SYNTHESIS REPORT
February 2001

Ministry of Agriculture and Rural Development
International Cooperation Department
5MHRP Partnership Secretariat

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Abbreviations
5MHRP  Five Million Hectare Reforestation Program
ADB   Asian Development Bank
AFED  Agroforestry Extension Department
BAP   Biodiversity Action Plan
CEC   Central Executive Committee (of the 5MHRP)
CEMMA Committee of Ethnic Minorities and Mountainous Areas
C&I   Criteria and Indicators
CPC   Commune People's Committee
DARD  Department of Agriculture and Rural Development (Provincial level)
DPC   District People's Committee
DSF   Development Support Fund
EC    European Commission
FAO   Food and Agriculture Organization of the United Nations
FDD   Forest Development Department (of MARD)
FDI   Foreign Direct Investment
FIPI  Forest Inventory and Planning Institute
FPD   Forest Protection Department (of MARD)
FSIV  Forest Science Institute of Vietnam
FSC   Forest Stewardship Council
GDLA  General Department of Land Administration
GoV   Government of Vietnam
ha    Hectare
HEPR  Hunger Eradication and Poverty Reduction Program
IFAD  International Fund for Agricultural Development
JBIC  Japan Bank for International Cooperation
JICA  Japan International Cooperation Agency
KfW   Kreditanstalt für Wiederaufbau
LIPI  Land Investigation and Planning Institute
LUP   Land use planning
MARD  Ministry of Agriculture and Rural Development
MDF   Medium Density Fibreboard
M&E   Monitoring and Evaluation
MoF   Ministry of Finance
MoLISA Ministry of Labor, Invalids and Social Affairs
This document is the culmination of efforts by a large group of national and international experts who have taken part in the 5MHRP Partnership Process. As its title suggests, it attempts to incorporate the collective knowledge of the three Partnership Task Forces, as well as the outcome of the Asian Development Bank Technical Assistance 'Study on the Policy and Institutional Framework for Forest Resources Management (TA No. 3255 - VIE)'. Additional sources of information have been consulted and new information has been incorporated to the extent possible.

Due to the timing of public release, however, it has not been possible to fully integrate and adequately analyze two critical documents. These are (i) Decision 08/2001/QD-TTg of the Prime Minister on the 'Promulgation of regulations on the management of special use forest, protection forest and production forest' (January 11, 2001); and (ii) the 'Summary of the Forestry Development Strategy for the Period 2001-2010,' which was presented at the Synthesis Retreat in Hoi An on February 10, 2001. The impact of these two documents on the Partnership process in general and on this document in particular is potentially far-reaching and therefore has to be followed in the further evolution of the Partnership Process.

ACKNOWLEDGEMENTS

The Partnership Process has benefited from the generous technical and financial support of a large number of people and organizations, particularly the Partnership Signatories. Financial support to the Synthesis Phase was provided by the Embassy of the Netherlands, Embassy of Germany, Embassy of Sweden, Embassy of Switzerland, Embassy of Finland, European Union, Food and Agriculture Organization of the United Nations, the United Nations Development Program, and Oxfam Great Britain.

Comments on the draft report were provided by the members of the Synthesis Reference Group, including L* V’n Minh, Nguyễn Ngọc Bsxh, Vò V’n Hằng, Nguyễn V’n Líi, Nguyễn &t, Nguyễn TuEn Pho, Huỳnh Th’ch, L* §xnh
EXECUTIVE SUMMARY

The Synthesis Phase was designed to distill the main lessons from the work of the Partnership Task Forces, as well as the Asian Development Bank Technical Assistance 'Study on the Policy and Institutional Framework for Forest Resources Management.' More specifically, its purpose was to clarify the 5MHRP’s objectives and strategies; review the bottlenecks in the implementation environment, including underlying policy and institutional shortcomings and program management, and make appropriate recommendations; and prepare a proposal for the scope, coordinating mechanism and timeframe of a government-donor partnership in a sector support program to contribute to the achievement of the 5MHRP objectives.

Clarification of the 5MHRP objectives (Section 2)

- The environmental, economic and social development objectives stated in National Assembly Resolution 08 of 1997 and Prime Minister's Decision 661 of 1998 are generally sound in that they recognize the comprehensive nature of forestry and its interlinked dimensions. However, in order to serve as effective guidance for a national program, these objectives are better seen as overall goals, which need further elaboration in a set of more concrete objectives, which in turn ensure the implementation of a broader set of activities than under Fund 661.
- Concrete objectives need to be formulated such that suitable strategies can be derived and adequate criteria and indicators identified to monitor progress towards the achievement of the program goals. Furthermore, the objectives need to lead to investment prioritization in terms of geographical area, stakeholder groups and policy tools.
- An environmental objective would recognize the primary importance of protecting and rehabilitating watershed functions in order to mitigate soil erosion and water discharge fluctuations. The maintenance and promotion of biological diversity conservation would apply to both protective and productive forestry, so that diversity between ecosystem types, between species and within species is addressed.
- An economic objective would acknowledge the current and likely future socio-economic and demographic conditions in Vietnam, as well as the influence of regional and global forestry developments on the comparative advantage of the country's forest products industry. The objective would differentiate between small and medium enterprises for local demand in mountainous areas and large-scale commercial enterprises producing for domestic and international markets.
- A social objective would declare the paramount importance of livelihood security (food security, tenure security, employment opportunities, and access to financial and technical resources) among the most vulnerable population groups (in terms of ethnicity, economic status and gender) living in or near forests, particularly ethnic minorities, thus providing for approaches that link to issues from other sectors and programs, including food security. The social objective would provide the rationale for incorporating land use planning, allocation and the development of benefit sharing arrangements instead of (or in addition to) direct subsidies. Finally, the objective would recognize the central role of vulnerable groups in the design of Program activities, as well as their special needs for technical, financial and marketing support in forestry.
- In summary, the key conceptual changes required in the design of the 5MHRP include a goal and objectives framework that allows the prioritization of investments

Key bottlenecks in Program implementation (Section 3)

Areas in need of improvement relate to policy and institutional dimensions in the current Program design and implementation, as well as the Program's enabling environment.

Forest land management (Section 3.2.)

- Forest land classification currently suffers from the lack of adequate and mutually agreed data on forest resources extent and quality, as well as simple, generally accepted and realistic criteria, in part because
of the institutional fragmentation among land-related agencies, as well as the country's complex ecology. At the central level, a lead institute needs to develop a simple set of generally applicable criteria such that Provinces can proceed with detailed classification at local levels (for which they would be accountable, regardless of whether financing will be available for 5MHRP activities); a single protection forest category should replace the current subdivisions, with the remainder converted to production forest or agriculture land and allocated to organizations, communities, households or individuals, particularly in vulnerable population groups. Priority should be given to critical watersheds targeted for 5MHRP activities, where land classification should be financed through the 5MHRP.

- No systematic approach to realistic (forest) land use planning has been developed, neither at central nor at local levels. At present, centrally defined land use aims inadequately reflect local capacities and are developed without participation of those who are familiar with these capacities. In the context of the 5MHRP, national-level land use planning has to limit itself to identifying preferential investment areas, particularly for watershed protection (and, if found feasible, for continued commercial plantation development), while local land use planning has to involve actual land users in designing approaches to resource utilization. Priority should be given to areas targeted for 5MHRP activities, where it is financed through the 5MHRP.

- Forest land allocation has not matched the speed witnessed in agriculture, partly due to the reluctance on the part of Government (and state forest enterprises) to let go of forest resources and on the part of farmers to assume responsibility under restrictive conditions. An additional problem is that joint ownership has not been legally recognized, blocking the legitimization of traditional management approaches, particularly among ethnic minorities in mountainous areas. Forest land allocation accompanied by the definition of rights and benefits has to become a prerequisite for 5MHRP activities and has to be financed through the Program. Where necessary and/or desirable, the Program should provide for joint ownership arrangements.

Nature conservation and watershed management (Section 3.3.)

- Watershed and biodiversity degradation largely continue unchecked, partly due to socioeconomic and demographic pressures, but also because the prevailing policy, institutional and 5MHRP framework fail to prioritize investment areas and mitigation approaches. In other words, the critical link between environmental and socio-economic sustainability has not been sufficiently established. The overwhelming environmental objective should be that all forestry activities lead to sustainable resource utilization. This requires that (i) capacity building needs in support of better special use forest management are addressed; (ii) watershed protection and rehabilitation is linked to livelihood security and implemented with the most suitable approaches, in most places through pure natural regeneration; (iii) reforestation activities in protection and production forests avoid negative environmental consequences through inadequate species selection; and (iv) areas targeted for biodiversity conservation are large enough, or linked by corridors, to support the maintenance of indicator species.

Forest-based economic development (Section 3.4.)

- Although Government has made great efforts in promoting plantation forestry and involving farmers in their establishment, management and protection, the results after close to ten years of national reforestation programs are mixed. Few plantations are economically viable and nursery management and extension services remain weak, while the promotion of smallholder forestry has been insufficient. On the other hand, the potential of natural regeneration has become recognized, including for non-timber forest products, and a certain strategic redirection has been initiated. In order to ensure that 5MHRP resources are used effectively, the focus on (pure) natural regeneration should be increased and the feasibility of large-scale commercial plantations carefully evaluated.

- Timber and non-timber harvesting have largely taken place with little consideration for sustainability, severely degrading forest ecosystems and depleting precious resources. Similarly, the heavily protected and largely state-owned forest products processing industry has operated to meet output targets, without regard to demand, product quality and marketability; in certain industrial segments, such as furniture and handicrafts, small and medium private enterprises have made considerable advances, but resource sustainability is far from guaranteed. If the 5MHRP is to increase the economic contribution of forestry to the national economy, in-depth studies need to identify the country's comparative advantages and lead to selected, stable and sound industry development that can promote the establishment of raw material areas, both for large-scale industries and for small and medium enterprises. In this context, it is imperative that state forest enterprise reform is accelerated.

- The investment and financing environment in forestry has generally failed to encourage sustainable resource use and private sector participation. Access to credit and loan conditions are not suited to the special characteristics of forestry, benefit sharing arrangements for farmers provide insufficient investment incentives, and the lack of marketing and pricing information has made it difficult for investors to assess the feasibility of investments. Finally, taxation and trade tariff systems still present barriers to increased investment in forestry.
Social development (Section 3.5.)

- The key shortcomings with respect to the social dimensions of forestry are related to livelihood and tenure security, as well as access to technical and financial support services and decision-making procedures. Until forest-dependent farmers can satisfy basic needs, their increased involvement in sustainable forest management is unlikely. Livelihood security is further linked to access to land (including joint ownership at community and household level), employment opportunities and extension services, particularly for the most vulnerable groups in terms of ethnicity, economic status and gender. In order to increase the likelihood that critical watersheds are protected and/or rehabilitated, forestry under the 5MHRP needs to be approached as an integral component of overall land use, in which benefits from types of different resource utilization are clarified and legalized, especially in protection and special use forest, and local stakeholders are the main actors.

Capacity building (Section 3.6.)

- In spite of some advances, the country's research and extension, education and training systems have not reached their potential in supporting sustainable forest sector development. A large variety of under-funded actors carry out research, all of whom lack incentives to share and coordinate their work; extension has focused on the establishment of models, without sufficient links to research and with little consideration for the needs and capacities of their clients, particularly concerning socio-economic dimensions, participatory planning in the framework of social democratization, and forest products marketing; and training and education curricula have not caught up with the changing nature of forestry, in part due to the lack of an effective system for monitoring the impact and suitability of education and training services. Although education does not fall under the scope of the 5MHRP per se, institutes need to foster better communication links in order to support the needs of the Program.

Links to other sectors and programs (Section 3.7.)

- The 5MHRP is an integral part of rural development, which in turn influences, and is influenced by a range of other sectors, including infrastructure, industries, and energy. Similarly, various national programs work on issues of critical relevance to the 5MHRP, especially the Program on Hunger Elimination and Poverty Reduction. As a result, MARD, in coordination with relevant ministries, should pay increased attention to cross-sectoral links and attempt to operationalize these through better coordination of national programs.

Institutional environment (Section 4)

Stakeholders (Section 4.1.)

- Of the large and diverse group of stakeholders in forestry, government agencies, including state-owned enterprises, continue to control the majority of planning and implementation processes. As a consequence, the main share of government's forestry budget is used to maintain the elaborate administrative structure. This situation is in marked contrast with prevailing administrative capacities, as well as the declared policy of transferring ownership of forest resources to non-state actors, particularly communities, households and individuals. In the context of the 5MHRP, this recognition needs to be translated into a more diverse project ownership, with communities, mass organizations and other emerging civil society organizations assuming a greater role, particularly in planning and other decision-making processes.

Government management procedures (Section 4.2.)

- The rationale for a parallel management structure of the 5MHRP is based in part on the Program's cross-sectoral nature. Although inter-ministerial and inter-departmental committees at the central and provincial levels exist to mobilize relevant line agencies, the limited scope of eligible projects financed with Program funds, cumbersome command and control-oriented procedures, as well as traditional reluctance to work across agency boundaries, has largely prevented effective Program management. Agendas and policy alternatives are prepared almost exclusively by experts at MARD and DARD, where departmental overlaps further complicate the implementation of the 5MHRP.

- In spite of the decentralized appearance of Program management, 5MHRP sub-project preparation by provincial and district staff primarily aims at 'packaging' centrally defined targets into a predetermined set of 5MHRP activities. As a result, bottlenecks occur both at the central level, where extensive double-checking and modifying is required, and at local levels, where existing needs and capacities are incompatible with the prescribed sub-project parameters.
Transparency and accountability (Section 4.2.1.)

- The 5MHRP's lack of concrete objectives, criteria and indicators has mostly prevented transparent decision-making, monitoring and evaluation. Without increased possibilities for verification, provinces have to resort to the political process (and political patronism) to ensure access to Program funding. In the process, the rationale and feasibility of sub-projects becomes of secondary importance. In addition, protracted negotiation absorbs precious project funds. Once approved, few checks exist to prevent that provincial 5MHRP budgets are used for projects other than those foreseen in annual work plans. Where resources are spent on their intended purpose, conflicts of interest between project owners and supervisory bodies undermine monitoring and evaluation. If 5MHRP resources are to be used more effectively and efficiently, the 5MHRP Program Steering Committee urgently needs to arrange the establishment of a performance-based monitoring and evaluation system. Through the participation of project beneficiaries and donor organizations, government agencies have to become accountable not only to higher administrative levels, but also to their rural clientele.

Institutional reform priorities (Section 4.2.2.)

- Institutional reform has been recognized as a priority for some time. The Ministry of Agriculture and Rural Development (and the former Ministry of Forestry) were designated pilot ministries in the country's public administration reform process long before the 5MHRP was designed. However, implementation of the 5MHRP has highlighted distinct reform needs and added to the urgency of timely reform.
- Changes have to occur at two levels. At the general level, the role of the public forestry administration itself requires adjustment to the country's socio-economic reality and strategy, in which the private sector, communities and individuals assume a greater role in an increasingly market-oriented society. Hence, one of the forestry administration's primary tasks becomes support to the private sector and growing rural population in integrating sustainable forest management into sustainable business plans and overall livelihood strategies. Meaningful decentralization has to accelerate, with local levels assuming greater authority, as well as responsibility and accountability.
- At the more specific level, the Ministry has to redefine the structure, functions and tasks of its administrative units. This includes state forest enterprise reform, the creation of a single forestry department responsible for forest development (including extension) and protection, as well as its establishment at the district level, and the streamlining of research and training institutes.

Human resources development needs (Section 4.2.3.)

- Such changes will not take place overnight or without significant efforts in human resources development and institutional capacity building. Here, too, MARD needs to initiate changes at the macro level, where the education and training system has to be more closely aligned with the needs of the administration's facilitative role and its diverse clients; as well as at the micro level, where staff incentive systems should become more performance-based. In the context of the 5MHRP, priority areas are (i) participatory planning, monitoring and evaluation methods tailored to the special capacities and needs of different stakeholders, particularly vulnerable groups in terms of ethnicity, economic status and gender; (ii) the transfer of technologies aimed at increasing the productivity of timber and non-timber forest products production, processing and marketing; and (iii) skills necessary to turn sustainable forest management into viable farming systems components.

Sector Support Program (Section 5)

The rationale for a government-donor partnership in a Sector Support Program is based on the recognition that although individual projects have achieved temporary successes and increased awareness of new approaches, project-based development assistance has not consistently obtained sustainable results. A program-based approach seeks to place better-coordinated development assistance in the context of a jointly developed policy and implementation framework.

Substance (Section 5.1.)

- The substantive scope of a Sector Support Program (SSP) needs to be comprehensive enough to accommodate all activities necessary for achieving the goals of the 5MHRP. It is proposed to organize these in five general components, each of which is monitored and evaluated with a distinct set of criteria and indicators.

1. Forest Land Management (forest land classification and establishment of permanent forest estate; land use planning; land allocation; forest resource and land use monitoring);
2. **Forest-based economic development** (smallholder and community forestry; commercial forestry; SFE reform; forest products processing; investment and credit; marketing & trade);

3. **Watershed management and nature conservation** (watershed prioritization; protected area and buffer zone management; biodiversity in production and protection forests);

4. **Capacity building** (training & education; research & extension; institutional strengthening, including M&E; legal development); and

5. **Livelihood security** (food security; employment; cross-cutting issues; links to other programs).

