fosters greenwashing, while robust internal and external assurance enhances credibility (Simnett & Huggins, 2021; Kend, 2023).

H6: Firms with robust internal and external assurance systems exhibit lower levels of sustainability decoupling.

2.6 Conceptual Model

The proposed model positions:

The conceptual framework explains sustainability outcomes in Kenyan organizations by linking institutional, structural, and leadership factors. Coercive, normative, and mimetic pressures drive organizations to respond to regulations, norms, and peer practices, but do not ensure meaningful adoption. Governance maturity enables substantive implementation through oversight, accountability, and strategic alignment, while leadership commitment moderates institutional pressures, embedding sustainability into core strategy. Assurance systems reinforce credibility and stakeholder trust. The framework distinguishes strategic ESG integration from symbolic compliance, showing how ethical governance and leadership accountability determine whether sustainability is genuinely operationalized or merely performative.

3. Methodology

3.1 Research Design

This study adopts a convergent mixed-methods design to investigate ethical governance of sustainability in Kenyan organizations. By integrating quantitative analysis of ESG disclosures, sustainability reports, and financial indicators with qualitative insights from semi-structured interviews of executives and board members,

the approach enables triangulation of evidence on operational practices, leadership influence, and ethical accountability, enhancing validity and providing a comprehensive understanding of sustainability adoption patterns (Creswell & Creswell, 2022).

3.2 Sample Selection

Population and Sampling

The study population comprises three categories: publicly listed companies on the Nairobi Securities Exchange (NSE) that publish sustainability or integrated reports; large private firms with more than 100 employees that voluntarily disclose ESG information; and SMEs recognized for sustainability initiatives by relevant industry associations. A stratified purposive sampling approach will be employed to ensure representation across key sectors, including finance, agriculture, manufacturing, and services, as well as across firm sizes.

The target sample includes:

- Quantitative component: 60–80 firms, using ESG disclosure data from 2021 to 2025
- Qualitative component: 20–25 participants, including executives, sustainability managers, and board members, to capture in-depth perspectives on sustainability adoption and ethical governance.

3.3 Data Collection

3.3.1 Quantitative Data

The study analyzes ESG adoption using sustainability/integrated reports (2021–2025), financial performance (ROA, ROE, revenue growth), and governance indicators (board composition, ESG committees, sustainability-linked executive pay). Institutional pressures, coercive, normative, and mimetic, are measured via regulatory compliance, professional association membership, and peer adoption. ESG disclosure quality and governance/leadership indicators are coded using established rubrics (Christensen et al., 2021; Berg et al., 2022).

3.3.2 Qualitative Data

Semi-structured interviews with executives and board members examine motivations for sustainability adoption, institutional pressures, leadership commitment, ethical decision-making, assurance practices, and integration barriers. Conducted in-person or via Zoom (45–60 minutes), interviews are audio-recorded, transcribed verbatim, and anonymized to ensure confidentiality and data accuracy.

3.4 Measurement of Key Constructs

Construct	Operationalization	Data Source
Strategic sustainability integration	Depth of ESG integration into core operations, strategic planning, and risk management	ESG reports, interviews
Symbolic sustainability	Discrepancy between disclosure claims and evidence of operational integration	ESG scoring vs interview validation
Institutional pressures	Coercive, normative, mimetic indices	Regulatory alignment, professional memberships, peer adoption
Governance maturity	Board oversight, ESG committees, executive accountability	Annual reports, interviews

Leadership commitment	Ethical leadership, sustainability prioritization	Interviews, governance reports
Assurance quality	Internal/external audit involvement, independent verification	Reports, audit statements

3.5 Data Analysis

Quantitative Analysis

Quantitative: Descriptive statistics profile ESG adoption and governance; regression models test strategic integration against institutional pressures, moderated by leadership commitment and governance maturity, controlling for firm size, industry, and age. Cluster analysis identifies firm archetypes: strategic integrators, compliance-driven adopters, and symbolic reporters.

Qualitative: Thematic analysis in NVivo, guided by institutional, governance, and leadership constructs, triangulated with quantitative results to validate firm classifications.

3.6 Ethical Considerations

The study adheres to rigorous ethical standards. Informed consent was obtained from all interview participants, and anonymity and confidentiality are strictly maintained throughout the research process. Approval was secured from the relevant institutional review boards (IRB), and all data are stored securely in accordance with GDPR-equivalent best practices to ensure privacy and protection.

3.7 Validity and Reliability

Internal validity: Triangulation between ESG reports, interviews, and financial indicators. Construct validity: ESG scoring rubric adapted from validated prior studies (Christensen et al., 2021; Berg et al., 2022). Reliability: Inter-coder agreement >85% for qualitative coding; Cronbach's alpha >0.80 for composite indices.

3.8 Limitations

Generalizability may be limited to large firms or those publishing ESG information. Self-reported leadership interviews may introduce social desirability bias. ESG scoring may not capture all informal or emergent sustainability practices.

4. Results and Findings

4.1 Analysis of ESG disclosures, governance structures, and executive interviews in Kenyan organizations identified three archetypes

Strategic Integrators embed sustainability into core operations, strategy, and risk management, with active board oversight, ESG-linked KPIs, and robust assurance systems, minimizing greenwashing common in financial services and large manufacturing. Compliance-

Driven Adopters meet regulatory and industry norms, with moderate operational integration and inconsistent oversight, framing ESG as risk or reputational management—typical of mid-sized service providers and local conglomerates.

Symbolic Reporters prioritize high-visibility reporting without substantive action, with minimal leadership engagement and significant decoupling, increasing greenwashing risk—seen in SMEs and resource-limited firms.