**Coordination mechanism (Section 5.2.)**

- The general requirements of an SSP coordinating mechanism are that (i) government takes the lead; (ii) the highest steering unit limits itself to providing strategic direction and review; and (iii) operational responsibility rests with subsidiary executive bodies at central and provincial levels with joint government-donor membership. Two options, which are not mutually exclusive but are located on a continuum, are presented (see diagrams below):
  - **Option 1** (see Figure 6, Section 5.2.) builds on improvements of the existing 5MHRP implementation structure, combined with selected participation of international donors. Its key features are:
    1. An **International Forestry Advisory Group** (attached to the Office of the Ministry) composed of Donor and NGO representatives to review and discuss project portfolios and coordinate project cycle stages.
    2. A **Government-Donor Partnership Review Committee** composed of members from the National 5MHRP Steering Committee and the International Forestry Advisory Group to jointly assess the status of progress in the Sector Support Program at frequent intervals.
    3. Government-Donor **Thematic/Regional Task Forces** to ensure cohesion within regional and thematic components of the Sector Support Program and provide support to the Central Executing Committee and the Ministerial 5MHRP Management Units.
    4. A **streamlined provincial structure** with a Provincial Executing Committee responsible for the operational tasks of facilitating the administration of the Sector Support Program (the Provincial Project Management Board is eliminated).
    5. **Local Program Management Boards (LPMBs)** responsible for providing guidance to project owners and administering the Sector Support Program at the local level.

- **Option 2** (see Figure 7, Section 5.2.) similarly builds on the existing 5MHRP implementation structure, but envisions a closer integration of Government and donors in key units. Its main features are:
  1. A joint Government-Donor **Policy Support Group (PSG)** attached to the National Steering Committee to function as a permanent advisory body, provide advice on and review Steering Committee proceedings and decisions and publicize technical commentaries.
  2. A joint Government-Donor **Central Executing Committee (CEC)** to review monitoring and evaluation results, advise the Steering Committee, and arrange external representation of the SSP. The CEC is supported by the same **Thematic/Regional Task Forces** as in Option 1, but joint work planning ensures more complete integration (functions and tasks of Ministerial 5MHRP Project Management Units are subsumed in the Executing Committee).
  4. Joint Government-Donor **Provincial SSP Executing Committees (PSECs)** assume operational responsibilities in Sector Support Program administration at the provincial level.
  5. **Local Project Management Boards (LPMBs)** as in Option 1.

**Implementation procedures (Section 5.3.)**

- The central question concerning implementation modalities relates to the ways in which transaction costs in development assistance delivery can be reduced. Two general areas in which this can be achieved are in (i) project/program cycle management and (ii) harmonization of implementation procedures, particularly concerning financial disbursement. Two options, again lying on a continuum, correspond to these two areas.
- **Option 1** emphasizes the lowering of transaction costs through joint implementation of project cycle steps and thematic and regional earmarking of international assistance activities. From an agreed interpretation and analysis of the prevailing strengths, weaknesses, opportunities and threats facing Vietnam's forest sector, government takes the lead in modifying the 5MHRP to reflect real needs, capacities and priorities. Jointly identified strategies and necessary changes in the enabling environment, as well as criteria and indicators for monitoring progress in implementation, are packaged in the SSP; regional/thematic earmarking serve to channel development assistance to priority areas and issues.
• **Option 2** builds on Option 1 and may be considered an addendum, rather than a freestanding option. It similarly aims to lower transaction costs through collaborative problem definition, strategy identification and project cycle management, but in addition attempts to gradually achieve the harmonization of development assistance delivery procedures with those of government's own procedures. Initial steps in this direction are already underway with the activities of the World Bank, Asian Development Bank and the Japan Bank for International Cooperation (JBIC).

**Timing (Section 5.4.)**

- The timing of the Sector Support Program could look as follows:

<table>
<thead>
<tr>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
<th>Phase IV</th>
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<tr>
<td>2001</td>
<td>2003</td>
<td>2005</td>
<td>2010</td>
</tr>
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1. An initial phase to 2003 serves to establish the Sector Support Program structure, focus on capacity building and changes in the Program's enabling environment, as well as the preparation of targeted donor assistance activities.
2. A second phase from 2003-2005 witnesses the gradual increase in development assistance through loans to consolidate changes in the enabling environment and initiate investments.
3. The 2006-2010 phase coincides with the Government's 5-year plan. By then, multilateral loan projects would be fully operational and bilateral and NGO projects would continue to build capacity where it is most needed.
4. Finally, the 2011-2015 phase, as indicated above, would serve to complete initiated activities in parallel to taking stock and initiating the transition to a new investment and technical assistance arrangement.

**1. INTRODUCTION**

This document is but one of many steps in an evolving process of government-donor collaboration towards a new approach in coordinating forest sector development in Vietnam. In order to provide the necessary background, this first section offers an overview of the Partnership process, followed by an outline of the objectives and approach of the Synthesis Phase, as well as a preview of the report structure.

**1.1. Background**

In July 1998, the Tenth National Assembly of the Socialist Republic of Vietnam approved a new National Forestry Program, which seeks to reforest and rehabilitate 5 million hectares of forest land, such that by 2010 the total forest area of the country will reach 14.3 million hectares (equivalent to 43 percent forest cover). The National Five Million Hectare Reforestation Program (5MHRP) shows the Government's commitment and priority given to forestry sector and responds to the Rio Declaration and Agenda 21 that emerged from the 1992 United Nations Conference on Environment and Development.

During the Consultative Group Meeting in Paris in December 1998 it was agreed between the Donor Committee and the Representative of the Vietnamese Government that a Partnership would be established to support the 5MHRP. In December 1999, the Government and donor organizations signed the Memorandum of Agreement on the Preparation of a Partnership Support Program for Vietnam's Five Million Hectare Reforestation Program to "reach agreement on a formal Partnership which will lead to a shared Sector Support Program (SSP) for effective and efficient implementation of the 5MHRP on the basis of agreed policies, strategies, priorities and principles of implementation."

The Partnership process has been guided by a joint Government-Donor Steering Committee and supported by the 5MHRP Partnership Secretariat attached to the International Cooperation Department of MARD and operated in cooperation with the Office of the 5MHRP within the Forestry Development Department.

Three joint Government-Donor Task Forces were established to review and analyze different aspects relevant to the development of a Sector Support Program:

**Task Force I: Clarification of the 5MHRP**

**Objective:** Review and assess the current preparation and implementation status of the 5MHRP and present in
detail the objectives and outputs to be achieved and the proposed means and implementation structure. Define the core activities of the Program, its relations with other national programs as well as its limits.

**Task Force II: Forest Policy, Strategy and Institutions**

**Objective:** Review and assess the strengths and weaknesses of current forest policy, strategy and institutions in Vietnam and recommend how they should be changed in order to create the right framework conditions to achieve the objectives of the 5MHRP.

**Task Force III: Forest Sector Investment and Assistance Needs and Partnership Support Structure**

**Objective:** Review and assess the future investment needs of forestry in Vietnam over the short and medium term (including the immediate needs) and the current contribution and the role of the ongoing projects and programs. Recommend a financing strategy for sustainable forestry sector development in Vietnam and the implementation of the 5MHRP. In particular, consider a) the demand for public investments; b) the range of Government-Donor Partnership options to support the forestry sector in Vietnam; c) identify the costs and benefits of a program approach to forestry investments and d) define the necessary preconditions for successful investments in forestry activities at all levels.

The Task Forces worked during most of 2000 and finalized their work in December.

The Asian Development Bank Technical Assistance 'Study on the Policy and Institutional Framework for Forest Resources Management in Vietnam (TA No. 3255 - VIE),' hereafter referred to as ADB TA, was carried out during six months between April and December 2000. Three international and six national experts worked to 'assist the Government to (i) define the sector development policy and implementation strategy, and (ii) assess capacity building needs to implement the National Reforestation Program efficiently.'

### 1.2. Objectives, outputs and organization of the Synthesis Phase

At a workshop held on October 19, the three 5MHRP Partnership Task Forces and the consultants working under the ADB TA jointly presented their preliminary findings. In the discussions at and following the workshop, it emerged that the follow-up would have to focus on three elements:

1. the Substance of the Sector Support Program
2. the National Management of the 5MHRP
3. the Form and Management of a Government-Donor Partnership in support of the 5MHRP

This recognition reveals that 'management' must be dealt with in two places, and that related issues such as procedures, monitoring and evaluation, would also have to be addressed in both the Program and the Partnership. In relation to the substance, it was found that agreement would have to be reached on the objectives of the Program (based on the development objectives of the 5MHRP), the strategies to achieve these objectives (including issues of institutional reform and policy change), the results to be obtained in appropriate timeframes, the principles of implementation, the linkages to other (national) programs and the capacity building needs. Finally, in terms of Program management, agreement and confidence will have to exist between government and the donors on the management mechanisms and procedures applied, their transparency and accountability, and on the capacity of the institutions to manage the Program.

In accordance with the outcome of these discussions, the Synthesis Phase was designed to consolidate the past review work into a forward looking proposal for a coherent Sector Support Program. The objectives of the synthesis phase are to:

- Prepare a unified report and summary containing a strategy for medium-term forest sector development that provides sustainable environmental protection, poverty reduction and forest product-based economic development in the framework of the implementation of the 5MHRP;
- Define, in relation to this strategy, the scope of a Government-Donor Partnership supporting the sector and to draw recommendations for the revision of the 5MHRP;
- Review national institutional capacity to implement the 5MHRP (taking into account the Partnership scope) and identify procedural and other management constraints

The main tasks under the Synthesis Phase were carried out by a team of national and international experts,
consisting of Jörg Balsiger (Team Leader), To Dinh Mai and Tran Van Hung, Tara Rao, Pham Minh Thoa (Forest Development Department), Olaf Balding (GTZ-REFAS), Göran Nilsson Axberg (Vietnam-Finland Forestry Sector Co-operation Program) and Jill Blockhus (World Bank).

In order to ensure continuity with the activities and expertise developed during the Review Phase of the 5MHRP Partnership, national and international experts formed a Synthesis Reference Group that provided comments on the outline and draft report. In addition, two workshops were held to provide signatories and other key stakeholders with the opportunity to participate in the delineation of the substantive scope of a future Sector Support Program, as well as in the design of the structure and management mechanism of such a Program.

1.3. Structure of the Report

The three Task Forces that operated during the first phase of the Partnership process covered an enormous amount of ground. However, several important aspects have not emerged from these reports, requiring additional research and consultations in the context of the Synthesis Phase. For this reason, this document draws on sources beyond the Task Force reports and the ADB TA.

The section following this preview examines the current environmental, economic and social objectives of the 5MHRP as stated in National Assembly Resolution 08 and, in a slightly adjusted way, in Decision 661. The purpose of this approach is twofold. First, it demonstrates that the breadth of the objectives requires that the strategies deployed under the program go beyond what could be addressed in the traditional sub-project context: they have to include actions aimed at modifying the Program's enabling policy and institutional environment. Second, the section seeks to identify the missing elements that are needed to give more meaning to the general objectives. In essence, Section 2 concludes that the 5MHRP objectives are rather seen as overall goals, which are in need of a set of more concrete objectives.

Section 3 takes a closer look at the policies and strategies currently in place to support the achievement of the 5MHRP objectives, broadly divided into land management, forest conservation, forestry-based economic development, social development, capacity building, and links to other national programs and sectors. Since the 5MHRP is not an overall forest sector policy, but a national (investment) program that provides financing for a defined set of activities, the legal and institutional context within which these activities take place (or not) plays a crucial role. For this reason, Section 3 does not limit itself to the 5MHRP strategies (i.e. primarily subsidies for forest protection and establishment). Rather, it gives a comprehensive view of the factors that influence the 5MHRP implementation. Moreover, because of the close link between the 5MHRP objectives, several issues are also addressed from environmental, social and economic perspectives in different places. For instance, although land use planning is primarily addressed in the land management section, certain social dimensions are taken up again in social development.

Section 4 offers a more detailed examination of the institutional context in which the 5MHRP operates, with a particular emphasis on the management of the Program. The Section provides an overview of the key stakeholders, followed by an analysis of public forestry administration agencies with respect to management procedures, transparency and accountability, institutional reform and human resources development needs.

Whereas Section 3 and 4 seek to convey an understanding of the current situation, Sections 5 and 6 attempt to incorporate this understanding into a proposals for how to move forward in the development of a government-donor partnership, i.e. a Sector Support Program (SSP). The first part of Section 5 builds on the analysis of the 5MHRP objectives and implementation bottlenecks and suggests a thematic scope, two options for a coordination mechanism and implementation procedures, as well as a timeframe for the SSP. Section 6 outlines the most critical recommendations that follow from the analysis of the current situation in Vietnam's forest sector. These constitute priority actions that are necessary to ensure the successful unfolding of the 5MHRP and SSP.

Finally, the annexes provide the Terms of Reference for the national and international experts who prepared this report, as well as summaries of the group discussions held at a workshop on February 9-10, 2001, in Hoi An to discuss the first draft of this report and provide the experts with comments to consider during the finalization of their work.

2. FIVE MILLION HECTARE REFORESTATION PROGRAM OBJECTIVES
The 5MHRP is designed to achieve the environmental, economic and social objectives outlined in National Assembly Resolution 08 (December 5, 1997) and Decision 661 (July 29, 1998). These objectives are very broad and have extensive cross-sectoral implications. By contrast, the implementation of the 5MHRP to date has been limited to a narrow set of activities carried over from its predecessor reforestation program (Program 327). Following an introductory section that provides important background to the 5MHRP, this section takes a closer look at the three objectives and identifies those elements which should be further spelt out, either in more concrete objectives or in a set of criteria and indicators against which progress towards achieving the objectives can be measured.

2.1. Introduction

Role of the forestry sector in Vietnam

The role of the Forestry Sector of Vietnam is to protect the environment, including biodiversity conservation and water supply functions; reduce or prevent disasters, particularly from storm damage and major floods; contribute to the national economy; provide forest products; and provide livelihood to rural populations. The sector's economic role in the formal economy is modest and declining. Between 1990 and 1995, forestry's contribution to gross domestic product (GDP) declined from 3.0 to 1.4 percent and forest products exports as a share of total exports from about 5 to less than 3 percent (in USD terms, from 127 million to 101 million) (General Statistical Office in ADB TA). Preliminary figures for 1999 estimate forestry's contribution to GDP at 1.2 percent.

However, since conventional GDP statistics reflect neither the importance of forests to rural populations, nor their contribution to the environment, forestry's importance is usually underestimated. Forests provide livelihood to rural populations. Many rural communities depend on forest resources, especially in mountainous areas. Forest land is used for food production and fuelwood is collected from natural forests or plantations. Non-timber forest products (NTFPs) such as bamboo, honey, spices and medicinal plants, are essential components of the rural economy.

Environmental protection and disaster prevention are of central importance to the country as a whole. Although these benefits are difficult to quantify, they are wide-ranging and include the reduction of storm damage, watershed protection and mitigation of soil erosion and flooding, biodiversity conservation, and tourism. In the long run, the water regulation and supply functions may be the most critical, particularly considering the needs for agricultural production and other uses of a growing population (TF II, Final Report; ADB TA). Forested and well-managed water catchment areas contribute to water storage for hydropower and irrigation dams, reduce floods in lowland areas, provide sources of drinking water, and indirectly halt salinization.

Rationale for the 5MHRP Program

The 5MHRP was designed in the context of the country's socio-economic process of reform, industrialization and modernization. It forms an integral part of the overall long-term strategy for rural development in general and forestry in particular. Yet, neither the National Assembly Resolution 08/1997/QH10 of December 5, 1997, nor the Prime Minister's Decision 661/QD-TTg of July 29, 1998, contains a clearly formulated justification for the Program's strategy of protecting existing forests, promoting forest plantations and rehabilitating forest areas, let alone the quantitative target the Program aims to meet (the five million ha is derived from the calculation that this would restore forest cover to its 1943 level).

A justification for the 5MHRP has been articulated in the draft program document for the 5MHRP, a document that has not been completed and will likely be further revised in light of new developments. The justification is divided into environmental, economic and social aspects, the key elements of which are outlined below.

Environmental Justification

Although the country's forest cover is said to have been increasing over the past few years, forest quality continues to decline as a result of forest degradation, further impacting water discharge patterns and biological diversity. The underlying and proximate causes of forest loss and degradation - rural poverty, shortage of arable land, limited institutional capacities, inadequate tenure regulations, unsustainable land use, excessive logging, and natural calamities - combine to exert heavy pressure on the remaining natural forests. According to the latest statistics, forests account for 33.2 percent or 10.9 million ha of the country's total territory (Decision 03/2001/QD-TTg of January 5, 2001). Of this total, roughly 9.4 million ha are natural forests and 1.5 million ha plantations. In 1998, the General Department's (higher) estimate of natural forest included 5.4 million ha of
production forest, 3.8 million ha of protection forest and 0.9 million ha of special use forest (GDLA in ADB TA).

In the context of the 5MHRP, the Program document argues that the establishment of 2 million ha of protection and special use forests would be necessary to meet the target of 6.8 million ha for the entire country (3.5 million ha is already forested and 1.25 consists of rocky mountains and steep land that is difficult to plant). These forests would support the environmental functions and protect biological diversity.

With a rural population of over 58 million in 1999, Vietnam's available land per capita for growing rice and other staple crops is one of the lowest in the world. Moreover, the estimated doubling of the population within 50 years will increase pressure on lowland agricultural areas even further. As a result, the future need for environmental services from forests, including water, will require a thorough analysis that balances the need for agricultural land, water to support agriculture and domestic needs, and forested lands and forest products. Such an analysis would provide a better basis for determining the quantitative need for protected watershed areas and selecting sites for reforestation than what has served to arrive at the 2 million ha figure.

Economic Justification

In order to meet the demand for forest products over the decade to 2010 and to reduce pressure on natural forests, the government has deemed it necessary to establish 2 million ha of production forest and 1 million ha of industrial and fruit trees, in addition to protecting existing forest resources. On the basis of various forecasts, the production forests are planned to generate specified quantities of raw material for the paper industry, wood-based panels industry, mining timber, wood for furniture and interior decoration, basic construction, non-timber forest products, and perennial tree crops, including rubber, coffee, tea and fruit.

The estimates for required plantation areas are both too small and too large. They are too small because they are based on population estimates for the year 2005, rather than for a larger future population when the plantations are ready for harvesting. And they are too large because they do not take into account competition from foreign producers. The estimates also do not consider that most of the trees will not mature until many years after 2005 or 2010 (the reference years used for the demand estimates). For these reasons, as in the case of protection and special use forests, a more thorough analysis is needed to justify the large investment requirements of commercial plantations implied in the 5MHRP. The ADB TA, for instance, estimates that the 'most probable' range for production forests will be 0.5 to 1.0 million ha. It could also be argued that the establishment of perennial tree crops was better incorporated into an agricultural program, although many species also provide wood after they cease to produce their main products, such as rubber.

Social Justification

Most of the remaining forests are located in mountainous and remote areas, where many of the nearly 25 million people who live in and near forests reside. Most of these people belong to ethnic minorities and many are poor. Their livelihood depends on the use of forest products and land for cash income and food. Both high population growth rates and the combined effect of migration and shifting cultivation practices contribute to deforestation. Incomes derived from forest resources are decreasing, resulting in local people becoming poorer. Yet, experience has shown that these trends can be reversed through a combination of suitable employment policies and a reasonable set of rights and responsibilities for local people. A national program to ensure that rural populations benefit from forestry would therefore contribute to eliminating hunger and alleviating poverty, and stabilizing and improving people's living conditions.

Although the social justification is particularly relevant to people living in mountainous areas, very little (if any) of the mentioned enabling activities are included in the funding mechanism for the 5MHRP. In some cases, these activities form part of other national programs. Therefore, to meet expectations, additional funds and resources are needed for the 5MHRP, very close cooperation and coordination with other national programs is necessary, and marketing considerations have to be taken into account.

Lessons learned from Program 327

The 5MHRP may be regarded as the latest in a series of government efforts to promote reforestation. Its predecessor, Program 327, was established in accordance with Decision 327-CT of September 15, 1992, of the Council of Ministers. The initial scope of Program 327 was very broad and included forestry, agriculture, aquaculture, fixed cultivation, sedentarisation and new economic zones. Its purpose was to regreen open land and bare hills, protect existing forests, assist natural regeneration and reforestation, utilize coastal alluvia, promote aquaculture, develop long-term industrial crops and fruit trees, expand cultivated land in delta areas, build infrastructure, promote social welfare and recruit laborers to project areas in order to form new communes. However, the Program scope changed several times to finally focus on establishing special use
and protection forest - by encouraging natural regeneration, reforestation and protection of forests in critical areas (Decision 556-TTg of September 15, 1995).

The total amount of direct state budget resources allocated to Program 327/556 between 1993 and 1998 was 2,516 billion dong, of which 65 percent was allocated to forestry, 18 percent to infrastructure, 14 percent to agriculture and 3 percent to resettlement and infrastructure; an additional VND 164 billion was used to administer the Program and VND 368.2 billion was provided through interest free loans (ADB TA). The funding was channeled through state farms and state forest enterprises and implemented at the household level, commonly with land allocation as a first step. Local projects were developed and approved in a complex and bureaucratic process involving numerous actors at national and local levels.

Officially, Program 327 was largely successful in terms of achieving its physical targets, with achievement rates of over 100 percent for forest protection, regeneration and conservation and high figures for the establishment of industrial crops (rubber, tea and coffee). In reality, the success of Program 327 was mixed at best. Despite the funds and energy expended, the area of natural forests in protected and production areas has decreased. With poor stocking and low growth rates, forest plantations have not met expectations.

An evaluation carried out for the World Bank in 1998 reached very negative conclusions, many of which, the ADB TA has argued, are quite possibly on the extreme side of the spectrum. Nonetheless, some of points that emerged are worth recalling as they carry important implications for the 5MHRP:

- Although the Program managed to mobilize farmers, it was largely carried out in a 'top-down' fashion, with highly prescriptive project regulations and bureaucratic approval and monitoring processes, which slowed down approval and capital disbursement processes and reduced possibilities for adaptation to local realities;
- the farmers’ short term need for food was underestimated, resulting in the unrealistic expectation that they would invest resources to plant forest trees on their allocated land;
- inadequate technical training and understanding of plantation forestry among foresters, as well as the absence of pre-investment market studies, hindered the use of sound plantation approaches and technologies. Furthermore, plantations were established over scattered plots, which would eventually lead to high harvesting and transport costs;
- the lack of adequate linkages to research and extension undermined the success of plantations; and
- insufficient funding and late fund disbursement encouraged using the cheapest possible (i.e. the lowest possible quality) seed and nursery stock.

Some of these lessons have been incorporated into the design of the 5MHRP. Others are have been addressed in other contexts and will have a significant impact on the implementation of the 5MHRP. For instance,

- environmental protection is now considered the most important function of forests, especially with regard to the mitigation of natural calamities;
- forest management responsibilities are gradually being transferred from the state to households and individuals, even though the requisite land allocation has proceeded slowly and the legal framework does not yet legitimate joint ownership at household, user group or community level;
- state forest enterprise reform, currently in process, aims to produce more independent and sustainable businesses on the one hand, and transform non-viable enterprises into other forms (Decision 187/QD-TTg of September 16, 1999 on the renewal of the organization and management mechanism of state forest enterprises; Inter-ministerial Circular 109/TTLT/BNN-BTC of October 20, 2000 guiding the implementation of Decision 187);
- the earlier focus in forest development on forest plantations has been complemented by increased emphasis on natural regeneration; and
- ongoing overall administrative decentralization is strengthening local authorities at province, district and commune levels.

Nonetheless, several key issues remain to be addressed in a more systematic way. Most importantly, the incorporation of market and marketing aspects has not been adequate; research and extension still does not sufficiently respond to the needs of rural populations, particularly vulnerable groups in terms of ethnicity, economic status and gender; and cross-sectoral integration remains unsatisfactory.

2.2. Environmental objectives
The environmental objective combines two somewhat different but closely related aspects. For the purpose of this section, a difference is therefore made between environmental protection aspects, which includes the protective functions of forests, and ecological aspects, which largely relate to the conservation of diversity between different ecosystem types, species and within species.

2.2.1. Environmental protection aspects

The overriding aim of forest establishment under the 5MHRP is to increase forest cover and increase the protection capacity of forests. This capacity serves to protect the environment, by regulating and protecting water sources, preventing surface soil erosion, preventing landslides, reducing floods and drought, protecting key national constructions (e.g. hydro-power stations and irrigation schemes), preventing moving sand, protecting coastlines, and ensuring downstream agricultural production.

Article 2 of Decision 661 specifically states that "With regard to protection forest, priority investment should be given to the vital key protection regions, head waters, reservoirs, especially the headwaters of the hydropower projects, cities, coastal protective areas and areas with urgent need of ecological rehabilitation."

Further, Article 3 stipulates the tasks for improving forest protection and creating additional protection and special use forests. The environmental protection objectives of the Program are consistent with the objectives set out for protection forests (in Decision 1171/QD and more recently in Decision 08). These objectives as stated in Decision 08 are aimed at water protection and regulation, soil protection, prevention of soil erosion, limitation of natural calamities, climate regulation, ensuring the ecological balance, and environmental security.

2.2.2. Ecological aspects

Article 1 of Decision 661 seeks to protect existing and establish new forests in order to increase forest cover and protect the environment and preserve genetic resources and biodiversity. The targets most directly relevant to the ecological aspects include: a) efficiently protecting the existing 9.3 million ha of forest and b) creating 2 million ha of special use and protection forests. Of the special use and protection forest, 1 million ha will occur through assisted natural regeneration for the purpose of watershed protection and creation of ecologically rich special use forests, and 1 million ha will be created as plantations.

According to Article 3 of Decision 661, the creation of more special use forests furthers the biodiversity conservation objectives of the 5MHRP. As specified in Decision 08/QD-TTg of January 11, 2001, the objectives supporting special use forest are aimed at conservation of natural, standard specimens of national forest ecosystems, preserving animal and plant genetic resources, scientific research, protection of historical/cultural relics and landscapes, and tourism.

The Inter-ministerial Joint Circular 28, which provides guidance for the implementation of Decision 661, clearly indicates that implementation activities should vary according to the management category of the forest. This would mean that for plantation species for special use forests, the species selection should conform to the species composition of the original ecosystem. In protection forests, industrial species, fruit trees and special forest product trees can also be planted, as long as they assist in establishing canopy cover and perform a protection function.

2.2.3. Missing elements

Although 661 encompasses the national objectives for forestry protection and forest development, an overarching missing element is an appropriate structure for management and implementation, which is limited to special use and protection forests.

Environmental protection aspects

Although the target of increasing forest cover to ensure environmental security and increase the capacity of water generation are stated, greater mention could be made of the role of forests in land stabilization and regulating water discharge patterns. Similarly, no consideration is made of the effects of planting of mangroves in inter-tidal areas. Given that the use of certain exotic species in reforestation has produced negative effects, it may be necessary to develop environmental assessment guidelines for 5MHRP activities and build capacity to undertake environmental assessment effectively.

Ecological aspects
Fund 661 is the primary financing activity in special use and critical/very critical protection forests, as stipulated in Decision 661. However, the technocratic planning of the 5MHRP, expressed through the prescriptive nature of the eligible activities to be funded by Fund 661, does not acknowledge the heterogeneity of ecological conditions in Vietnam (ADB TA). This is a serious missing element, as different ecological conditions require different approaches and different financial and technical support mechanisms.

2.3. Forest-based economic objectives

2.3.1. Forest establishment

Decision 661 and Joint Circular 28 include a variety of objectives related to the establishment of five million hectares of new forest and the protection of existing forests. Key among these is the separation between plantation and (pure and/or assisted) natural regeneration. New forests should be "located in different areas of the country with a focus on priority areas"; for protection forests, priority should be given to "important watersheds, especially where water is provided to hydropower plants, cities, and coastal areas and also to areas in urgent need of ecological rehabilitation."

The regulations also provide guidance concerning the forest structure. Decision 661 delegates the authority to specify species structures in protection forests to Provincial People's Committees and province level cities, while production forest species structures are to be decided by organizations, households and individuals allocated or leased land for reforestation.

Three main problems present themselves in relation to the reforestation objectives. First, although the objectives give priority to watersheds, no transparent approach is presented or stipulated for identifying such watersheds. As a result, 5MHRP resources have been scattered across the entire country, greatly undermining effectiveness where it is most needed, i.e. in watersheds of primary importance to downstream use for agricultural, hydropower generation and biodiversity conservation. In this context, it is also questionable whether the production of perennial tree crops, such as tea, coffee and cashew nuts, although important for both livelihood strategies and commercial development, should be supported through of the 5MHRP.

Second, in spite of the recognition that species structures should be determined by climatic and soil conditions, insufficient flexibility is given to project owners, who have to comply with administratively set parameters and tolerate the limited varieties supplied by tree nurseries. This has negative socio-economic consequences in areas where forestry activities have to support and/or complement livelihood security of vulnerable population groups: the focus on fast-growing species, for which markets are far from secure, provides inadequate grounds for justifying the necessary investments. It also has negative environmental consequences, as argued in the previous section, since on the one hand exotic monoculture tree plantations are often unsuited to local conditions, become vulnerable to fire, pests and diseases, and undermine the potential for biodiversity protection or rehabilitation; and on the other hand, exotic species tend to crowd out slower growing local species, as has been observed in many field sites (TF I).

And third, the 5MHRP objectives have to make more explicit that support services needed to maintain plantations, in addition to establishing them, are included in the implementation. Such services include technical services intended to improve silvicultural aspects of forest management, as well as the protection of biodiversity in production forests.

2.3.2. Harvesting and processing

The 5MHRP objectives related to harvesting and processing are outlined in Decision 661 and Joint Circular 28 and include an ambitious set of targets, which are implicitly based on the questionable assumption that Vietnam needs to be self-sufficient in wood production (MARD has prepared a draft forest products processing strategy for 2001-2010, but not made it public yet). The targets include raw material for the production of pulp and paper, wood-based panels, pit props for coal mining, furniture and interior design, basic construction, non-timber forest products and a variety of perennial tree crops (although Decision 661 includes the development of the forest products industry as a Program goal, this is not further developed in the Decision or anywhere else). Due to the Program's implicit aim of phasing out natural forest harvesting, it is assumed that most of these products will come from domestic plantations.

Decision 661 also specifies, however, that in "certain areas where special conditions prevail," concentrated plantation establishment should evolve in close coordination with the processing industry; Joint Circular 28 further states that tree selection must be based "first of all on climatic and soil conditions and conditions of
circulation and processing and the needs of the market," and that the development of production forests "must be associated with the processing technology and the marketing of products in order to recover capital early and to ensure profits."

Although the intimate link between raw material and industry development is recognized, the numerical targets are largely derived from medium and long-term plans and estimates of the various industries, many of which were developed without sufficient coordination with MARD. As a result, most of the targets lack credibility, undermining the certainty needed to make long-term investments in tree plantations. The first two years of 5MHRP implementation have also shown that the wood-based industry has not consumed all raw materials that can be harvested from plantation forests, while raw materials prices have not generated sufficient profits to finance reforestation work. The important lesson from this is that the industry must be profitable and able to buy raw material at a price that makes it interesting to grow raw materials, which in turn requires reasonably close proximity to processing facilities.

Based on current and likely future demands, generating products for the paper and pit prop industries seem somewhat justified. However, as suggested in the ADB TA report, there is an urgent need to increase the productivity of these raw material forests. The wood-based panel industry is in its infancy, with two medium density fibreboard (MDF) plants under construction; however, many observers have pointed out that the minimum size of an internationally competitive enterprise is at least twice of what is aimed at in the two pilots. Wood for basic construction (and quality furniture) is unlikely to become available during the course of the 5MHRP's duration.

### 2.3.3. Services

Although the achievement of the 5MHRP's forestry-based economic development objective requires extensive financial and technical support services, the objectives of Decision 661 do not adequately reflect this. Moreover, the principles merely specify that the State is "to create a favorable legal environment; organize research and transfer technologies, issue policies which encourage people to engage in reforestation, provide funds or favorable credits, and support construction of essential infrastructure." Limited additional elaboration is found in the list of services provided in the form of grants from the state budget and loans from different sources.

**Financial Services.** State budget funds are available under 661 primarily for implementing and managing activities in critical and very critical protection forests and special use forests, as well as for the establishment of production forests with valuable species. State budget funds also cover the costs for infrastructure, research, extension in agriculture and forestry, land allocation and issuance of land tenure certificates, but the exact level of support is unclear. Loans on favorable terms are available for production forestry, but experience has shown that these terms are still not favorable enough to attract borrowers, particularly among vulnerable groups.

**Technical Support Services.** The provision of technical support services under 661 is implied through the itemization of what state budget funds can be used for, namely research, extension, land allocation and issuance of land tenure certificates. However, these services are included in the general category of management costs for protection and special use forestry.

**Market development.** Many barriers to increased sustainability in forest management are rooted in distortions in the wood market. In some market segments, government, state forest enterprises or private sector traders keep prices artificially low, leaving unattractive profits to producers. At the same time, inadequate control of the timber trade has led to the growth of an illegal timber market. The lack of marketing information has also prevented any significant improvements.

### 2.3.4. Missing elements

At first glance, the forest-based economic objectives of the 5MHRP appear broad enough to support a wide range of activities tailored to local conditions. However, the comprehensiveness is also the main shortcoming, which on the one hand has resulted in the scattered use of government resources and, on the other hand, has limited the use of funds to activities carried over from Program 327 as Provinces and project owners have resorted to the familiar. As a result, the Program's goal of increasing the forest sector's contribution to poverty reduction and the national economy remains difficult to achieve.

The most important missing element is therefore greater focus. For protection forestry, the 5MHRP objectives need to identify (or provide criteria for the identification of) priority watersheds at the national level, following the suggestions of the National Environment Action Plan. The identification should take into account the role of watersheds in stabilizing water discharge patterns to support downstream agriculture and mitigate natural
disasters, the potential to provide employment and income opportunities for vulnerable population groups, as well as the protection of biological diversity.

For production forestry (including non-timber forest products), the 5MHRP objective needs to identify (or provide criteria for the identification) target areas for commercial forest development, as well as address small and medium enterprise development in smallholder forestry. Since key decisions on the commercial side of forestry will largely be taken by private sector organizations, the 5MHRP objective should focus on key activities in improving the investment environment, including for small and medium enterprises, which may require special attention; and safeguarding biodiversity protection in production forestry. Because of the central role played by state forest enterprises, SFE reform should be considered as an integral component and made explicit in the objectives.

Finally, the 5MHRP objectives need to make reference to the fact that services required to ensure the achievement of the Program's goals, including land use planning and allocation, research and extension, and market development, will be financed. Special attention has to be paid to ensuring that research and extension priorities extend beyond the current supply-side emphasis (seed development and plantation management) to include demand-side aspects (demand-supply forecasting, marketing research and information, water/hydrological service needs, etc.) and special attention to vulnerable groups in terms of ethnicity, economic status and gender.

2.4. Social development objectives

Although the social dimension has become recognized as an integral part of sustainable forest management, it is usually the area least well defined and covered in forestry discussions, both in Vietnam and elsewhere. Essentially, the social dimension emerges from the unequal distribution of economic and political influence, which often results in the exclusion from development opportunities of vulnerable population groups on the basis of ethnicity, economic status and gender, affecting their well-being and livelihood security.