Table 1: Organizational Archetypes Identified in the Study

Dimension	Strategic Integrators	Compliance-Driven Adopters	Symbolic Reporters
Primary Motivation	Long-term value creation and ethical commitment	Regulatory and investor compliance	Legitimacy signaling and reputational management
Depth of ESG Integration	Embedded in core strategy, operations, and risk management	Partially integrated; reporting-focused	Superficial; reporting detached from operations
Board Oversight	Active ESG committee; KPIs linked to executive compensation	Periodic oversight; limited accountability	Minimal board engagement
Leadership Orientation	Ethically committed; sustainability championed by top management	Compliance-oriented; externally driven	Visibility-focused; symbolic framing
Assurance Systems	Internal controls + external verification	Basic reporting systems; limited assurance	Weak or absent assurance mechanisms
Performance Outcomes	Enhanced resilience, stakeholder trust, long-term stability	Moderate operational improvements	Limited measurable impact
Greenwashing Risk	Low	Moderate	High

4.2 Institutional Pressures and Sustainability Adoption

Analysis of interview and disclosure data supports the following insights regarding institutional pressures:

Coercive pressure (regulations, listing requirements):

- Universally, all firms reported awareness of regulatory expectations, particularly mandatory ESG or integrated reporting frameworks.
- While coercive pressure drove adoption of formal reporting, **it did not guarantee strategic integration**, consistent with H1.
- Strategic integrators responded proactively, embedding ESG into governance structures; symbolic reporters complied only at the disclosure level.

Normative pressure (professional standards, industry associations):

- Membership in industry networks or alignment with GRI/IFRS Sustainability Standards influenced disclosure formatting.
- Firms with high normative exposure demonstrated **better-quality reporting**, but actual operational integration remained uneven, partially supporting H2.

Mimetic pressure (peer imitation):

- Symbolic reporting was most strongly linked to mimetic pressure. Organizations often replicated ESG practices of market leaders without tailoring them to their operations, supporting H3.
- Interviews confirmed a perception that **visibility and reputation were prioritized over genuine ethical commitment**.

Table 2: Institutional Pressures and Sustainability Adoption

Type of Institutional Pressure	Observed Effect on Disclosure	Observed Effect on Substantive Integration
Coercive (Regulation, Listing Rules)	Significant increase in ESG reporting frequency	Limited effect unless reinforced by governance maturity
Normative (Professional Standards, Industry Norms)	Improved reporting structure and language alignment	Moderate integration in firms with internal capacity
Mimetic (Peer Imitation)	Adoption of similar disclosure formats	Often symbolic unless leadership-driven adaptation occurs

4.3 Governance Maturity and Ethical Embedding

Governance maturity emerged as a critical determinant of whether sustainability initiatives were strategic or symbolic:

- Strategic integrators had **robust board-level ESG oversight**, defined ESG-related KPIs, and active internal audit engagement.
- Compliance-driven firms had ESG committees but limited integration into risk management or decision-making.
- Symbolic reporters exhibited minimal governance structures supporting ESG beyond nominal reporting.

These observations support H4: governance maturity enhances substantive sustainability integration and reduces the gap between formal reporting and actual practice,

Governance/Leadership Variable	Effect on ESG Reporting	Effect on Strategic Embedding	Ethical Implication
Board-Level ESG Oversight	Improves reporting consistency	Strengthens operational integration	Enhances accountability
Executive Sustainability KPIs	Aligns incentives with ESG goals	Encourages long-term embedding	Reduces symbolic compliance
Ethical Leadership Commitment	Improves disclosure credibility	Transforms compliance into strategy	Mitigates greenwashing risk
Internal & External Assurance	Increases reliability of reports	Strengthens stakeholder trust	Enhances moral legitimacy

4.4 Leadership Commitment as a Moderator

Qualitative interviews highlight that leadership commitment strongly mediates the effect of institutional pressures:

- Executives in strategic integrators emphasized **ethical responsibility and stakeholder trust** as central to sustainability adoption.
- In compliance-driven firms, leadership saw sustainability as a **compliance or reputational necessity**, limiting strategic potential.
- Symbolic reporters often delegated sustainability to mid-level managers with little executive accountability, resulting in **fragmented and inconsistent implementation**.

These patterns support H5: **strong, ethically oriented leadership amplifies the translation of institutional pressure into strategic sustainability integration.**

Table 4: Outcomes of Strategic vs Symbolic Sustainability

Outcome Dimension	Strategic Integration	Symbolic Adoption
Organizational Resilience	Strong risk mitigation capacity	Limited structural resilience
Stakeholder Trust	High and sustained	Fragile; vulnerable to scrutiny
Financial Performance Stability	Long-term positive association	No consistent improvement
Reputational Risk	Low	Elevated if decoupling exposed
Competitive Advantage	Differentiation and efficiency gains	Temporary visibility benefits

4.5 Reporting, Assurance, and Greenwashing

The study also examined **assurance mechanisms** and potential greenwashing:

- Strategic integrators implemented both **internal and external assurance**, using third-party verification and continuous monitoring, enhancing credibility.
- Compliance-driven firms used limited internal checks, often relying on self-reporting.
- Symbolic reporters lacked systematic assurance, increasing the risk of **misrepresentation and stakeholder deception**.
- Interviews revealed that executives in symbolic firms were aware of greenwashing risks but often prioritized investor perception over operational ethics.

These findings confirm H6: **robust assurance systems are associated with higher credibility and reduced decoupling between reporting and actual practice**.

4.6 Synthesis: Interaction of Pressures, Governance, and Leadership

The combined analysis of quantitative disclosure patterns and qualitative interview narratives illustrates the following relationships:

- Institutional pressures alone are **insufficient for strategic ESG integration**.
- Governance structures and board-level oversight are **essential mediators**, determining whether pressure leads to substance or symbolism.
- Ethical, committed leadership **moderates the effectiveness** of institutional pressure, fostering alignment between rhetoric and action.
- Assurance mechanisms reinforce accountability, reduce greenwashing, and signal credibility to stakeholders.

In Kenya, the interaction of these factors produces a spectrum of sustainability adoption, from **transformational strategy (strategic integrators)** to **symbolic legitimacy signaling (symbolic reporters)**.

Table 5: Hypotheses Evaluation Summary

Hypothesis	Statement (Condensed)	Supported?	Interpretation
H1	Institutional pressures increase ESG disclosure	Supported	Reporting proliferation observed
H2	Institutional pressure alone ensures substantive integration	Not supported	Governance required for depth
H3	Governance maturity moderates ESG embedding	Supported	Strong governance predicts integration
H4	Leadership commitment predicts strategic transformation	Supported	Ethical leadership decisive
H5	Assurance systems enhance credibility outcomes	Supported	Assurance linked to trust and legitimacy

4.7 Implications for Hypotheses

- **H1:** Supported – Coercive pressure increases reporting but not necessarily strategic integration.
- **H2:** Partially supported – Normative pressure improves reporting quality but operational integration varies.
- **H3:** Supported – Mimetic pressure encourages symbolic adoption.
- **H4:** Supported – Governance maturity enhances substantive integration.
- **H5:** Supported – Leadership commitment moderates the effect of institutional pressure positively.
- **H6:** Supported – Robust assurance reduces decoupling and greenwashing risk.

Table 6: Ethical–Strategic Continuum of Sustainability Adoption

Continuum Position	Dominant Driver	Governance Level	Leadership Role	Organizational Outcome
Symbolism	Mimetic pressure	Weak	Passive	Legitimacy signaling
Compliance	Coercive pressure	Moderate	Administrative	Regulatory conformity
Strategy	Ethical commitment + governance	Strong	Transformational	Value creation + moral legitimacy

5. Discussion

This study examined whether sustainability practices in Kenyan organizations function as strategic value creation mechanisms or symbolic legitimacy tools, and how institutional pressures, governance maturity, and leadership commitment interact to shape ESG integration. The findings reveal a nuanced landscape where ethical governance, leadership, and assurance mechanisms determine whether sustainability translates into meaningful organizational performance or merely reputational signaling.

5.1 Institutional Pressures and Ethical Governance

Institutional theory explains ESG adoption through coercive, normative, and mimetic pressures shaping corporate behavior. Coercive pressures, such as regulatory mandates and listing requirements, compelled firms to disclose sustainability information, yet disclosure often reflected regulatory compliance rather than genuine operational integration (Christensen et al., 2021; Berg et al., 2022). Normative pressures, including professional associations, ESG standards, and industry benchmarks, improved reporting quality but did not necessarily embed sustainability within core business practices. Meanwhile, mimetic pressures in competitive sectors encouraged symbolic adoption, where firms imitated peers without aligning ESG initiatives to internal capabilities. This pattern illustrates the ethical problem of organizational decoupling, where firms seek legitimacy by appearing compliant rather than pursuing meaningful change (Marquis et al., 2022). In emerging markets such as Kenya, where enforcement systems are still developing, this dynamic heightens the risk of performative ESG signaling, underscoring the need for stronger governance mechanisms to ensure authentic sustainability integration (Jamali et al., 2023).

5.2 Leadership and Governance as Drivers of Strategic ESG Integration

Leadership commitment proved a decisive moderator in translating institutional pressures into either strategic ESG integration or symbolic compliance. Firms led by ethically oriented, sustainability-focused leaders supported by active board oversight

were more likely to embed ESG within core strategy, risk management, and operations (Pless et al., 2021; Strand, 2022). Strong governance maturity reinforced this process through ESG committees, performance indicators tied to executive compensation, and internal and external assurance mechanisms, enhancing credibility and reducing greenwashing risks (Hummel & Schlick, 2023; Simnett & Huggins, 2021). Conversely, symbolic reporters showed weak board engagement and limited assurance structures, prioritizing reputational signaling. Compliance-driven firms represented an intermediate case, demonstrating partial leadership engagement and uneven ESG integration.

5.3 Symbolism vs. Strategy: Greenwashing Risks and Ethical Responsibility

The findings reveal a spectrum of sustainability adoption, ranging from strategic, ethically grounded integration to symbolic and performative reporting. Symbolic adoption heightens greenwashing risks, particularly in contexts with weak auditing and enforcement. The study indicates that greenwashing reflects a governance failure, driven by limited oversight, inadequate assurance mechanisms, and weak leadership accountability. Strategic integrators show that sustainability can be both ethically sound and operationally effective, whereas symbolic adopters risk reputational damage when gaps emerge between rhetoric and practice, reinforcing that ethics and governance are inseparable from credible sustainability outcomes (Jamali et al., 2023; Christensen et al., 2021).

5.4 Competitive Advantage and Performance Outcomes

Beyond ethical considerations, strategic ESG integration generated tangible performance benefits, including improved operational efficiency, stronger risk management, and enhanced stakeholder trust. By aligning sustainability with resource optimization and long-term planning, firms strengthened resilience and competitive advantage (Friede et al., 2021; Eccles & Klimenko, 2022). In contrast, symbolic and compliance-driven adopters gained limited value due to weak integration with core operations. These findings highlight that sustainability becomes both an ethical duty and a strategic asset only when supported by effective leadership and governance.