The social objective of the 5MHRP, reflected in Article 1 of Decision 661, states: "Use open land efficiently, create employment opportunities, contribute to hunger elimination and poverty reduction, support fixed cultivation and sedentarization, increase income for mountain rural people, create stable social conditions, and strengthen national defense and security, especially in border areas."

This formulation establishes livelihood security through sound land use as the overriding objective of the social dimension. Moreover, it suggests addressing and responding to the incentive to engage (i.e. both the willingness and the need to participate) by populations of men and women, as well as communities and institutions in sustainable forestry activities. It also recognizes the critical link between poverty alleviation and environmental protection and therefore maintains that the protection and development of forests can only be achieved if food security and increased incomes through adequate benefit sharing arrangements among rural populations are ensured. For larger scale commercial forestry operations, livelihood security would address preferential access to employment and training opportunities for local populations, as well as sound employment conditions. Other elements contained in the social objective, such as support to fixed cultivation and sedentarization, the creation of stable social conditions and the strengthening of national defense, will be addressed in part as a result of increased livelihood security. For this reason, they are more appropriately seen as parts of a higher goal, which the 5MHRP can contribute to achieve.

2.4.1. Livelihood Security

Addressing the social dimension requires the identification of preconditions for livelihood security. These preconditions consist of (i) food security among forest-dependent households and/or individuals; (ii) human input i.e. employment opportunities and conditions, including income diversification; and (iii) equitable access to physical, financial and technical resources. Furthermore, the fulfillment of these preconditions would require an institutional framework of active engagement (as opposed to passive participation) in contributing to demand articulation, decision-making and conflict resolution.

2.4.2. Engagement: Mechanisms of access

Article 2 in Decision 661 states "people are the driving force for establishment, protection, and regeneration of forests and are entitled to enjoy benefits from forest-related activities" and "the creation of new forests will be implemented in the form of a number of local projects designed in close cooperation with the local people" providing for active engagement of local populations. The Article also reinforces the livelihood dimension by
further stating that forestry-derived benefits should accrue to those engaging in the management of the resource.

The element of engagement as embedded in Decision 661 relates to two different aspects. First, the Decision having established that people are the driving force, implies that they are to be fully involved in the implementation of the Program. And second, the requirement that local projects are to be designed in close cooperation with people's involvement further establishes that participation goes beyond implementing and ensures a central role in the planning of 5MHRP activities. In light of prevailing conditions, particularly in rural areas, ensuring active engagement includes equal access to decision-making processes, as well as capacity building for such participation.

In summary, with livelihood security as the overriding concern (goal), food security, employment opportunities, access to physical, financial and technical support, and an institutional framework for active engagement can be identified as the elements (objectives), with a consistent emphasis on vulnerability and social equity based on ethnicity, economic status and gender as a cross-cutting factor (criteria).

2.4.3. Missing elements

The social objective and principles of Decision 661 broadly address issues of livelihood security, benefit sharing and employment, while suggesting broader-based engagement in forest-related activities. With the exception of benefit sharing, however, little concrete guidance exists for how these areas can be incorporated in the context of sustainable forest management. One of the reasons for this is that the tasks outlined in Decision 661 are defined primarily in terms of quantitative targets for forest protection and establishment. Furthermore, because predefined land-related per hectare cost norms allow insufficient room for covering activities necessary to address social issues and localized active engagement, the social and hence overall sustainability of 5MHRP activities is difficult to guarantee.

Because the social dimension of sustainable forest management is difficult to quantify, there is a need to complement the 5MHRP’s social objective with qualitative and process-oriented criteria and indicators, such as sustainable livelihoods and forest management. The Vietnam National Standards (also known as the Criteria and Indicators) for Sustainable Forest Management currently being finalized should be used to identify such criteria. Three general areas that yield such criteria and should become linked to the 5MHRP objectives are outlined below.

Human input

Human input-related issues primarily relate to employment and labor. The mere quantification of jobs to be created, however, will not address the qualitative aspects of employment such as worker’s safety and health, non-discrimination, access to training programs, and the right to organize and collective bargaining. Furthermore, since the 5MHRP aims to promote different types of forestry at different scales, the consequent diversity of services required for different client groups has to be recognized.

Above all, human input-related issues stresses the importance of incorporating essential support services, such as extension, credit, input supplies and employment benefits into the 5MHRP and providing budgetary support to service providers in the context of 5MHRP sub-projects.

Benefit sharing

Of the various dimensions of the social objective, benefit sharing is possibly the best addressed in Decision 661, where Article 7, “Policy on rights and benefits and on marketing,” outlines some of the benefits available in return for participation in forest protection and development. However, with the regulation on benefit sharing still under preparation and the discussion on the long term sustainability of cash payments for forest protection ongoing, key aspects of benefit sharing remain to be clarified. These benefit sharing mechanisms, however, need to provide a more flexible framework, which in the long run safeguards environmental and social aspects, while responding to diverse conditions in the country.

Local stakeholder engagement

Although recent years have witnessed progress in decentralization and towards a recognition of local populations as key stakeholder/actors in socio-economic development, national programs such as the 5MHRP need to provide an operational framework that ensures these local stakeholders play a central role in sub-project planning, implementation and mechanisms for monitoring. To facilitate this, however, the sub-projects need specific guidelines aimed at ensuring that their objectives and principles are adhered to. This would not
only ensure access to decision-making processes (particularly land use planning), but also that capacity building in such participatory processes (both for facilitating and taking part) is incorporated into the Program, through, for instance, increased emphasis on extension services (see also Sections 3.5. and 3.6.).

Joint Circular 28/1999/TT-LT of the Ministries of Finance, Planning and Investment, and Agriculture and Rural Development, which guides the implementation of Decision 661 states that 'land allotment must be conducted openly and democratically' and priority must be given to resident families; the coverage of social and labor aspects in criteria and indicators for sustainable forest management usually also include traditional land use rights and cultural values (Poschen, 2000). In the context of the 5MHRP, democratic land allotment requires that participatory land use planning and allocation at local levels is budgeted for and incorporated into the Program, which in many places in Vietnam would address fixed cultivation and sedentarization, as well as its critical linkage to migration.

It is necessary to recognize that social aspects are inextricably linked with the environmental and economic dimensions of sustainable forest management. Hence, all 5MHRP activities need to consider environmental, economic and social criteria simultaneously, by further defining each of the objectives of the 5MHRP within the context of intended activities or sub-projects. The broad scope of the Program and the very nature of the social objective would also entail addressing issues outside the forest sector.

3. FOREST SECTOR AND 5MHRP STRATEGIES, SHORTCOMINGS AND REFORM NEEDS

This section examines the policies and strategies supporting or influencing the achievement of the 5MHRP objectives. Since the 5MHRP is a national (investment) program that provides financing for a limited set of activities, the legal and institutional framework within which these activities are carried out (or not) plays a crucial role. For this reason, the section does not limit itself to the 5MHRP strategies, but gives a comprehensive view of the factors that influence the 5MHRP implementation. Moreover, because of the close link between the 5MHRP objectives, several issues are also addressed from environmental, social and economic perspectives in different places. For instance, although land use planning is primarily addressed in the land management section, certain social dimensions are taken up again in social development. Similarly, capacity building issues, which are cross-cutting and apply to all strategy areas, are not limited to the section on capacity building.

3.1. Introduction

The 5MHRP is implemented in the larger context of rural development, which in turn is one of the core elements of Vietnam's overall socio-economic development. Taking the forces that shape these larger contexts into account in the discussion of the 5MHRP is therefore imperative. This introductory section provides a brief overview of some of these larger forces and a number of the implications for the 5MHRP. The second part of this introduction recalls one of the key points that emerged from the Task Force discussions, namely the difference between the scope of the 5MHRP objectives, which do reflect the Program's positioning in the larger rural development and overall socio-economic development context, and the limited set of activities the Program's financing mechanism (Fund 661) actually covers.

3.1.1. Domestic and international external factors influencing the 5MHRP

A larger population

Vietnam's population has increased from 64.4 million in 1989 to 76.3 million people in 1999. Of this total, the rural population accounted for 58.4 million or 76.5 percent. With 231 people/km² the country's population density ranks third in Southeast Asia (after Singapore and Philippines) and thirteenth in the Asia-Pacific region. The highest densities are recorded for the Red River and Mekong delta areas and rural to urban migration is three times higher than vice versa. The main destinations of rural migrants are the Western highlands and the Southeast.

The Development Strategy Institute of MPI forecasts that Vietnam's population will increase to 83.3 million in 2005 and 88.6 million in 2010. With an increased population and increased population densities in rural areas, there will be greater pressure on land for both agriculture and forestry. In addition, taking demands for higher living standards into account, the market for forest products will increase drastically (TF II). Clearly, these demographic trends should influence the design of the 5MHRP.
Agriculture, water and forests

Population increase will translate into greater pressures on forest land to be used for agriculture and a strong need for higher agricultural productivity, which in turn will augment the demand for water. Since forests play an important role in regulating water supplies and discharge patterns, critical catchment areas need to be well managed (TF II). A complete recognition of the increasingly important water function of forests has both strategic and policy implications:

At present, downstream water users do not pay for water services provided by the uplands. Mechanisms to charge for such services could be introduced to reinvest in watershed management and compensate mountainous populations for their related efforts.

- Knowledge on watershed management remains low among policy makers and field staff, and insufficient links to water users in hydropower, irrigation and sanitation are made; hence, watershed management and upland water resource management needs to be a strong component of all sector policies, such as for land use planning, forest research, technology development and training.
- On the technical forest management side, species choice and preferred canopy closure need to be tailored to promote multi-story forests; furthermore, planting of some fast-growing but water demanding tree species (per ton of wood produced) may need to be limited in some areas in order not to worsen the impact of water supply to agriculture.
- Monitoring is needed to measure the water-related effects of forest development projects.

Prior to finalizing strategies and quantitative and qualitative goals of a restructured 5MHRP, studies aimed at finding a balance between agriculture and forest lands for the next 50 years are required (see Section 6.3.). They should be dynamic over time, taking into account existing agriculture and forest land, land status, production capacities, population increases, increases in agriculture yields, the need for food and forest products, and the need for water from forest land to support agriculture, hydropower generation and other uses. The studies would concentrate on whether the targets of 43 percent forest cover and the 2 million ha of rehabilitated natural and protection forests are sustainable and feasible, and form the basis for a macro land use plan (at national and regional levels). Additional research is also needed to generate better information on water resource management. The common assumption that rehabilitating forest areas will have positive downstream effects in the form of higher water yields and better water quality may not always be correct. The scientific evidence is inconclusive, as pointed out in a recent literature review on watershed management and the operation of water reservoirs (Aylward, 2000).

Regional competition on raw material and forest products

Conditions for importing and exporting forest products will greatly change when Vietnam has fully integrated its policies and regulations in accordance with Asian Free Trade Area (AFTA) regulations on eliminating tariff barriers. When Vietnamese production will no longer be protected, producers will be forced to become internationally competitive because lower priced imports will drive ineffective domestic production towards greater efficiency and cost competitiveness (or out of business).

Some of the possible implications for the forestry sector and the 5MHRP are:

- To compensate for bad soils and poor transport infrastructure, commercial forest plantations have to be well placed with regard to processing industries and export facilities, and be excellent in quality and growth.
- Vietnamese foresters need to become very competitive (e.g. much better than today) in all aspects of commercial forestry, both with regard to forest plantations and natural forests. This calls for changes in the training curricula, and retraining of practitioners.
- All commercial forest plantations would have a defined purpose and end-use for their timber products from the very beginning. Thus, many of the current practices, such as planting trees just for the sake of planting, bad site-species matching, low quality seed and planting stock, poor plantation technologies or scattered plantations (which suffer from high harvesting and transport costs) will have to disappear.
- Forest industries must be able to produce at competitive prices for defined markets. This calls for larger processing units that can benefit from economies of scale, and high level skills in market analysis and marketing.

Commercial forest plantations targeting export markets will compete with wood from countries like Indonesia, Australia and New Zealand. These producers are selling to and targeting future timber sales to markets in Japan, Taiwan and Korea. It is projected that newly established plantations in these countries would provide substantial additional volumes to the market in the next 5 to 10 years. Compared with current pulpwood
production levels, for instance, Australia may add an annual 2 million m\(^3\) by 2010, New Zealand about 7 million m\(^3\) and Indonesia about 20 million m\(^3\). Generally, quality and tree increments are higher in the plantations of these countries. Further, as their forest industries are not capable of using all the wood domestically, the raw material timber market in the Pacific Rim may be flooded with low-priced wood within 5 years.

To determine future orientation, a national-level feasibility study focusing on commercial forest plantations and forest industries should be carried out. The study would need to be time dynamic, and take into account available areas for plantations, soil and climatic conditions, transportation infrastructure, the demand and supply situation of timber and other forest products within and outside Vietnam, existing and planned processing units, market prices, production potentials under different conditions and silvicultural treatment, and production costs and returns. Such a study would give the basis for a national policy on commercial forest plantations and forest industry development (see Section 6.3.). A separate but related study should examine the potential for small and medium enterprise development for linking smallholder foresters or user groups and multipurpose forestry systems with local processing facilities to produce for local markets.

**Private sector and market economy**

The respective roles of the State and the private sector will continue to evolve, with the private sector gaining ground relative to the state-owned sector. Even in the forestry sector, where the State still plays a predominant role, private sector inroads (including equitized SFEs) are likely to materialize in areas such as input supply in the form of seedlings, extension services and other services. Some of the state-owned processing units will likely be privatized or dissolved and national programs like the Wood Export Program will no longer be the sole responsibility of government agencies.

If the Government wants to achieve similar development results in forestry as have been realized in the agricultural sector, however, it needs to provide the necessary framework conditions. These conditions would include reducing government's productive activities and leaving enough room and freedom for the private sector to develop. Today, the ownership of the 5 Million Hectares Program sub-projects largely remains with the State. If the State does not hand over a considerable part of the project activities fully to the private sector, the ambitious goals of the Program may not be reached (TF II).

**Social democratization**

Since 1986, social democratization has been one of the strategic tasks of the reform process in Vietnam. Democratization is taking place in every aspect of daily life in politics, economics and culture, as well as at every institutional and administrative level. Many State laws and policies directly impact how democratic practices are implemented in society, including Decree 29/ND-CP (May 11, 1998) promulgating the regulation on the exercise of democracy in communes, and Prime Ministerial Instruction 24/CT (1998) on the elaboration and implementation of village and hamlet conventions.

In the context of forestry, a number of legislative initiatives have sought to enhance farmers' rights and equality. Examples include policies on land and forestry; agriculture, forestry and aquaculture development; consumption of agricultural and forestry products; employment generation; poverty alleviation; and the gradual strengthening of social equity. In 1999, for instance, MARD issued Circular 56/TT-BNN-KL guiding the elaboration of conventions on protecting and developing forests in communities, hamlets and villages. This Circular has in many places encouraged local people and communities to participate in joint decision-making processes, as well as self-enforcement mechanisms, and mobilized internal human, technical and financial resources (TF II). The 5MHRP needs to take the democratization process into account, particularly in the context of sub-project preparation and implementation.

### 3.1.2. Difference between Decision 661 and Fund 661

The scope of the 5MHRP objectives outlined in Decision 661 is so broad that it could cover all activities that will directly or indirectly lead to the targeted increase in forest cover and have social, ecological and economic purposes. However, the Program’s financing mechanisms (Fund 661 for grant-based assistance and the Development Support Fund, sometimes referred to as ‘investment credit fund,’ in the form of subsidized loans) do not provide for the full scope of the 5MHRP objectives to be addressed, causing a difference between the policy text (Decision 661) and actual policy implementation (Fund 661) (TF I). The current financial support to the 5MHRP is in the area of VND 300-350 billion from the state budget and VND 150-200 billion from the investment credit fund (see also Section 3.4.3.).

This discrepancy presents three main problems. First, as was pointed out in Section 2.1.2., the quantitative scope of the 5MHRP raises serious questions concerning the ability of financial resources. Even if the
incomplete budget estimates emerging from Task Force III were accepted, the total investment required for the Program would amount to roughly 10 percent of the country's GDP (Section 3.4.3.). The largest share of this would be in the form of repayable loans for production forests, which would technically limit the government's direct support to interest rate subsidies. However, these loans would not be recovered in the short term and the present technical shortcomings in plantation forestry do not guarantee that they can ever be fully recovered.

Second, the financing mechanism does not provide adequate provisions for covering the entire thematic scope of the 5MHRP objectives. Direct state budget support is restricted to reforestation and forest protection in special use and protection forests. Given that these forests are located in areas where rural populations face significant livelihood security challenges, sustainable forest management will only be incorporated into farming strategies if and when food security is met and if these forestry activities have a demonstrated benefit to farming households or smallholder foresters. This in turn requires extensive support services in the form of forest land classification, land use planning, land allocation, research and extension, and training and education (not to speak of related investments that support the marketability of products generated from forestry). Funding for such services is currently lumped together with sub-project preparation, approval, monitoring and evaluation in a 'managerial fund' on an area-based cost norm of 2 percent (Joint Circular 28/TT-LT). On the one hand, this low proportion of funds is clearly inadequate to cover all services, particularly when funds for technical support services have to compete with administrative costs. On the other hand, the per area cost norm may not be appropriate because it disregards the existence of certain fixed costs that do not depend on the size of the sub-project area and the approach to certain activities.

The third problem is one of coordination, monitoring and evaluation. While it is feasible to broadly distinguish between protection/special use and production forestry and design corresponding policy tools, giving the 5MHRP Central and Provincial Executive Committees oversight over sub-projects financed through Fund 661 only undermines the effectiveness of the overall Program. In fact, even the Forest Development Department, which is nominally responsible for facilitating and supporting production forests, often is not informed about such activities because they are prepared, appraised, financed and monitored through other channels (this generally applies to international projects as well). For this reason, a standard reporting format that allows the aggregation of all forestry activities contributing to the achievement of the 5MHRP objectives should be a minimum requirement and shared with the key agencies responsible for 5MHRP oversight.