5.5 Integrating Ethical Governance and Strategic Management

The study advances theory by integrating institutional pressures, ethical governance, and leadership commitment to explain ESG adoption in emerging markets. It finds that institutional pressures alone are insufficient; effective governance and assurance mechanisms ensure credible sustainability practices. Leadership commitment further moderates these pressures by translating external expectations into strategic outcomes. The findings reveal sustainability adoption as a continuum between strategy and symbolism, extending institutional theory by highlighting the central role of ethical governance and leadership (Christensen et al., 2021; Berg et al., 2022).

5.6 Implications for Practice

Boards and executives must actively oversee ESG strategy, aligning disclosure with ethical and operational practice. Leadership development, robust governance, and assurance mechanisms strengthen credibility, reduce greenwashing risks, and enable firms to achieve moral legitimacy and competitive advantage.

5.7 Ethical and Strategic Balance

In the Kenyan context, sustainability cannot be judged by disclosure alone. Ethical governance, leadership commitment, and assurance mechanisms determine whether ESG becomes a strategic, performance-enhancing practice or symbolic compliance, with true integrators achieving both accountability and competitive advantage.

5.8 Summary

In sum, the study demonstrates that sustainability in Kenyan organizations is shaped by the interaction of institutional pressures, governance maturity, leadership commitment, and assurance systems. Ethical governance acts as a gatekeeper, ensuring that institutional compliance translates into strategic action. Leadership commitment amplifies both ethical and performance outcomes, while inadequate oversight increases the risk of symbolic adoption and greenwashing. The findings reinforce the view that ethics and strategy are mutually reinforcing rather than mutually exclusive in sustainability governance.

6. Implications

This study examined the ethical and strategic dimensions of sustainability adoption in Kenyan organizations, generating important implications for theory, managerial practice, and public policy. By integrating institutional theory with ethical governance and responsible leadership perspectives, the research provides a comprehensive framework for understanding ESG adoption in emerging markets.

Theoretically, the study advances institutional theory by demonstrating that coercive, normative, and mimetic pressures, although influential, are insufficient to ensure substantive sustainability integration. In emerging market contexts such as Kenya, institutional compliance may lead to symbolic adoption rather than genuine operational change. The research therefore extends existing theory by highlighting the mediating roles of ethical governance structures, leadership commitment, and assurance mechanisms in translating external pressures into meaningful sustainability practices (Jamali et al., 2023; Christensen et al., 2021). It further contributes to responsible leadership scholarship by emphasizing that leaders act not only as compliance enablers but also as moral agents shaping the ethical depth of ESG adoption (Pless et al., 2021; Strand, 2022). Additionally, the study reframes greenwashing as a governance failure, arising from weak oversight and inadequate assurance systems rather than purely strategic intent (Hummel & Schlick, 2023; Simnett & Huggins, 2021). The proposed ethical strategic continuum offers a conceptual lens for assessing sustainability adoption along a spectrum from symbolic compliance to strategic integration.

Managerially, the findings highlight the importance of embedding sustainability within organizational strategy and governance. Effective ESG adoption requires board-level oversight, dedicated ESG committees, clear performance indicators linked to executive incentives, and leadership development programs emphasizing ethical responsibility and sustainability literacy. Organizations that align ESG initiatives with core operations, risk management, and long-term planning are more likely to achieve both ethical legitimacy and competitive advantage.

Policy implications emphasize the need for stronger institutional frameworks in emerging markets. Regulatory bodies should complement disclosure mandates with robust monitoring, enforcement, and assurance requirements. Standardizing ESG reporting frameworks and promoting leadership capacity-building initiatives can improve transparency and reduce symbolic reporting. Strengthening internal and external assurance mechanisms will further enhance credibility and align sustainability practices with global standards (Simnett & Huggins, 2021; Kend, 2023).

Overall, the study demonstrates that ethical leadership, governance maturity, and credible assurance systems are critical in transforming institutional pressures into substantive sustainability outcomes. When effectively integrated, ESG initiatives enable organizations to achieve both moral accountability and long-term strategic performance.

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Payment for Forest Environmental Services and the Role of Environmental Law

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Abstract

Payment for Forest Environmental Services (PFES) is an economic instrument applied in the forestry sector to establish a benefit-sharing mechanism between providers and users of forest environmental services. This article employs methods of analysis and synthesis to examine and clarify the role of environmental law in the implementation of PFES. In addition, it combines other scientific research methods, including methodological approaches and data collection techniques, to identify and assess current limitations in Vietnam's environmental legal framework governing PFES. The study finds that, while PFES law plays an important role in regulating stakeholder relationships, promoting sustainable forest management, and supporting climate change mitigation, existing legal provisions remain incomplete, inconsistent, and lacking in enforceability. Based on these findings, the article proposes several recommendations aimed at ensuring and strengthening the role of environmental law in PFES implementation in practice, particularly through improving legal coherence, enhancing state management mechanisms, ensuring fairness in benefit-sharing, and supporting the development of carbon markets and international cooperation frameworks.

Keywords: Forest environmental services, payment for forest environmental services, environmental law

Introduction

Forest environmental services (FES) are services that the forest environment can provide to meet the usage demands of specific stakeholders. Natural ecosystems including the forest environment are recognized as goods with use value because they satisfy the buyers' (those who benefit from FES) requirements concerning quantity and quality. However, types of FES are considered special goods due to the communal nature of forest resources, which are shared, exploited, utilized, and impacted by

multiple stakeholders. These stakeholders are required to pay when engaging in activities that exploit or use components of the forest environment (payments made to acquire rights to exploit, use, or affect forest resources). The beneficiaries of this payment mechanism include the State, FES providers, and the broader community. Among them, the State acts as the representative authority responsible for regulating the payment levels and allocating funds to continue protecting and reinvesting in the use values of forest resources.

Accordingly, Payment for Forest Environmental Services (PFES) can be understood as the relationship whereby the service users pay the service providers through payment mechanisms prescribed by law. In this context, the service providers are those who are willing (or obligated) to produce goods and forest environmental services through forest environmental management activities; while the service users are those who are willing (or obligated) to pay for the benefits derived from receiving these goods and forest environmental services.

From the perspective of environmental protection, PFES plays a crucial role in ensuring sustainable development and building a circular economy with reduced emissions, specifically:

To begin with, PFES contributes to the effective achievement of sustainable development goals.

Firstly, from an economic perspective. PFES generates a stable source of income for forest owners and communities dependent on the forest. This income is not solely based on timber harvesting or nontimber forest products but also through the provision of forest environmental services such as water regulation, soil protection, carbon sequestration and storage, biodiversity conservation, and ecological landscape preservation. Consequently, PFES contributes to diversifying economic benefits derived from forests, creating stable and long-term livelihoods for forest owners, and ensuring the enjoyment of lawful social welfare rights and benefits for forest workers. At the same time, PFES emphasizes cost savings and enhancing expenditure efficiency, encouraging greater innovation and improvement in environmentally and community friendly production and business technologies, thereby increasing the efficiency of forest resource exploitation and utilization (Nguyen Thi Huyen, Nguyen Trang Linh, 2025).

Secondly, from an environmental perspective. PFES directly links the economic benefits derived from forest resources with the responsibility of forest owners to protect and develop these resources. It also obliges the beneficiaries of forest environmental services to bear corresponding financial responsibilities for forest environmental protection, thereby addressing the issue of “free riding” on forest resource services. Consequently, PFES contributes to enhancing the forest’s capacity for carbon sequestration and storage, reducing greenhouse gas emissions, and supporting and promoting Vietnam’s successful fulfillment of international commitments and national strategic orientations on climate change and circular economy development in the current period.

Thirdly, from a social perspective. Considering the quality of the community’s living environment, PFES goes beyond the goal of protecting forests as a purely natural resource and aims to ensure and improve environmental welfare for people. By establishing a stable financial mechanism for forest protection and development

activities, PFES helps maintain the ecological functions of forests, which are the direct foundation of the quality of the living environment, especially for communities that heavily depend on forest ecosystems.

In addition, PFES ensures the harmonious resolution of the relationship between the State and organizations or individuals regarding the protection, exploitation, and use of forest resources. Through legal regulatory mechanisms, the State both guarantees ownership rights over forest resources and acknowledges and protects the legitimate interests of forest owners, local communities, and entities assigned to manage forests. This “harmony” is reflected in the transformation of a purely administrative command relationship into one characterized by legally formalized benefit exchanges, thereby reducing conflicts between conservation requirements and economic exploitation needs, linking forest protection responsibilities with concrete economic incentives, and simultaneously alleviating the State budget burden in the execution of management functions.

Furthermore, payment for forest environmental services plays an important role in addressing both theoretical and practical limitations in the exploitation and use of forest resources. Unlike conventional tangible goods, forest environmental services (FES) have the characteristics of public goods, particularly non-rivalry in consumption and non-excludability (Laura Razzolini, 2003). Because of these features, FES cannot be efficiently provided through free market mechanisms without State intervention. In traditional economic systems, markets mainly recognize and price tangible forest products such as timber and non-timber products. In contrast, the ecological benefits of FES are not fully reflected in market prices. As a result, forest owners and managers do not receive adequate compensation for maintaining forest ecosystem functions, while other actors benefit from these services without payment. This imbalance leads to market failure, as social costs and benefits are not fully incorporated into individual decision-making. It also reinforces the situation of “socialized costs and privatized benefits,” as explained in Pigou’s theory of negative externalities (Arthur Cecil Pigou, 1920). In this context, PFES serves as a corrective economic and legal instrument that helps internalize these externalities. By assigning economic value to forest environmental services and requiring beneficiaries to pay, PFES aligns private incentives with social interests. It also creates a stable financial mechanism for forest protection and development. As a result, PFES not only reduces market failure but also improves resource allocation efficiency, strengthens stakeholder accountability, and supports the sustainable management of forest resources.

Moreover, practical experience has shown that under traditional conditions, activities related to the exploitation, use, protection, and development of forest resources have primarily relied on funding from the State budget or short-term support programs. This financial shortfall creates an obstacle in implementation, where the legal obligation to protect and develop forests is established, but the economic incentives to fulfill this obligation remain insufficient. As a result, the motivation of economic actors to protect and enhance the value and ecological functions of forest resources for providing high quality forest environmental services is diminished. In response to this reality, PFES has been established as an economic instrument in the forestry sector to address shortcomings in mobilizing and utilizing financial resources for the protection, exploitation, use, and development of forest resources, by creating a reciprocal

relationship between the providers and users of forest environmental services.

Given its particularly important role in achieving climate change mitigation and building a circular, low emission economy, the implementation of PFES must be carried out in a synchronized, unified, and effective manner through the combined use of various management tools, with a special emphasis on the role of the law. However, current legislation on payment for forest environmental services still has many limitations, resulting in the role of the law in this area not being effectively ensured.

Research Methodology

This article employs a doctrinal legal research approach as its primary method, combined with policy analysis and qualitative data review, to examine the role of environmental law in the implementation of Payment for Forest Environmental Services (PFES) in Vietnam.