A similar problem applies to sub-projects that raise funding from sources outside Fund 661. Quite frequently, such sub-projects receive additional financing from other national programs, particularly for infrastructure from the Hunger Eradication and Poverty Reduction Program, provincial budgets or private sources. The coordinated deployment and impact monitoring of these resources falls outside the mandate and authority of the 5MHRP administrating units, which therefore have incomplete information to assess the effectiveness of Program resources.

In summary, the discrepancy between the broad 5MHRP objectives and implementation in the field cannot fail to create the impression that given currently available resources and implementation mechanisms, the Program has great difficulties in achieving its objectives and monitoring the direct impact of its initiatives. The two most direct ways to address this problem are to increase funding (and/or adjusting funding tools) or limit the Program's target area. Alternatively, a combination of the two could alleviate many of the more critical shortcomings, i.e. adjusting cost norms to adequately cover technical support services and focusing only on priority areas for watershed protection, biodiversity conservation and commercial forest development.

### 3.2. Land Management

The current situation with respect to land management in general and forest land management in particular is one of the most critical bottlenecks in the implementation of the 5MHRP. In pursuing a sequenced approach from forest land classification to land use planning and forest land allocation, shortcomings in institutional coordination, technical approaches, individual and organizational capacities, and financial management have greatly undermined the potential to achieve sustainable forest management. This section provides an overview of the key problems and suggests ways to overcome the most critical obstacles.

#### 3.2.1 Forest and forest land classification

Forest and forest land classification is aimed at efficient and appropriate land utilization. However, concepts and approaches to land classification vary among the forestry and agriculture sectors, and hence among the agencies involved in land classification. In addition, the forestry sector itself has difficulties in establishing an agreed set of criteria for distinguishing between different forest categories. These difficulties have a significant impact on other activities, particularly land use planning. As a result, forest land allocation has not advanced as
3.2.1. Current situation

The 1998 Land Law divides land into six general categories: agricultural land, forest land, rural residential land, urban land, special use land, and unused land. Agricultural land is further subdivided into paddy land, crop land and perennial tree land, whereas forest land is divided into forested land and non-forested land planned for reforestation. Furthermore, a distinction is made between plantation forest and natural forest, which is again divided according to purpose or use into production forest, protection forest, and special use forest.

According to the former Ministry of Forestry’s Decision No 1171/QD (1986) on the promulgation of regulations for production forest, protection forest and special use forest, these three types of forests have been further defined as follows:

- Production forest is divided into four categories: large timber production forest, small timber production forest, bamboo production forest, and special products production forest.
- Special use forest is divided into national parks, nature reserves, and cultural and environmental protection forests.
- Protection forest is divided into watershed protection forest; wind and moving sand protection forest; wave protection forest and urban and industrial zone living environment protection forest. Watershed protection forests is further classified into very critical, critical, and less critical protection forests (on the basis of Decision 08/2001/QD-TTg of the Prime Minister on the ‘Promulgation of regulations on the management of special use forest, protection forest and production forest’ (January 11, 2001) and the draft Forestry Development Strategy for the Period 2001-2010, the less critical protection forest category has been eliminated and the respective areas will be converted to production forest).

Over the course of the past decade, various proposals for the classification of forests into production, protection and special use forests have been advanced (Table 1). However, Government has not approved any of these proposals. Furthermore, The breakdown between the different forest categories is likely to change dramatically as a result of Decision 08/QD-TTg on the management regulations for special use, protection and production forests, which eliminates the less critical protection forest category, as well as the draft Forestry Development Strategy for 2001-2010, which proposes to convert less critical protection forest into production forest.

### Table 1: Forest classification proposals

<table>
<thead>
<tr>
<th>Proposals</th>
<th>Three forest categories</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production (million ha)</td>
<td>%</td>
</tr>
<tr>
<td>Former Ministry of Forestry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 1989</td>
<td>12.17</td>
<td>64.4</td>
</tr>
<tr>
<td>Year 1991</td>
<td>12.4</td>
<td>65.3</td>
</tr>
<tr>
<td>Year 1995</td>
<td>10.82</td>
<td>54.8</td>
</tr>
<tr>
<td>GOV, Year 1998</td>
<td>6.88</td>
<td>47.2</td>
</tr>
<tr>
<td>Present use status, Year 1996</td>
<td>7.32</td>
<td>66.4</td>
</tr>
<tr>
<td>Year 2000</td>
<td>4.72</td>
<td>40.7</td>
</tr>
</tbody>
</table>

Source: Tran Xuan Thiep, TF II

The process of land classification has increasingly been decentralized from the central level to the Provinces. Currently, the Provinces are mandated to classify forest and formulate forest land use planning, whereas the Ministry of Agriculture and Rural Development (MARD) adjusts, supplements and appraises the Provincial proposals as a basis for later investment (Tran Xuan Thiep, TF II). In reality, the influence of central level agencies, particularly MARD, is often quite decisive. One of the main problems in this approach is that Provincial level land use planning is very general and prescriptive, which creates difficulties when it comes to
investing in specific localities. Another problem is that advanced technologies, including remote sensing and the use of geographic information systems (GIS) are not sufficiently used, even though they are available and increasingly more cost-effective than traditional methods. As a result, accurate base data and sound mapping products are missing, greatly undermining the potential for classification to contribute to land use planning and forest land allocation.

3.2.1.2 Constraints

Implementing mechanisms

At present, the central level does not assign specific targets for each forest category to Provinces, but provides general planning guidelines. Although this leaves the Provinces with flexibility to classify their forest resources according to prevailing conditions, the absence of nationally defined and enforced general classification criteria means there is no basis for appraising the appropriateness of provincial forest classifications. As a result, many Provinces have classified their forests with a view to securing state budget resources. In the context of the policy shift from forest utilization to forest protection, this has meant that Provinces have reclassified considerable areas of production forest as protection forest in order to become eligible for funding from reforestation programs.

The concept of forest classification

The current classification of forests on the basis of their functions masks the fact that all forests provide protective, productive and special use functions to varying degrees. If sustainable forest management is practiced, monitored and enforced, all three forest categories can reduce soil erosion and landslides, balance water discharge patterns, and regulate climate. Furthermore, protection forest can serve for production purposes if sustainable forest management is practiced, monitored and enforced. Finally, both production forests and protection forests potentially contribute to the conservation of natural landscapes, promotion of tourism, protection of biological diversity, and scientific research. These inter-linkages of functions among different forest categories highlight the difficulty in limiting the concept of forest classification to prescribed forest function, while drawing greater attention to sustainable forest management as a basis for ensuring that protective, productive and special use functions are maintained to varying degrees in all forests.

Watershed protection forest classification

No agreement on suitable criteria for protection forest classification has been reached. While most sets of criteria include degree of slope, altitude and rainfall (Thiep, TF II), some experts also consider soil and wind speed factors, and in some areas land formations based on site-specific conditions. Since many of these conditions depend on the professional qualification and viewpoints of the classification expert, these methods are difficult to implement.

To date, watershed protection forest classification is based on natural conditions, without taking socio-economic factors into account. Yet, where watershed areas are densely populated and food and fuelwood demands remain high, local livelihood strategies greatly impact the watershed's sustainability. Because socio-economic factors are not taken into account, those who have to implement the classification at the micro level are not adequately involved and the resulting classification may come into conflict with local realities. Hence, the translation of macro into micro criteria remains one of the biggest challenges.

Finally, the current method of watershed protection forest classification would require that watershed protection forests are divided into many small land plots with mixed levels of watershed protection forests. Aside from the difficulties in clearly separating among the different levels, the resulting mosaic risks undermining scale-dependent functions of protection forests, such as biodiversity conservation. Hence, the current classification of watershed protection forest into three levels, applied uniformly across the country without taking into account the natural and socio-economic conditions and without considering the conditions required for realistic adoption of these classifications by local populations and their livelihood security needs, is not satisfactory and needs to be addressed.

3.2.1.3 Conclusions and recommendations

Institutional

- Various inventory initiatives have been carried out in parallel by different institutions, including the nation-wide general land inventory (following Directive 24/CP-TTg of 1999 by the Prime Minister) by the General Department of Land Administration, and the nation-wide inventory of forested land (following
Directive 286/CP-TTg of 1997 by the Prime Minister) by the Forestry Inventory and Planning Institute. These separate initiatives have led to conflicting results, in part because different methodologies and criteria have been applied. In order to avoid future overlaps, classification efforts need to be more closely integrated. This will require the leadership of a central agency, such as GDLA, which in the medium term subcontracts more specialized agencies, such as FIPI, to carry out forest land classification. In the longer term, institutional resources from different sectors should be combined.

Technical

- Classification should balance macro and micro level approaches, using satellite images technology, aerial photography and GIS technologies in combination with field surveys. Macro level classification should result in the identification of priority areas on the basis of computer-assisted land classification with simple and verifiable criteria (e.g. slope and altitude, subsequently joined with socio-economic data). At the micro level, more detailed classification, mapping at adequate scales and boundary demarcation should take place in preparation for investment and management-oriented land use planning. Until the use of computer-assisted mapping techniques becomes more widespread, traditional mapping techniques need to improve.

- Many aspects of the present classification of protection forest and production forest have proven difficult to implement. The suggestions put forward by Task Force II and the ADB TA point in the following direction: (i) all proposed criteria and indicators for protection forest classification should be simple, adapted to local conditions and understandable for those implementing classification at the micro level (the ADB TA proposes to classify protection forest in a two step process of first identifying all lands of slope > 40 percent and second excluding areas where the resident population occupies more than 15 percent of the land (including residences, gardens, current cultivation, fallows and gazing land). Although this approach is appealing in its simplicity, rationales for the specific figures, as well as the scale at which these criteria are to be applied, need to be specified in order to make the criteria more feasible; (ii) critical and very critical protection forests should be merged into one category and concentrated in areas of low population density, where the important role of watersheds in protecting livelihoods and downstream agricultural activities can be ensured; (iii) less critical watershed protection forest should be converted to production forest or in some cases to agricultural land (Thiep, TF II; ADB TA); and (iv) following classification of protection forests on the basis of verifiable technical criteria, socio-economic factors should be considered (Thiep, TF II; ADB TA);

Capacity building

- Traditional land classification and mapping procedures are increasingly proving time-consuming, costly, and resulting in poor quality outputs. Given the potential for more accurate and efficient land management that advanced technologies offer, capacity building should focus on these technologies, particularly the use of digital remote sensing data, GIS software and geographic positioning systems (GPS) devices for field surveys. Training efforts should focus on building competence among the regional and provincial units of land management-related agencies, so that they can provide quality services where needed.

Financial

- The cost-effectiveness of using computer-assisted technologies for land classification has been demonstrated in a number of projects. However, the current fragmentation of classification-related initiatives has presented a major obstacle to the more widespread use of such methods. Even though the acquisition of data and equipment require a greater initial investment than for traditional mapping techniques, the long-term benefits clearly outweigh the costs. In the short term, increased grant-based assistance, including from international donors, is probably necessary to accelerate and sustain individual and institutional capacities in these methods. Until such time, funds for improving traditional mapping techniques need to be channeled to the appropriate agencies.

3.2.2. Land use planning

Once forest land classification has been carried out, land use planning (LUP) is the next step in an integrated approach to effective land management. Land use planning occurs at different levels for different purposes. In general, LUP at the central and provincial levels should serve to identify priority investment areas, whereas actual land uses (and land allocation) should be carried out at more local levels.

3.2.2.1. Current situation
Over the past 20 years, Government has issued numerous legal documents and guidelines dealing with land use planning, including the 1980 and 1992 Constitutions; Decision No. 201/CP of 1980 stipulating seven contents of state management of land; the 1988 and 1993 Land Laws and the Revised Land Law of 1998. All of these documents refer to the role and position of land use planning and plans; the contents of land use planning and plans; the responsibilities and functions for land use planning and plans according to administrative territories and according to sectors; and the relevant authorities to provide land use planning and plans at all levels and sectors.

Land use planning at the national level is conducted jointly by the Land Investigation and Planning Institute (LIPI, under GDLA) and GDLA, as well as a number of other institutes and localities. At the provincial, district and commune levels, LUP is carried out by LIPI, the Cadastral Research Institute (under GDLA), the National Institute of Agriculture Planning and Projection (NIAPP, under MARD), and FIPI (under MARD); FIPI is primarily involved in forest development planning. In addition, there are several consulting firms, projects and local planning staff working on land use planning.

In implementing the Land Laws of 1988, 1993 and 1998, different levels of the cadastral sector have developed various land use plans and submitted them for approval. The nation-wide land use plan until 2010, which Government has submitted to the National Assembly, has not been approved yet. In addition to these general land use plans, specific forestry sector land use plans have been prepared, including: Planning for Raw Material areas for the whole country for the period 1996-2010; a Forestry Development Plan for the Northern mountainous areas for the period 1996-2010; a Forestry Development Plan for the Coastal area of Southern Part of the Central Vietnam; a Plan for the Establishment of Production Forest for the Central Highlands for the period 1996-2010; a Plan for the Establishment of Raw Material forests for the Central Highlands for the period 1996-2010; a Forestry Development Program for the period 1996-2000 and 2010; a Forestry Development Plan for important economic zones in the South; a Socio-economic Development Master Plan for the North West zone for the period 1996-2010, as well as a number of provincial forestry master plans.

Many of these plans are still in draft stage or have not been approved yet. Some 20 provincial land use master plans for 2000-2010 have been approved (33 percent of the total), 160 district land use plans for 1996-2010 (26 percent), and 2437 commune land use plans have been formulated (Hung, Lan, TF II).

Community-based land use planning has expanded during the past five years and positive experiences have emerged from Hoa Binh, Yen Bai, Lai Chau, Thua Thien Hue, Nghe An and some other provinces. This type of land use planning has actively contributed to the process of forest land allocation and forest plantation at village or hamlet level (ADB TA), but the process has suffered from inadequate investment and quality control, except for areas that benefit from technical and financial support from international donors.

3.2.2.2. Constraints in land use planning

Participation

Land use planning at the central level is typically prepared through a top-down approach based on the objectives of land allocation, protection forest establishment and planning for forest plantation land areas. Following from the central level, land use planning is undertaken at the provincial and other lower levels. Central level objectives are defined according to national priorities, rather than based on implementation capacity or current land use realities. This creates great pressure on the local administration to make efforts to rapidly implement State plans, usually leading to poor quality action plans and often to conflicts in future land use. On the other hand, because micro land use planning has often occurred in isolation of larger land use planning frameworks, cooperation between central and local authorities and communities in the implementation of approved land use plans has not been sufficiently realized.

Overly prescriptive macro land use planning often exacerbates the marginalization of vulnerable groups and individuals by disregarding land use arrangements that are the basis of traditional production systems, particularly among ethnic minorities in upland areas. Community-based land use planning, with tools for demand articulation and conflict resolution can be applied with relevant stakeholder participation and has the potential to avoid the marginalization of vulnerable groups in terms of ethnicity, economic status and gender. Moreover, such an approach enables the establishment of a common understanding of ‘appropriate’ land use (for both agriculture and forest land), ensuring broad based, socially inclusive participation. Community-based land use planning would also comply with Joint Circular 28, which states that ‘land allotment must be conducted openly and democratically and priority must be given to families living right in the territory of the locality.’

Macro level LUPs have also failed to give priority to critical watersheds and areas prone to irreversible degradation, such as in the upper reaches of the Da river (Northwest) and the upstream areas of the lower
Mekong Basin. Similarly, although the still heavily forested Central Highlands suffer from land encroachment for coffee, rubber and other industrial tree crops, no land use master plan has been prepared for these areas. Should this situation continue and spread to other places in the region, protecting existing forest resources will become an even greater challenge.

**Lack of coordination and vision**

When preparing macro level LUPs, there is often little cooperation between concerned agencies. This leads to overlapping goals and conflicts in land use planning, especially between the agricultural and forestry sectors. Such struggles have taken place for many years and the agricultural side has typically won, as local stakeholders have pursued the most income-producing opportunities, such as producing food and growing industrial tree crops. Yet, recent experiences with coffee price fluctuations, for instance, have shown that such shortsightedness does not always pay off. One reason for these failures is that planners are primarily concerned with natural conditions, attaching little importance to socio-economic conditions and demand forecasts in different consumer markets.

**Overlapping in planning**

In addition to overlapping of land use planning between different sectors, different LUPs sometimes overlap within the forestry sector. The most striking example is in the Central Highlands, where the Central Highlands Production Forest Development Plan for 1996-2010, the Central Highlands Raw Material Development Plan for 1996-2010, and the Central Highlands Forest Development Program for 1996-2000 and 2010 cover similar areas. The first two plans overlap since they both contain sections on raw material forests. Clearly, such overlaps should be resolved, particularly if they conflict, and in future be avoided through prior consultation among agencies responsible for preparing the respective plans.

**Discrepancies and insufficient information**

At provincial, district and commune levels, insufficient awareness of and information on overall socio-economic development strategies often leads to discrepancies between these and land use plans. Another difficulty is that agencies in charge of preparing LUPs frequently fail to gather information in sufficient detail, in part because there is limited existing data, because resources for data gathering are lacking, or because information access is restricted. Finally, agencies do not always adequately tailor LUPs to local conditions, as in the case of planning forest plantations in remote areas without considering their proximity to timber markets and road systems.

**Insufficient and poor quality maps for land use planning work**

The quality of topographic maps and current land use maps has not yet met the requirements of land use planning work. Topographic maps at scales of 1:25,000 and larger are rare. If they are available, they are often enlarged from 1:50,000 maps, which presents a problem when conducting micro level land use planning, because these maps cannot reflect the required level of topographic detail. Large scale maps (1:10,000 and 1:25,000) play an important role in the implementation of 5MHRP because only these maps can meet the technical requirements for land use planning and forest allocation and complement remote sensing-based information.

**Insufficient legal documents for supervising the implementation of land use planning**

Because no legal basis for monitoring the implementation of land use plans exists, local authorities sometimes make adjustments to their plans. Even if the land use plan produced is of high quality, it is uncertain that it will be completely implemented in reality.

3.2.2.3. Conclusions and recommendations

**Institutional**

- For both macro and micro level LUPs, cooperation between different sectors needs to be strengthened, especially in the process of rural land use planning. This process needs the participation of agriculture, forestry and fishery sector agencies under the coordination of GDLA leadership, so that competing land requirements and benefit trade-offs are discussed and addressed, conflicts are resolved during the land use planning process, and data sharing is ensured.
- At present, LUPs at national, provincial and district levels are jointly implemented by line agencies and the Provincial People's Committees because these plans are aimed at achieving major objectives of the
Government. However, responsibility for land use planning at commune and village levels should be handed over to local administrations, which can hire the services of specialized staff. Moreover, local populations have greater knowledge of their land resources and land use potentials and needs than government agents from higher levels.

- In implementing the 5MHRP, land use planning in villages/hamlets or communes that receive project funding must be carried out with the active participation of local stakeholders, including project staff, key commune or village members, as well as vulnerable groups in terms of ethnicity, economic status or gender. However, local LUPs should also ensure a balance between national/provincial objectives and the objectives of the local communities.

**Technical**

- In micro land use planning, general recommendations should be avoided and more specific solutions should be elaborated. These solutions should ensure food production, fuelwood demands, small production of construction wood, land for grazing, and income-generating commodity production.
- To date, land use planners at different levels have generally paid attention to natural conditions and neglected socio-economic factors or markets for consumer products, at times undermining the suitability and/or marketability of local products. Therefore, detailed natural, socio-economic and market surveys should precede LUPs at any level. Land use planning for forest establishment through plantation or assisted natural regeneration also needs to be conducted on a 'site-species matching' basis in order to avoid negative environmental, economic and social consequences.
- Following from the recommendations under forest land classification, mapping products need to be greatly improved, using computer-assisted and remote sensing-supported technologies.

**Capacity building**

- Staff at District agriculture and forestry units of the District People's Committee should be the focus for capacity building in land use planning. District staff is likely to be familiar with national and provincial strategies and programs. More importantly, they also understand how Commune land is managed because they regularly work in these communes and understand the aspirations of local people. Such localized knowledge would be reinforced through close co-ordination with the local population in the context of community-based land use planning. At the same time, they have received basic training in agriculture, forestry or fisheries at universities and technical schools. However, training in participatory land use planning, including conflict resolution, should be pursued. District people could then also assume the responsibility for training commune level representatives in land use planning methods, freeing up central level staff for providing technical support, socio-economic and market information and transferring appropriate technologies.

**Investment**

- In order to ensure adequate land use planning in the context of the 5MHRP, budgetary support according to viable cost norms must be provided from the State budget through Fund 661. Cost norms for land use planning should be based on community-based approaches to ensure effective implementation. The Government should issue legal documents to supervise the implementation of land use plans at all levels, so that land use planning can ensure best practices with active community involvement.

### 3.2.3. Forest land allocation

Since the beginning of the renovation period, the Government has promulgated a series of legal documents related to the allocation and use of forest land. These documents include: the 1991 Law on Forest Protection and Development; the Land Law of 1993 and the 1998 amended and supplemented Land Law stipulating the rights and obligations of land allocation targets; the Law of Environmental Protection (1993), stipulating the regulations on forest resources preservation and forest biodiversity conservation; Decree 02/CP of 1994, stipulating forest land allocation to individuals, households and organizations for long term use; Decree 01/CP and the more recent Decree 163/ND-CP of 1999 on land allocation and forest land lease to organizations and individuals for long term forest production use; and Decision 661/CP on the objectives, tasks, policies and implementation of the 5MHRP (Hai, TF II). These regulations define the scope of forest land allocation; who is eligible for forest land allocation, leasing and contracting; procedures for forest land allocation; and incentive policies for people receiving forest land.

The General Department of Land Administration and the Forest Protection Department of MARD are responsible for forest land allocation, although the role of the latter is not clear because of conflicting legal documents. To date, red books for more than 0.1 million ha of production forest have been allocated.
SFEs and an additional 0.5 million ha of forest land has been allocated to 350,000 households (mostly World Food Program (PAM) project beneficiaries); 1.5 million ha are under temporary land use certificates by households; 4 million ha have been assigned to SFEs, but without formal title; and 1.6 million ha have been assigned to more than 245,000 farmers under management or protection contracts (ADB TA).

The process of forest land allocation has mobilized many different economic actors to take part in the protection and development of forest resources. Although important equity issues remain to be solved, numerous poor households who previously had little land now have greater opportunities for farming and improving their livelihoods.

3.2.3.1. Bottlenecks in land allocation

Unclear boundaries between different land categories

The experiences of various forestry sector projects reveal that forest land allocation faces difficulties when the boundary between agricultural land and forest land is not clearly defined. In many localities, land being used as agricultural land is allocated as forest land and vice versa, which causes great problems in some communities. Furthermore, the delineation between different forest categories and between the watershed protection levels has met numerous obstacles (see Section 3.2.1). In many places, demarcation has not been carried out on the ground. Due to the difficulties in defining boundaries, some stakeholders have not shown an interest in receiving forest land. Because the accompanying responsibilities are difficult to assume when it is not exactly clear where they apply, and the risk that alternative boundary interpretations may lead to the confiscation of land on the basis of non-performance. Similarly, when boundaries are not clear, people can easily get away with using land other than their own. This raises several questions. For example: On what basis is land allocation made? When receiving forest land, do forest owners know where the boundary of their land lies? Do forest owners know how much area has been granted? Do forest owners know what type of forest they possess or how best to use it?

Lack of land use plans

As a complete cycle, forest land allocation should be based on micro land use plans. If forest land is allocated to households, village communities or user groups, then decisions should be based on commune or village level land use plans. However, this remains difficult as presently (according to the statistics of the General Department of Land Administration) only 26 percent of the district level land use plans have been implemented, while 25 percent of land use plans have been implemented at commune level (Hung and Lan, TF II).

No provisions for joint ownership

Although many ethnic minority groups in Vietnam customarily practice communal land management, especially of forest land, present regulations do not permit land use allocation to village communities, which are not regarded as legal entities, or user groups (see also Section 3.5.). Experiences in Vietnam and elsewhere reveal, however, that forest protection from human encroachment, fire and grazing animals is more effective when forest land is allocated to village communities (see also Section 3.3.). In many instances, villagers have managed to elaborate suitable arrangement and ensure common benefits amongst themselves.

Lack of equality in land allocation

The land allocation process has created inequalities in the distribution of forest land, with much of it having been allocated to the police, army and forest enterprises (ADB TA). Quite often, workers and well-off households are also given more incentives than poor households both in terms of land area and quality. As a result, more vulnerable households are often allocated poor quality and fragmented land plots. These practices go against the objectives of circular 28/1999/TT-LT, which stipulate that land is only allocated to those who have actual demand for and capacity for forest establishment and protection. This has led to conflicts among farmer households, between farmers and state forest enterprises and between villages.

SFEs are often allocated with a very large area of forest land. In some cases, when SFEs have been incapable of managing the whole area allocated, they in turn assign forest land to households or SFE staff for forest establishment or protection. Because this is done with very few (or no) accompanying land use rights, the objective of land allocation is called into question (ADB TA).

Lack of equality in issuance of land use rights

After receiving the land, people need to have red books in order to ensure that they are the real users of the
land for a fixed duration. In fact, issuance of red books is not uniform and often suffers from long delays. Owners of large forest land areas, including state forest enterprises and other organizations, have the right to receive red books. When SFEs hire farmers, they are only contracted for forest management (ADB TA). Further, red books are usually only issued to households headed by men, as well as only the male head households, without joint ownership with the female head of the household, despite the fact that in some ethnic minority communities, women are responsible for field activities in their families. This deprives women of direct and equal control over a crucial resource for livelihood security, and contradicts the Family Law, which mandates equal rights between men and women (see also Section 3.5.).

Interference by the land allocating agency

In the past, forest protection agencies have issued temporary land use certificates to farmers for growing trees on SFE land, specifying and regulating the types of tree species to be grown (ADB TA). These farmers have accepted such provisions, in part to get paid for their planting work, even though they recognized that their livelihood may suffer if the trees were to block the sunlight needed for the agricultural crops they grow on the same plots. Therefore, many farmers have let their seedlings die, rather than risking the loss of necessary food resources. Other farmers had already planted food crops on lands they were to be allocated and therefore showed no interest in receiving land use certificates accompanied by excessively restrictive conditions. Among those who cared for their seedlings, many cleared forest land elsewhere or moved to other unused land to grow food crops (ADB TA).

Land allocation itself is facing difficulties

The budget for forest land allocation is still very low. In some projects such as the ADB Forestry Sector Project and the KfW Reforestation project, the budget for land allocation is VND 25,000/ha. The state budget for land allocation is lower - it is only VND 12,000-15,000/ha (Lai Chau). In addition, field measurement equipment is insufficient and field staff overseeing land allocation remains technically weak.

3.2.3.2. Conclusions and recommendations

Institutional/legal

- Different legal documents assign different responsibilities and authorities to the Forest Protection Department. For instance, Decree 39-CP (May 18, 1994) on the organization, duties and authority of the forest protection department assigns the FPD authority to allocate land, whereas Decision 245/QD-TTg on the exercise of state managerial responsibility of various levels concerning forest and forest land does not. Such legal contradictions need to be resolved.

Technical

- Due to limited resources and varying degrees of urgency, forest land allocation cannot and should not be conducted nation-wide at once. Rather, areas need to be prioritized, as already mentioned in the land use planning section.
- Further, the Government is requested to review and adjust the Land Law so that joint ownership of land use rights can be allocated to households (male and female head), user groups, hamlets or cooperatives and other similar organizations.

Capacity building

- The capacity of forest extension and cadastral staff for implementing land allocation needs to be strengthened and linked to training in land use planning. If local staff is insufficient, forest extension services should be expanded in the form of performance-based service contracts with other public and private institutions.
- Farmers often seem to be insufficiently clear about the rights and responsibilities tied to the land they are allocated (in part because land use planning, which is supposed to precede it, was not carried out well or not at all). Using suitable means in terms of language and literacy, land allocation agents need to make sure farmers have a permanent record of what is permitted on their land and what is not. This permanent record should be updated as regulations change.
- The practice of issuing temporary land use certificates because the real red books would take too long demonstrates a significant shortcoming. In order for the delay between the decision of the land allocation and the actual issuance of the certificate is much shortened, the capacity of land certificate-issuing agencies needs to be strengthened.
Financial

- In the context of the 5MHRP, land allocation (like land classification and land use planning) has to become more closely integrated into the 5MHRP sub-project structure through adequate cost norms and criteria and indicators for quality control. The present per hectare cost norms need to be complemented with cost floors and cost ceilings in order to ensure adequate financing of land allocation.

3.3. Nature conservation and watershed management

3.3.1. Environmental protection functions of forests

According to the 1991 Forest Protection and Development law, protection forest is divided into four categories: (1) watershed protection forest, (2) wave break protection forest, (3) wind and moving sand protection forest, and (4) urban and industrial zone living environment protection forest. In addition, special use and production forest also have environmental protection functions.

While it may be difficult to quantify the environment protection benefits of forests, one should not underestimate the critical roles played by forest for people. Watershed protection forests help reduce erosion of the surface soil layer, supply water for daily use, irrigate crops, and minimize floods, drought and salinization in the dry season. Evidence of the absence of forest vegetation in mountainous areas shows increased erosion of the surface soil layer, resulting in the siltation of water bodies, often significantly reducing their draining or water retaining capacity. In addition, protection forests provide a variety of non-timber forest products that help improve the livelihoods of farmers.

Wave break protection forest helps protect sea dykes, prevent landslides, protect rice and vegetable growing areas and protect residential areas behind the dykes. Wind and moving sand protection forest helps break winds, protect cultivated land and residential areas, and reduce desertification in Vietnam. Urban and industrial zone living environment protection forest includes urban green tree belts which provide shade, help to regulate climate and absorb CO₂.

Achievements in protection forest establishment

Protection forests classification by FIPI has proceeded based on the (questionable) assumption that 30 percent of the total catchment area of Vietnam's larger rivers (7.455 million ha) need to be protected in order to safeguard watershed functions. To date, roughly 90 percent of the 7.455 million ha have been classified as protection forest, including 1,354,000 ha in the Northwest; 878,000 ha in the Central North; 584,300 ha in the Northeast; 1,341,300 ha in the Northern Central; 979,400 ha in the Central Highlands; 290,200 ha in the Eastern South; and 101,600 ha in the Western South (Thiep, TF II).

Wave break protection forests have been established in a number of provinces such as Kien Giang, Ca Mau, Nam Dinh, Quang Ninh and Hai Phong, among others. Wind and moving sand protection forests have been established in a number of Southern Central coastal provinces (such as Binh Thuan and Ninh Thuan), but they tend to be small and in scattered sites.

3.3.2. Biodiversity conservation

Much of Vietnam's unique biodiversity is found in forests. Virtually all natural forest types have experienced significant declines in area, including melaleuca forests, evergreen broad-leaf and semi-deciduous forests. Key issues of concern for biodiversity conservation include protected area planning, the environmental impact of planting particular species in certain sites and sustainable forest management.

Threats to biodiversity conservation

Underlying causes of deforestation and degradation in Vietnam include rural poverty, insufficient arable land, land tenure policies (further covered in the Sections on Land Management and Social Development) and limited and inappropriate institutional capacity to protect forests. Immediate causes of forest loss include: population expansion in forest areas, fuelwood collection, poor logging practices and illegal logging, harvesting of wood and non-timber forest products, fires and development activities such as the construction of roads, dams or high voltage power, and for the provision of new lands for agriculture and human settlement in the heavily populated deltas.
Special use forests

Biodiversity conservation in special use forests is of particular concern for Forest Protection Department staff. Daily management issues are determined by forest management boards, responsible for drafting and adopting management plans. However, for some national parks and nature reserves, the management plans that are adopted are inadequate and of poor quality. Management boards are established for 11 national parks and 65 nature reserves (while a further 20 proposed nature reserves have management boards). Some SFEs are responsible for managing nature reserves.

Vietnam developed a Biodiversity Action Plan (BAP) in 1994, which ranked biodiversity values of special use forests (national parks and nature reserves). The BAP also presented other land use characteristics of the parks (such as size of buffer zone, tourism potential, nature and scale of threats to the forest). These characteristics were judged on the basis of which priority for development could be determined from Government or donor objectives. However, there is a need for greater awareness and responsiveness to biodiversity considerations amongst staff responsible for 5MHRP planning and implementation.

The GoV Environmental Protection Strategy for 2001-2010 indicates that there are plans to expand the protected area system to cover 10 percent of the country's area. The compatibility of the 5MHRP with these expansion plans needs to be addressed, such that scarce financial resources to improve special use forest management are not spread too thinly, particularly in light of the extensive efforts needed to ensure livelihood security of forest-dependent people living in or around special use forests. At present, regions containing high levels of remaining biodiversity wealth are being exploited in unplanned and unmanaged ways. In addition, adequate safeguards against reforestation activities with negative environmental impacts have not been introduced to prevent that reforestation of natural wetlands and mudflats occurs (TFI).

Increased accessibility, with the improvement of secondary and tertiary roads, has helped reduce transport costs and improve the marketability and income status of the rural population. But it has also made it easier to encroach on forests. Environmentally vulnerable areas must therefore be better protected as the outreach of these roads expands. Environmental Impact Assessments (EIA) should be an effective tool for analyzing investment alternatives, rather than as a step to receive an investment license. Particular attention should be taken in the preparation of future EIA work in the upgrading of the Ho Chi Minh Highway, given its potential to disturb several special use forests. Likewise, citing of dams, such as the Son La hydropower plant, predicted to cover 44,701 hectares of land and affect 96,396 people (Saigon Times Daily, February 16, 2000) need serious environmental study.

A number of institutional and management issues in special use forests need immediate attention. Currently, biodiversity and different forest land types are unequally represented and there are vast areas of degraded, non-forest land within the current protected areas network. Accurate information concerning protected areas - precise reserve boundaries, names, and legal status - is often not available. The integrity of many special use forests is suffering due to the fact that certain areas have been encroached upon and therefore are no longer effective as protection areas. The legal framework for special use forests consists of regulations that are at times in conflict with other regulations. The capacity of MARD and provincial and district forest services to manage and protect state forest is limited. This capacity is further constrained due to little coordination between park cores and buffer zones and alleged FPD involvement in wildlife and timber trade (See for example "Top Vietnam official sacked over logging scandal," Agence France Presse, August 24, 2000). Further, as many special use forests are under-staffed and under-funded, poaching for the lucrative trade in wildlife species is widespread. Habitat loss and hunting have resulted in 16 different primate species, 4 very large mammals and 25 bird species becoming threatened (SFNC/TRAFFIC, 1999). Thus, management approaches for most national parks and nature reserves need updating and forest protection staff need capacity strengthening.