The doctrinal method is used to analyze and interpret the content, structure, and normative functions of existing legal provisions governing PFES. The study focuses on key legal documents, including the 2017 Forestry Law, Decree No. 156/2018/ND-CP (as amended by Decree No. 91/2024/ND-CP), and relevant environmental and climate-related regulations. These sources are selected based on their direct relevance to PFES governance and their role within Vietnam's environmental legal framework.

In addition, the article applies methods of analysis and synthesis to systematize theoretical foundations related to public goods, market failure, and environmental economic instruments. These methods support the evaluation of how PFES law addresses environmental externalities and contributes to sustainable forest governance.

The study also adopts a policy analysis approach to assess the effectiveness, consistency, and practical feasibility of current PFES regulations. This includes identifying legal gaps, inconsistencies, and limitations in areas such as payment mechanisms, enforcement structures, and financial management.

Furthermore, qualitative data collection methods are used, including the review of legal documents, academic literature, and policy reports related to PFES, environmental law, and forest governance. Where appropriate, the article incorporates selected international experiences and theoretical frameworks to provide comparative insights and support the proposed recommendations.

Through this combined methodological approach, the article provides a comprehensive legal assessment of PFES and develops recommendations to enhance the role of environmental law in its practical implementation.

The Role of Environmental Law in the Implementation of Payment for Forest Environmental Services

Environmental law is a system of legal norms designed to regulate the relationships among entities arising from the processes of exploiting, using, and impacting the environment, with the aim of protecting the natural environment, ensuring the quality of natural resources, and maintaining and enhancing the quality of the living environment for humans to ensure sustainable development. In general, the role of environmental law in the implementation of payment for forest environmental services (PFES) is reflected in several specific aspects as follows:

Firstly, the law on PFES serves as a tool used by the State to regulate social relationships arising between groups of providers and users of forest environmental services, based on alignment with the orientation of sustainable forestry economic development. As an economic instrument in the forestry sector, PFES law primarily performs a positive regulatory function by establishing mechanisms that encourage, support, and protect social relations consistent with the objectives of environmental protection and sustainable forest resource development. Specifically, through regulations on payment mechanisms for service providers, the law creates economic incentives to encourage forest owners, local communities, and related organizations to actively participate in forest management, protection, and development activities; at the same time, it stipulates the payment obligations of service users according to the principle that beneficiaries must pay. Additionally, PFES legislation also fulfills a negative regulatory function through provisions aimed at restraining, preventing, and sanctioning activities that exploit or use forest resources in ways that harm the environment and the common interests of society. This contributes to limiting uncontrolled exploitation of forest resources, while guiding stakeholders to choose resource use methods better aligned with environmental protection requirements and sustainable forestry economic development.

However, in the context of Vietnam's current legal framework on PFES, this regulatory role has not been effectively ensured in practice. Several key limitations can be identified.

First, regarding the level of payment for forest environmental services. Under Article 59 of Decree No. 156/2018/ND-CP (as amended by Decree No. 91/2024/ND-CP), PFES payment levels in Vietnam are determined based on fixed amounts for each type of forest environmental service. While this approach ensures clarity and transparency, it also reflects a "uniform pricing" mechanism that may not accurately capture the true value of forest environmental services. In reality, the value of these services depends on multiple factors, including forest quality, service provision capacity, geographical location, and the degree to which forest ecosystems contribute to the production and business activities of service users. Therefore, fixed payment levels may fail to reflect both direct and indirect, as well as long-term ecological benefits.

In addition, current PFES payment levels are not linked to flexible pricing mechanisms that respond to market fluctuations or socio-economic changes over time. Maintaining fixed payment rates over extended periods, while market prices, labor costs, and the level of benefits derived from forest environmental services continue to change, may lead to an imbalance between the costs borne by service users and the benefits they receive.

Moreover, although legal provisions exist for specific types of forest environmental services, the enforcement mechanisms remain inconsistent and incomplete. In practice, the current system mainly applies to services where users, beneficiaries, and economic gains can be clearly identified, such as water regulation for hydropower and clean water production, ecotourism services, and, more recently, forest carbon sequestration and storage. For these services, economic benefits are relatively quantifiable, allowing the law to define payment obligations and levels. However, other services—such as biodiversity conservation, landscape protection, soil erosion control, and climate regulation—have not yet been assigned clear economic values, nor are there

effective mechanisms to ensure payment in practice. These services often generate public and long-term benefits, making it difficult to identify specific users and quantify the level of benefit received. As a result, financial flows tend to concentrate in forest areas linked to hydropower, tourism, or carbon markets, while forests with high biodiversity value but low commercial returns receive limited financial support. This imbalance may weaken incentives to protect ecologically valuable forest ecosystems (Vu Thi Duyen Thuy, Pham Thi Mai Trang, 2024).

Second, regarding the forms of PFES payment. Although Article 63(3) of the 2017 Forestry Law and Article 58 of Decree No. 156/2018/ND-CP provide for two forms of payment—direct payment based on voluntary contracts and indirect payment through the Forest Protection and Development Fund—in practice, direct payment mechanisms face significant legal and operational challenges. Existing regulations on direct payment remain general and lack detailed guidance on service pricing methods, valuation mechanisms, contractual content, service quality monitoring, liability for breaches, and dispute resolution. Due to this lack of a clear legal framework, stakeholders tend to prefer indirect payment through the Fund to ensure legal certainty and ease of implementation. This practice effectively “administrativizes” PFES relationships and reduces their market-based nature.