Internationally agreed classification systems (IUCN categories) for protected areas distinguish categories ranging from strict protection, excluding all human use, to multiple use areas that provide for a variety of sustainable land uses. In the context of Vietnam, the ADB TA recommends that human activities should be largely restricted in special use forests. Further, interventions should largely be limited to regulation, preferably directly in collaboration with local communities. This recommendation is echoed in the GoV Environmental Protection Strategy for 2001-2010, which suggests piloting of community management for protected areas. Lessons learned from experiences in Vietnam with special use forests would be particularly relevant, including an examination of how local farmers in the buffer zones can maintain their livelihoods and yet improve the effectiveness of protection.

Biodiversity concerns in protection forests

With increased population pressure on forest land, a systematic approach towards land use planning to select
priority areas is yet to be developed, so that investments can be focused on critical (vulnerable) watershed areas. In many cases, GoV and donor projects in natural resource management programs have not been specifically designed to address the most vulnerable areas first. In this regard, watershed land use planning has substantially lagged behind other efforts to ensure the ecological function of Vietnam's forests. Therefore, watershed management often remains a subsidiary objective to rural development and afforestation goals in projects. Lessons from the BAP - which were helpful in indicating priority conservation areas - so far do not appear to have been applied to the development of a similar plan for watershed management.

Moreover, the ADB TA points to the very tough choices that need to be made. Vietnam is now facing a critical situation with respect to its arable land and its forests as the balance between growth and the environment becomes harder and harder to maintain. Selection of protection forest for development under the 5MHRP needs to be identified by both biological and financial criteria. Some of the unallocated lands are in critical catchment areas and require urgent attention for hydrological reasons.

The reality is that the forest classification process for watershed areas faces serious problems of a large resident population, many of whom have been living in the area for generations, farming on land which would be classified as protection forest under the present rules. While there is no doubt that these lands need to be protected and brought under sufficient vegetative cover, it is very unlikely that classification of all such lands as protection forest will lead to full forest cover. For lands whose residents have limited acceptable alternatives for relocation, a more efficient strategy is to permit and control their activities. Reforestation activities funded by the state are expensive and still require the cooperation of farmers. Reforestation activities funded by the farmers are not attractive to them unless they are assured of the benefits of their investment. This implies that they should be given some kind of title to the use of the land. GoV policy, however, does not envisage granting red books to farmers living in protection forests. For these reasons the ADB TA proposes that the protection forest category should be restricted to very critical areas without large resident populations. Decision 08 eliminates the category of less critical protection forest: if converted to production forest, a suggested 20 percent of that area will be available for agricultural use. Careful community-based field surveys of the forestlands are needed to define the location of these areas in relatively small parcels if need be.

Several messages on protection forests were made clear by the Task Force field studies and the ADB TA report. The first central message is the need to link environmental protection aims closely to means of increasing income and stabilizing the livelihoods of people who are directly involved in forest management. Where there is access to natural forests, most rural households will gather forest products. Combined with the precondition of assured long-term access (through holding leases over forest land), the evidence is that households will usually be prepared to protect natural forests in return for guarantees of exclusive use of forest products (ADB TA).

Another important message was the need for more active work to encourage natural regeneration of forest on 'bare' lands. Field analysis of the 5MHRP indicates that pure protection of forests is a simple, tested and cost-effective way of regenerating forests and in many cases, the regeneration of full forest cover is very rapid. The Song Da Forest Development Project shows positive results. Six years after shifting cultivation ended, a young forest formed with standing volume of around 4 cubic meters/ha (ADB TA).

Finally, both the Task Force individual field site studies and the ADB TA recommend that management requirements for protection forest (in terms of crown cover retained) need to be improved by requiring cover at sensitive locations, such as riverbanks.

**Biodiversity concerns in production forests**

There are several issues of concern for promoting biodiversity conservation in production forests. The two most prominent ones are species and site selection and sustainable forest management.

According to the Task Force reports and the ADB TA, several field sites indicated that the technical designs and the cost norms for different activities were not suitable in the locality. In some cases, species indicated for planting were found not to be the best ones by the local people. For example, in a plantation established mainly for protective purposes, the mixture of fast-growing exotic species and slow-growing native species did not give the expected result. The intention was to achieve a mixed forest stand where some trees could be harvested after a relatively short period and the other trees (the long rotation valuable species) somewhat later. Instead the fast-growing trees simply suppressed the slower ones.

In plantation areas, the quality of forests established has been variable. While many of the main species planted (pines, eucalyptus and acacias) are principally suited to the climate and tend to be undemanding on soils, poor performance is due primarily to technical causes. These causes include: poor species to site matching due to inadequate planning, a limited variety of species produced by nurseries, poor quality
seedlings, inadequate and low quality extension services and low quality plantation and maintenance practices.

Further, the current plantation strategy relies on a very limited number of species, and the main species used have both technical problems and sustainability issues. While acacia and (in some cases) eucalyptus have potential for multiple rotations on the same site without progressive soil degradation, soil degradation is particularly acute with styrax - which shows severely declining yields and impoverishment of ground vegetation by the second rotation. By promoting multiple species planting, there are many benefits, including typically achieving more success with cheap and simple methods, and cutting down on risk with new species.

Finally, achieving sustainable yields by fertilizing plantations does not appear practicable due to high labor requirements in mountainous terrain and high supervision requirements to prevent farmers from diverting fertilizer to improved food production. One means of addressing this would be to limit the use of styrax to a single rotation or mixed plantation with soil improving species such as acacia.

The government restricted large scale logging in natural forests to respond to the lack of sustainability in logging practices by SFEs. Logging in future should seek to improve management practices, by promoting environmental protection and conserving biodiversity. Environmental criteria, through the Forest Stewardship Council, recognizes that forest management should protect threatened and endangered species, maintain ecological functions and the integrity of forests over the long term, and conserve biodiversity in order to ensure that the benefits forests bring to society (from flood and drought control to carbon sequestration to unique landscapes) continue to flow. Efforts should be made to advance the efforts of criteria and indicators development and testing through the activities of the National Working Group on Sustainable Forest Management and Forest Certification. Sustainable Forest Management is further addressed in Section 3.4.

### 3.3.3. Challenges in the designation and management of protection forests

To date, in Vietnam no watershed management plans have been formulated - only the area and location of watersheds have been identified. While many projects dealing with protection forest establishment have been implemented, there has not been a systematic attempt to monitor and evaluate their results.

In some coastal areas, the management authorities have often viewed afforestation as being consistent with environmental protection. Additionally, management fees for afforestation activities are one of the few sources of funds available to them. However, afforestation of intertidal mudflats with mangrove results in the loss of an important habitat for migratory shorebirds, while planting *Casuarina equisetifolia* and *Acacia auriculiformis* on sandy areas irreversibly transforms the natural dune vegetation. Consequently, such activities are incompatible with biodiversity conservation.

Despite many efforts made by the Government to establish protection forest, forest resources are rapidly decreasing in the fertile basalt area in the Central Highlands. This is due to two factors. First, people plant coffee and other industrial tree crops, and second, the free flow of migrants from the north contributes to the destruction of forest for cultivation. These two factors are quite closely related in the sense that migrants are often hired to clear forest for industrial tree crop plantations, hence the ambivalent attitude of officials towards migration. Similarly, in the Mekong Delta, mangroves have been destroyed for shrimp culture. According to the ADB TA, the area of mangroves decreased from 91,000 ha in 1976 to 73,000 ha in 1990 to 35,000 ha in 1995. The benefits from protection forest appear quite small as compared to potential industrial crop plantations or aquaculture on protection forest land. The overriding motivation is what can bring people immediate benefits.

The consequence of the restrictive and inequitable implementation of land assignment has been that unnecessary resource conflicts have arisen among farmers, between farmers and SFEs, and between hamlets or villages. It has led to environmental actions which have compromised the livelihood of farmers. The ADB TA goes further in its analysis on how the segregation of the problems of agricultural land from those of forest land is no longer tenable. Agriculture is running out of land and good arable land can only come from forest land rather than the ‘barren’ agriculture land that is presently uncultivated or undercultivated. The ADB TA asserts that at least 3.0 million ha of forest land could be available for mixed forestry-agriculture farming systems, if certain conditions were pursued.

The resounding message from the Task Force field studies and the ADB TA was rethinking how protection forests link environmental protection aims with increasing incomes and stabilizing the livelihoods of people who are directly involved in forest management. Where there is access to natural forests, most rural households will gather forest products. Combined with the precondition of assured long-term access (through holding leases over forest land), field experience suggests that households are (and would be) willing to protect natural forests in return for guarantees of exclusive use of forest products (ADB TA). This idea is in the same vein as the Integrated Conservation and Development Project (ICDP) approach as well as community forestry examples (cited in Section 3.5.) which provide alternatives to resource exploitation for people living around and in...
protected areas (UNDP, 2000). Further work should be done on buffer zone development, as well as establishing corridors between special use and protection forests.

While the 5MHRP should be implemented with a program approach, which would build on a multitude of sub-projects in different areas, it is recognized that the Government cannot implement all the objectives and projects simultaneously throughout the country. Therefore, it is necessary to identify the prioritized protection areas - particularly the very critical protection watersheds - to concentrate resources on investment and management planning. Protection forest planning should be incorporated with the objectives of the food security program for local people in mind. Changes should be made to benefit sharing policies, allowing people to participate more actively in the forest protection and management process. As was stated earlier, there should be better coordination in protection forest establishment between the related sectors (agriculture, forestry and fisheries) to avoid conflicts in land use planning.

Furthering natural regeneration: some environmental considerations

While the 5MHRP will seek to protect 9.3 million hectares of existing forest, it will also create 5 million hectares of additional forest, of which 2 million hectares will be protection and special use forest. In most cases, from an ecological perspective, the most suitable method for creation of new forest areas is natural regeneration (exceptions to this would be where rapid establishment of forest cover is needed due to actively degrading site conditions, such as high soil erosion or where protection is needed to fight against wind, waves or moving sand). This is because the structure and composition of forests created by natural regeneration are similar to those of the former forest cover of the area. The resulting forest is also likely to have greater watershed protection value, biodiversity value, and resilience to impacts than plantation forest. Furthermore, being a natural process, natural regeneration is, in most circumstances, more economically efficient than establishing new plantations (BirdLife International et al, 2001). Natural regeneration is also more socially sustainable because farmers actively manage natural regeneration fallows for NTFPs.

To guide the implementation of natural regeneration in the field, local projects are requested to consult document QPN-21-98 of MARD, the general outline of the technical procedures on natural forest regeneration and additional forest planting which relates to special use, protection and production forests. In principal this document promotes ‘management of the forest restoration process’ by providing appropriate protection to an area to enable the natural process to occur unhindered by external interference, supplemented by the use of simple silvicultural measures, and, where necessary, the enhancement of natural regeneration by supplementary planting. Article 6 states clearly that natural restoration shall be applied in the following cases: forest stands exhausted after exploitation; forest fallow after swidden cultivation; areas covered by shrubs or woody savanna, where soil depth is more than 30 cm; and bamboo forest stands formed after shifting cultivation that covers more than 20 percent of the total area. However, in cases where the above criteria are not met, particularly in critical and very critical protection forests, and remote areas where afforestation is not possible in the next 10 years, areas with potential to regenerate into a vegetation formation with shrubs or grass higher than 1 meter will also be put into restoration, and additional planting of industrial crops and fruit trees will be encouraged (TF I).

Over-dependence on local project owners’ abilities to interpret the above criteria could, however, hinder realization of the 5MHRP's objectives. The success of natural regeneration depends not just on more of the above criteria being met but, also, on the conditions that led to the loss of forest in the first place. Therefore, delineation of an area for natural regeneration, even if coupled with supplementary planting, is unlikely to be effective unless measures to control fire, grazing and exploitation of forest products are also implemented.

Another danger is that natural regeneration may be promoted due to economic constraints rather than as the most suitable technique for a particular area. An example of an area where natural regeneration may not be the most suitable technique would be hillsides covered by Imperata cylindrica grassland that are not bordered by forest areas or do not contain fragments of natural forest. In such areas, forest regeneration is inhibited by shading, low soil nutrient levels and periodic burning. Even if fire could be controlled, natural regeneration may take a considerable time (>100 years), and may therefore not be the most suitable restoration technique in these areas (TF I).

Furthermore, setting fallow land as a target for natural regeneration may lead to its conversion to forest. Fallow land is classified as ‘bare’ land, and this includes land used for rotational swidden agriculture (a major economic activity in many mountainous parts of Vietnam). This type of land cannot be allocated to households as agricultural land. Consequently, if land that is being left fallow as part of a rotational system is delineated for natural regeneration under the 5MHRP, either the regenerating forest may be cleared by farmers when they need to bring the land back into cultivation, or they may be obliged to clear natural forest in order to replace the lost land. In this situation, the link between livelihood needs and environmental processes becomes vital.
Whereas the environmental protection objectives of the 5MHRP can in some cases be met by plantations, the biodiversity conservation objectives almost never can. This is recognized in Joint Circular 28/1999/TT-LT guiding the implementation of Decision 661, which states that natural regeneration should be the major mechanism for restoration of special use forests, and that any plantation must use species that conform to the natural ecosystem, and thereby the species must be locally indigenous.

3.3.4. Recommendations

Protection forest planning within the 5MHRP should be based on environmental protection, biodiversity conservation and financial capacity. Adequate environmental protection for all types of forest should be achieved through forest management planning, on the basis of environmental sustainability. In particular, MARD, in collaboration with the provinces and relevant agencies should identify priority forest biodiversity areas at national and provincial levels; Government should establish these as special use forests and allocate adequate funding.

Special use forests

- Expansion plans for special use forests should be realistic and focus on quantity and quality (seeking representative species and ecosystems)
- Institutions like FPD (at central and provincial level), GDLA and FIPI should cooperate more effectively on information exchange, specifically on precise reserve boundaries, names and legal status of special use forests.
- Piloting of community management for buffer zones and protected areas should be pursued.
- As a signatory of CITES, the Government should step up its domestic and international efforts to stem trade in rare plants and wildlife, including awareness raising at all levels.

Protection forest establishment

- Strengthen links in protection forests between environmental protection aims and local livelihoods. The ADB TA-recommended conditions for achieving mixed forestry-agriculture farming systems include (i) making appropriate (non-environmentally endangered) forest land available for agriculture and mixed forestry-agriculture farming systems; and (ii) ensuring that areas critical for forest conservation (special use forests and critical/very critical protection forests) are identified and the necessary efforts and investments to ensure effective protection for them are put in place.
- Protection contracts (or alternative mechanisms) should more systematically incorporate environmental concerns. Consideration should be given to using longer term contracts or finding alternative long term stewardship and tenure arrangements.

Promoting natural regeneration

- The 5MHRP should encourage natural regeneration of forest on 'bare' lands. Field analysis of the 5MHRP indicates that pure protection of forests is a simple, tested and cost-effective way of regenerating forests and in many cases, the regeneration of full forest cover is very rapid.
- In the future, plantations comprised of species causing site degradation should be unacceptable. Environmental assessment guidelines for 5MHRP activities should be developed, to ensure that potential risks to biodiversity are minimized and/or avoided.

Production forests

- MARD, in coordination with its local counterparts, should actively promote greater use of indigenous species (including species suitable for poor soils). Decisions on species selection should be transferred from central level to local levels, in order to optimize the use of local knowledge.
- Sustainable forest management and forest certification (through use of criteria and indicators) should be used as a management tool to combine social, economic and environmental concerns.

3.4. Forestry-based economic development

The establishment, maintenance, protection and utilization of various types of forests constitute the main building block of the 5MHRP. As has been outlined throughout the report, forests perform various social, environmental and economic functions and generate a large variety of tangible and intangible benefits for a diverse range of stakeholders. Accordingly, different use purposes require different management approaches,
interventions and policy tools. This section examines the various facets of forestry-based economic development by analyzing, in turn, (i) forest establishment and management, (ii) harvesting and processing, and (iii) financial and technical support services.

3.4.1. Forest management

Unsustainable forest management and other causes related to the use of defoliants during the war, population and food pressure have resulted in a decreased forest cover. The total forest area declined from 14.3 million ha in 1943 (43 percent of the country’s area) to 9.3 million ha in 1995 (28.2 percent (TF II). Since 1995, forest cover has increased as a result of plantation development and natural regeneration, reportedly to over 32 percent in year 2000. In terms of forest quality, however, there are more concerns since maybe 60 percent of the forest plantations are characterized by poor tree growth, volume, biodiversity and environment protection capacity. Biodiversity is decreasing at an alarming rate in natural forests.

The forestry sector has to service the basic needs of the rural poor, generate a sustained supply of raw materials to industries that provide employment and income, and ensure the maintenance of environmental stability needed for food production. This requires that uncontrolled use, degradation and loss of forests give way to the sustainable management of all forest resources.

Forest products are indispensable to human life. Products from the forestry sector satisfy a range of human needs, including housing, heating, and cooking in the form of sawn-wood, wooden panels, tar, firewood, and charcoal; food products such as forest fruits, nuts, berries, mushrooms, game and cattle fodder; products such as newsprint, printing paper, wrapping paper, and writing paper; services in the form of forest landscapes, conservation of forest ecosystems and species; health products like medicines, soaps, and tissue paper; recreational areas; clothing; and a long list of other products and services. In rural areas, many of these human needs play an important role in livelihood security. Estimates for annual fuelwood consumption, for instance, range between 21 and 30 million tons; if converted into area equivalents, fuelwood harvesting would account for more than six times as much as commercial logging (World Bank 1995).