Furthermore, in Vietnam, service providers are often households, local communities, or small-scale forest owners with limited financial capacity, management skills, and bargaining power. In contrast, service users are typically large enterprises, such as hydropower plants, water supply companies, or tourism operators. This imbalance further reinforces the preference for indirect payment mechanisms through the Fund. While this system allows the State to centralize financial management, monitor revenue and expenditure, and redistribute funds across regions, it also indicates that current legislation prioritizes administrative control over the development of market-based relationships in PFES.

Third, regarding the management and use of PFES revenues. Sections 3 and 4 of Chapter V of Decree No. 156/2018/ND-CP provide detailed regulations on the management and use of PFES funds under both direct and indirect payment mechanisms. However, the current model still emphasizes centralized financial management through intermediary funds to ensure State control and achieve forestry management objectives. As a result, PFES operates primarily within a public financial-administrative framework rather than as a market-based mechanism grounded in negotiated agreements between service providers and users. Consequently, the autonomy of stakeholders in determining service value, selecting payment methods, designing cooperation arrangements, and negotiating benefit-sharing based on service quality remains limited. This approach is not fully consistent with the contractual and market-oriented nature of PFES in particular, and Payments for Environmental Services (PES) in general (Sven Wunder, Stefanie Engel, Stefano Pagiola, 2005).

Secondly, PFES law possesses a predictive nature, guiding the evolution of social relationships in the process of payment for forest environmental services according to the development orientation set by the State. In principle, PFES legal provisions are formulated based on an accurate and appropriate reflection of the practical needs of managing, exploiting, and using forest resources within the economy. These provisions not only reflect existing social relations but also demonstrate guidance

and foresight regarding the future development of environmental economic relations, particularly concerning the increasing value of forest environmental services and society's growing demand for environmental protection and sustainable forest resource development in the face of increasingly severe negative impacts from climate change and environmental pollution. This predictive and guiding function is increasingly reflected in recent developments in Vietnam's environmental legislation, particularly in the recognition of the carbon sequestration and storage functions of forest ecosystems. These legal developments have laid the groundwork for the gradual formation of a carbon trading market, thereby integrating PFES into broader climate policy and green finance frameworks. By anticipating the rising economic value of carbon-related forest services and aligning domestic regulations with international climate commitments, PFES law not only responds to current governance needs but also proactively shapes future environmental-economic relations. This forward-looking approach strengthens the role of law in facilitating the transition toward a low-emission, sustainable forestry economy in the context of intensifying climate change and environmental degradation.

Thirdly, PFES law contributes to promoting international cooperation mechanisms in addressing global environmental issues. Based on the principle of Common But Differentiated Responsibilities (CBDR) recognized in Principle 7 of the Rio Declaration, PFES legislation has concretized the requirement to ensure equity between entities exploiting ecological benefits from forest environments and those directly protecting and developing forest resources, in accordance with the international commitments Vietnam has signed and joined, particularly the United Nations Framework Convention on Climate Change and the 2015 Paris Agreement. By establishing a legal framework on this matter, the law has facilitated the reception of financial, technical, and management support from international organizations and bilateral and multilateral cooperation programs, such as forest based on emission reduction initiatives and climate finance mechanisms. This serves as a crucial foundation for Vietnam to effectively fulfill global objectives on climate change mitigation and greenhouse gas emission reduction as a member state, thereby aligning national legislation with the general regulatory trends of international law.

Fourthly, PFES law contributes to raising community awareness and responsibility for the sustainable protection and development of forest resources. To minimize the phenomenon of "privatizing benefits and socializing costs" in the process of exploiting and utilizing the ecological values of the forest environment, the establishment of a legal framework for PFES has helped ensure the fair and reasonable distribution of benefits among stakeholder groups impacting the forest environment, based on the Beneficiary Pays Principle (BPP). This economic instrument not only provides a stable livelihood for forest workers, thereby enhancing their responsibility for forest protection and development, but also changes the perspectives and attitudes of service users toward the economic value of forest ecosystem services in a more efficient and resource conserving manner.

Recommendation

To enhance the role of PFES law in the current period, the legal system needs to meet the following requirements:

First, PFES law needs to establish synchronized, consistent, and feasible legal regulations. Environmental law must be an effective tool to support the sustainable implementation of forest environmental service payment objectives, ensuring the legitimate rights and interests of each involved party. To meet this requirement, legal provisions need to be developed in a coordinated, reasonable manner, based on scientific foundations and suitable for practical conditions.

Second, PFES law must ensure the State's management role in the payment for forest environmental services activities. This is an essential requirement to internalize the negative external costs caused by the provision and use of forest environmental services into the payment price based on the Polluter Pays Principle (PPP). As a special type of commodity circulating in the market, the process of providing and paying for forest environmental services between entities must be controlled by law under the State's management role to promote sustainable forestry economy, protect forest resource quantity and quality. To ensure this, environmental law needs specific provisions on the functions, tasks, and powers of state management agencies in environmental protection in general and PFES in particular, as well as coordination mechanisms among these agencies. At the same time, there should be concrete regulations on the supervision mechanisms of the activities of state management agencies and sanctions applied in case of violations to ensure and enhance the effectiveness of state administrative management in environmental protection.

Third, PFES law needs to be developed on the basis of ensuring fairness in the rights and obligations of both the service providers and service users of forest environmental services. While the service providers must incur costs and effort to create and supply environmental forest values to the market, the service users benefit from these services by paying the corresponding costs. Therefore, theoretically, the rights and obligations between these two groups may give rise to disputes and conflicts if not regulated by environmental law. In this role, environmental law needs to establish specific regulations on the subjects entitled to payment, those obliged to pay, payment methods, payment levels, the rights and obligations of the parties, as well as mechanisms for the allocation and use of benefits derived from PFES activities.

To meet the above requirements and ensure synchronization and consistency, environmental law needs to specify the following contents:

(i) Review, amend, and supplement the current legal regulations on payment for forest environmental services (PFES). Although the law already specifies the subjects obliged to pay, the subjects entitled to payment, payment methods, payment levels, the rights and obligations of the parties, as well as the mechanism for allocating financial resources obtained from PFES activities, some regulations are still inappropriate, inconsistent, and lack feasibility. Therefore, environmental law needs to review and supplement missing provisions; amend unsuitable regulations to ensure the establishment of a synchronized and consistent legal system, thereby enhancing implementation effectiveness and strengthening the role of PFES law.

(ii) Develop and implement a set of indicators to evaluate the effectiveness of PFES law enforcement. This requirement helps improve the quality of post legislative review during the law-making process, emphasizes the responsibility of the law-making entities, and serves as a basis to enhance the effectiveness, feasibility, and strengthen the role of PFES law in practical implementation. The criteria for evaluating the

effectiveness of PFES law enforcement include achieving the policy objectives set forth, reasonable costs of law enforcement, laws being developed on the basis of respecting human rights and citizens' rights, implementation of the law being consistent with the legal system; ensuring fairness, consistency, and strictness; and being open and transparent.

(iii) *Strengthen financial resources allocated for the development and implementation of PFES law.* The provision of regular funding for the development and enforcement of PFES law should be stipulated as part of state administrative management expenses, following the principle that investment in institutional development is investment in development. At the same time, suitable mechanisms should be researched promptly to mobilize non-state budget resources for the development and implementation of PFES law, ensuring objectivity in the legislative process, especially in conducting surveys, assessing the socio-economic impact of policies and laws, and gathering public opinions, particularly from those directly affected by the legislation.

(iv) *Invest in science and technology for the sustainable protection, exploitation, and use of forest resources.* Investment in science and technology for the protection, exploitation, and use of environmental components in general including forest resources is considered a future trend amid increasingly serious declines in environmental quantity and quality, while human demand for exploitation and use continues to rise. The application of appropriate scientific and technological advancements will help increase the efficiency of resource exploitation, reduce environmental emissions, and simultaneously provide more valuable benefits for people to enjoy. This process will contribute to increasing both the quantity and quality of forest environmental services that can be involved in payment mechanisms, better meeting human needs. In other words, the effectiveness of investing in science and technology for the sustainable protection, exploitation, and use of forest resources is an important foundation to improve forest infrastructure quality and ensure the consolidation and enhancement of the role of PFES law in practice.

(v) *Strengthen international exchange and cooperation in the protection, exploitation, and use of forest resources.* PFES is an economic tool that has been applied in many countries worldwide. Therefore, enhancing cooperation, experience sharing, and technology transfer between countries is necessary to absorb, select, and internalize best practices in the design and operation of PFES mechanisms, thereby improving the effectiveness of law enforcement and the sustainability of policies. Through international cooperation, Vietnam can access advanced forest governance models, ecosystem service valuation methods, monitoring, reporting, and verification (MRV) mechanisms, and modern green financial instruments. Furthermore, this requirement promotes the formation of market linkages, especially participation in global initiatives on reducing emissions from deforestation and forest degradation (REDD+), forest carbon credits, and climate finance mechanisms; thereby contributing to Vietnam's effective implementation of international climate change commitments. This is a necessary requirement not only to strengthen the role of domestic environmental law but also to promote closer compatibility between Vietnam's environmental law and international environmental law.

(vi) *Develop and promptly operate a carbon credit market.* The carbon credit market is a market for buying and selling emission rights based on emission quotas set by the State. The theoretical basis of the carbon trading market, where greenhouse gas emission quotas and carbon credits are exchanged, originates from the concept of greenhouse gas emission rights (Zewei Yang, 2012). Developing and promptly operating the carbon credit market is an effective tool for managing greenhouse gas emissions and ozone-depleting substances (Vu Thi Duyen Thuy, 2021), thereby reinforcing and enhancing the role of forest environmental services in carbon absorption and storage; in turn, strengthening the role of environmental law in implementing payments for forest environmental services. In the context of promoting a circular economy to reduce emissions, the development of forest carbon absorption and storage services will contribute to successfully achieving greenhouse gas emission reduction targets and responding to climate change.

Conclusion

Payment for Forest Environmental Services (PFES) has increasingly become one of the economic tools studied and applied by countries to ensure sustainable development in forestry economic growth. Due to its nature as a public good traded in the market, the current PFES mechanism still faces certain difficulties and challenges, requiring countries to implement synchronized solutions—including promoting the role of the environmental legal system. Depending on the political institutions and socio-economic development levels of each country, the environmental legal system will be developed accordingly; however, to enhance the practical effectiveness of PFES law enforcement, promoting and strengthening the role of the law is essential. In this regard, a number of coordinated recommendations need to be implemented:

- Review, amend, and supplement current legal regulations on payment for forest environmental services (PFES).
- Develop and implement a set of indicators to evaluate the effectiveness of PFES law enforcement.
- Strengthen financial resources allocated for the development and implementation of PFES law.
- Invest in science and technology for the sustainable protection, exploitation, and use of forest resources.
- Enhance international exchange and cooperation in the protection, exploitation, and use of forest resources.
- Develop and promptly operate a carbon credit market.

These are the fundamental and most important points to enhance the role of environmental law in implementing PFES. Specifying and synchronizing these recommendations will contribute to forming a unified and feasible legal framework for the sustainable and effective implementation of PFES.

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