Because of their long term economic, environmental and social impact, all forest development activities need to be carefully planned and implemented. The primary concerns for reforestation or regeneration activities in areas targeted for watershed protection and/or biodiversity conservation are forest cover, composition and structure, as well as benefit arrangements with local populations (see also Sections 3.4. and 3.5.). For commercial plantation establishment, emphasis has to be placed on financial viability and links to large-scale or small and medium enterprise-based forest industry development. With reference to the targets of the 5MHRP, a sound analysis is required to determine future demand for the products, taking population and income growth and probable substitutes into consideration; future supply potentials from existing sources; and supply potentials from alternative additional sources.

For all types of forest development, sustainable forest management (SFM) should be the overarching goal. The principles underlying SFM have been enunciated in numerous efforts at developing criteria and indicators around the world. In Vietnam, a similar initiative is underway, together with attempts to introduce and expand a certification system. These trends are of great relevance to the 5MHRP and should be more closely linked to the design and implementation of the Program.

Commercial forest plantations

Commercial forest plantations are justified for many reasons. Plantations could contribute to sustainable solutions through the reduction of consumption pressure on natural forests through production of wood and other forest products. Under favorable conditions, plantations could be the main source of raw material for local, domestic, and even export purposes, but they cannot produce high quality wood for consumption within a reasonable future. Furthermore, plantations provide urgently needed employment in rural areas through work in forest plantations and in industries processing the products. This may indirectly contribute to reduced pressure on the remaining natural forests.

In Vietnam, commercial plantations often suffer from poor performance. While knowledge on how to do it better (and even to do it very well) is available in Vietnam, this knowledge is seldom applied. Very few of the plantations are economically viable (ADB TA). This trend could be reversed, as there are already many successful developments in Vietnam that can be built upon, e.g. from the use of intensive plantation technologies in the Bai Bang raw material area, or the use of clonal material of Eucalyptus urophylla or acacia hybrids. Therefore, plantation management has to be addressed.

The reasons for poor performance are often lack of quality planning, inadequate supervision, insufficient or
untimely allocation of funds or that better techniques have not been applied. Inappropriate locations, lack of infrastructure, and lack of market guarantees for the products add to the problems of getting financially viable plantations. Moreover, the potential of investment of local populations in production forestry not been adequately considered. Integration of end use in planning is one of the vital issues for overall success and sustainable development of plantations.

Planning should start from an analysis of end uses and other services of the plantations. Every plantation must be planned and managed for a specific purpose and to an identified present or committed end-user, and the financial viability must be shown. For this, market analysis, identification of comparative advantages, methods for industrial and plantation feasibility studies and technical and financial training are urgently needed. In doing so, all types of markets should be considered, including local ones.

The species planted for commercial purposes, mainly different pines, eucalyptus and acacias, are suited to the climate and not very demanding on soils. The yields are, however, too low. Well managed plantations of these species, both in Vietnam and elsewhere in the region, give yields ranging between 8-24 m³/ha/yr, while the average plantation yield in Vietnam is about 4-12 m³/ha/yr, when using similar seed sources. Hence, technical improvement utilizing already known methods has the potential to double the productivity of plantations in Vietnam (ADB TA).

Technical shortcomings include poor site/species matching, a limited variety of species produced by nurseries, poor quality seedlings, poor or lack of quality extension services, poor plantation and maintenance practices, and a lack of intensive technologies to improve financial returns.

A greater variety of species is needed to reduce technical or financial risks, and to better match the site conditions. Indigenous trees should, if possible, be preferred in the plantation program (see also Section 3.3.). For a production-oriented scheme it is possible to find indigenous trees that grow well, are preferred by farmers and other forest land users, provide high enough financial returns to pay back the investments, and are resistant to local pests and insects. But more often indigenous trees are screened out in the testing process because of slow growth or too heavy insect or pest attacks, among other things.

In many cases, because of their often higher returns, local people as well as the industry prefer fast-growing exotics to indigenous tree species. In cases where the plantations are established on degraded soils, eucalyptus or acacia species may be the only realistic alternative for commercial production. These plantations should never be compared to a natural forest - they cannot provide the same biodiversity or water functions - but they should instead be regarded as the best land use for already deforested areas where agriculture cannot be sustained.

To meet the requirements of a reformed 5MHRP, many technical, institutional and human resources-related shortcomings need to be overcome, including (TF I; ADB TA):

- Practical training of local staff in appropriate techniques, by means of formal training, on-the-job training and cross-visits to successful plantations.
- Training of staff in plantation management concepts emphasizing organizational and financial aspects.
- Availability of information from publications and engagement of local consultant specialists to reinforce the effects of staff training.
- Effective extension activities to transfer the technology to the village level based on socially inclusive targeting strategies, with performance-related contracts for extension work.
- The scope of activities of extension staff should be redefined to include supervision and monitoring of contractor performance.
- Improvement of seed quality and nursery technology for both seedlings and cuttings of a wider range of species suited to local conditions, through a support program aimed at state, private and village-level nurseries with the integration of participatory methodologies and indigenous knowledge systems.
- Motivation of staff to improve quality of output through performance-related benefits. The relevant performance criteria should integrate application of participatory approaches and effective targeting of vulnerable groups (based on ethnicity, economic status and gender).

On the other hand, the creation of a framework for enabling and sustaining success in forest development necessitates a number of policy initiatives, including:

- A requirement that all reforestation activities must lead to sustainable land use, and specifically that plantations of species causing site degradation or too high water consumption are unacceptable.
- A requirement that all commercial forest plantations must have a pre-defined use that also safeguards sound environmental and social conditions. This would influence species, technology and silvicultural treatments.
A regulation that 5MHRP investments should meet certain quality criteria, and the development of an effective monitoring system.

Institutional support to enable staff training and the creation of an effective extension service, including the provision of technical information and deployment of local consultants trained in participatory approaches.

Operation of private sector and state forest enterprise nursery operations as a customer-oriented stand-alone business activity (some subsidies may be justified for the development of indigenous tree seedlings). This would imply that all of the advantages enjoyed by SFEs are removed, and private sector firms and SFEs are in full competition with each other.

Development of a plantation monitoring scheme that, depending on the purpose of the plantation, assesses factors such as financial viability, growth and yields of the trees, number of employed people, and degree of reduced erosion.

Finally, it must be noted that calculations on national level on how large plantation areas would be needed and what to plant is de facto a numbers game played with weak numbers - often too little is known about suitable species for planting and their expected yields under varying conditions. Further, consumption projections of forest products are weak (especially for fuelwood projections where many substitutes may be used in scarcity situations) and there is virtually no information on price elasticities of supply or demand for forest plantation products. Gathering of information to address these deficiencies should start at the earliest point possible and include indigenous knowledge as an information source.

Smallholder forestry

In the context of the 5MHRP, most forest development will take place in areas that are not suitable for large-scale commercial forest plantations. Even though there will remain an emphasis on protection and special use forests in mountainous areas, smallholder forestry for production purposes constitutes a significant potential for communities, farmers, cooperatives and associations. Smallholder forestry could include scattered plantations on land allocated to farmers or communities, employment or contract-based work in medium-sized plantation for local markets, road side planting on public land by communities and people living along the roads, and protection of natural regeneration forests. Fruit tree and industrial tree plantations (rubber, coffee, tea and others) in home gardens and orchards are an additional option, although this type of plantations may be characterized as being "outside of the forestry system" since it not forest trees that are planted, and they often are located on agriculture land.

Under present circumstances, getting farmers to plant trees on their own land is a major challenge. Even when food security needs are met, the absence of a secured market generally undermines smallholder interests. Factors that undermine secure market access include the sheer distance to markets; the fact that traditional reliance on wood from natural forests has meant that processing equipment is not suitable for small diameter wood; and uncertainty about the future development of wood processing facilities. A further significant problem is that prices of wood from smallholder plantations are depressed as a result of wood from illegal logging, wood gathering (fuelwood and charcoal are particularly undervalued, because collection is free and reforestation costs are not involved), and wood imported from neighboring provinces or countries. Added to these constraints are the financial and administrative hurdles smallholders face when it comes to harvesting.

In order to overcome these bottlenecks, measures specifically tailored to smallholders would need to be considered. These include:

- Strengthening the long term land utilization and tree harvesting rights on forest lands, as farmers must be certain that they have the right to harvest, transport and sell the future wood.
- Encourage local wood processing facilities to set up schemes with guaranteed minimum price for future smallholder wood deliveries.
- Implement with high priority such activities that lead to strengthening of other local wood markets such as (i) support to small scale forest-based industries; (ii) construction of access roads, taking into account potential negative environmental consequences; (iii) awareness campaigns on the value of wood (with women included in the target groups).

These measures can be introduced either where no larger industry is likely to be established, or to provide alternative markets to break a local monopoly. The latter would in the long run increase market security for smallholders and create sound conditions for development.

Where farmers have very small land holdings, even the above measures may not generate sufficient interest in planting commercial forest trees. At the most, such farmers may consider planting fruit trees and other multiple
use trees, such as rubber, for their quicker or more continuous returns. To further encourage production of wood by farmers, communities and associations, it would be necessary to:

- give credits on favorable conditions;
- provide technical assistance by a range of agencies and associations through performance-based extension services, as well as training in silvicul tural techniques, engaging experienced farmers and small-scale producers (including women) as instructors;
- deliver seedlings of attractive species from small scale private plant producers (family size nurseries) who gets help (even subsidies) from the Government;
- support roadside plantations through agreements with local government under which the trees would be owned and managed by the ones who plant them; wind breaks could be promoted in the same way; and
- provide market information on alternative agriculture, horticulture and forest products.

Industrial tree crops, scattered plantations and agro-forestry

The 5MHRP includes a target of establishing 1 million hectares of "other tree species which form a crown cover" (such as rubber, coffee and tea), as well as fruit trees. The purpose of the fruit trees is to meet the economic demand and improve the environment in densely populated rural areas. Both types of plantations can hardly be included in a forestry sector reforestation program. However, if they are, they should meet the same requirements on quality and financial feasibility as the commercial plantations discussed above.

Forest regeneration in protected areas

Technical management of protection forest is undertaken through a combination of techniques including the protection of natural regeneration, which grows very rapidly on most sites; enrichment planting of young secondary and residual forests; pure plantations of bare land, allowing natural regeneration to come up; and air seeding.

The 5MHRP includes a strategy of pure natural regeneration as a means to maintain forests that were established or protected under Program 327. Pure natural regeneration of forests is a simple, tested and cost-effective way of regenerating forests (ADB TA). In many cases the regeneration of full forest cover is established within a few years. This type of reforestation in protected areas is highly recommended as the main method for a restructured 5MHRP. Pure natural regeneration, sometimes combined with assistance to select individual young trees of valuable species, may give returns that should be more attractive to farmers than technically more complex options.

The present management contracts providing 50,000 VND/ha/yr over 5 years have generally been popular, although their long-term sustainability has been questioned. There is considerable evidence that, given adequate rights to forest products, farmers would be prepared to protect areas for less. In cases where some immediate benefits can be enjoyed, they may protect the forest without payment. Pure natural regeneration may be enhanced into Assisted Natural Regeneration (ANR). This involves intervention to promote the growth of selected trees, and it has been practiced in several projects since 1992. Initial results show that growth of 'target trees' is significantly improved. Anyhow, considering the long rotation time, a subsidy would be needed, maybe up to VND 1 million/ha over a period of up to six years, in addition to long term tenure security.

The current 661 Program emphasizes two more costly methods, enrichment planting (or regeneration oriented reforestation) and pure plantations, even though commercial returns are not the primary aim in establishing protection forests and investors will therefore not gain much in the short term. Enrichment planting also suffers from a trade-off between the need to protect the existing forest cover and the need to reduce competition to the planted seedlings. Unless planting strips are made 3 to 4 meters wide, the planted seedlings usually suffer from low growth and are difficult to maintain. Volume increments of planted trees may be sub-optimal, due to competition from natural vegetation. Biodiversity is often negatively affected by enrichment planting, with resulting lower values for non-timber forest products (ADB TA).

Although the forest regulations permit harvesting of all trees planted, protection considerations require that only selective felling be employed. As a result, the harvestable yields per hectare will be limited, and the harvesting costs will be high. With present experience, pure planting and enrichment planting cannot be recommended as main methods in protection forests. Planting can be made in extreme cases where rapid change is needed, e.g. where there is high soil erosion, or where protection is against wind, waves, or moving sand. A second case for planting may be when the land has been kept bare for a very long time, with too few viable seeds left in the soil.

Conclusion and recommendations
All reforestation activities must lead to sustainable land use and plantations of species causing site degradation and/or excessive water consumption avoided; all commercial forest plantations must have a predefined use; natural regeneration should be further promoted as a cost-effective way to establish forest cover.

Smallholder forestry should be encouraged and supported through special measures aimed at strengthening local markets and marketing information, the promotion of community or user group arrangements, and performance-based delivery of technical and financial support services.

The inclusion of perennial tree crops in the 5MHRP should be reconsidered.

Seed quality and nursery technology for both seedlings and cuttings of a wider range of species suited to local conditions should be improved through a support program aimed at state, private and village-level nurseries; customer-oriented private sector and state forest enterprise nursery operations should become stand-alone business activities. These and other extension services should increasingly be carried out through performance-based contracting.

MARD should develop a plantation monitoring scheme that assesses financial viability, growth and yields of the trees, number of employed people, and degree of reduced erosion, depending on the purpose of the plantation.

3.4.2. Timber, non-timber and agroforestry products harvesting and processing

Harvesting

The importance of timber harvesting in Vietnam derives from its role in forest regeneration, as well as its supply of wood products for domestic and international markets. Forest harvesting has an important place in the gross forestry product value. According to government statistics, the value of forestry production in 1998 was VND 5,968 billion of which harvested forestry products was VND 4,409 billion (the remaining value is that of products generated during other silvicultural stages and of other forestry production sectors).

In principle, harvesting of mature forest trees is a silvicultural measure to adjust the forest structure and increase forest yields. In practice, however, hardly any forest areas in Vietnam are operated under sustainable forest management plans almost no forest management unit has achieved any significant results in combining environmental, social and economic sustainability. As a result, the main determinant of forest harvesting has been the demand of the country's population and industries and state forest enterprises have been unable to maintain constant harvesting yields.

Harvesting takes place in natural forests and plantations. Before 1975, Vietnam mainly harvested timber from natural forest, where selective cutting was the predominant method. To protect forests during harvesting, the Government promulgated the Timber Harvesting Procedures, stipulating necessary work at different stages: forest preparation prior to harvesting, marking trees allowable for cutting, constructing hauling roads, applying cutting techniques (such as cutting only marked trees and cutting close to the base of the trees to save timber and to permit regeneration), slash disposal and forest closing for regeneration.

Most of the natural forests allowed to be logged are managed by state forest enterprises, which are allocated a certain area of forest and forest land. On the basis of inventories and designs, Government assigned SFEs harvesting targets and plans for expanding forest yields and intensifying harvesting cycles. After close to two decades, the more than 400 SFEs directly responsible for harvesting and managing more than 6 million ha of natural forest were no longer able to meet their harvesting targets because forest resources had declined to serious levels. Today, rich forests (stocking of 120-200 m$^3$/ha) account for just over 6 percent of production forests (ADB TA). An estimated 30-40 years of tending and protection may be required for these forests to recover and would require the active involvement of local populations and forest-dependent households.

Since the early 1990s, more than 20 provinces have decided to completely stop timber harvesting in natural forests, including most of the northern provinces. Whereas government-approved annual harvesting plans prior to 1995 amounted to 800,000-1,200,000 m$^3$, the current volume is only 300,000 m$^3$.

During the 1980s, harvesting in plantations based on Government-assigned plans started to supply the paper mills and the pit prop industry. There are over 500,000 ha concentrated plantations and yields from have gradually increased to over 480,000 m$^3$ per year. In order to balance the reduced output from natural forests, the policy has shifted to extensive support to plantation development to increase timber imports for meeting domestic wood demand. Yet, plantation managers face great difficulties because of the limited market for their products (mostly eucalyptus, acacia, pine) and low prices. In addition, timber harvesting is often carried out with simple machinery, resulting in low harvesting productivity levels. Distances between logging and processing sites are very long and transportation costs account for the largest proportion of timber prices. The result has been excess timber in the market despite the low yields of plantations, affecting farmer confidence in
investing (labor and capital) in production forestry.

State forest enterprises organize harvesting in assigned areas in two ways: (i) organizing their own workers to cut and haul to the storage places near the forest gates or transport to markets; or (ii) hiring private organizations/individuals/households to carry out harvesting. The SFEs are responsible for designating silvicultural techniques, accepting the harvests and paying the harvesting costs.

Since 1990, SFEs in Central Highland Provinces of Kon Tum, Gia Lai, Dak Lak and Lam Dong are no longer permitted to carry out harvesting themselves, in part as a result of efforts to cut down on illegal logging. Instead, these Provinces introduced the sale of standing trees. SFEs are only responsible for silvicultural matters, promoting mature forests and reporting to the local authorities on the status of allowed logging sites and potential yields. Local authorities then tender harvesting rights through competitive bidding to private and state-owned logging companies. The sales proceeds enter directly into provincial budgets, from where local authorities allocate budgets to SFEs for carrying out forest regeneration or plantation. The shift to this system has caused considerable controversy and SFEs have claimed that they have been deprived of the right to conduct business freely.

Timber and non-timber forest product harvesting falls under two general categories: (i) harvesting according to targets assigned by the Government and (ii) ‘free’ logging to meet local demand for construction and other purposes. In addition to the logging plans assigned by Government, logging outside plans has taken place to meet other demands, such as for domestic use in mountainous areas, or for use by the armed forces or other agencies. These harvesting volumes have only been recorded since 1990, when harvesting volume was more than 3.4 million m$^3$; in 1998, the figure had decreased to 2.2 million m$^3$. The fuelwood harvest in 1990 was 32 million m$^3$ and decreased to 25.9 million m$^3$ in 1998 (the ADB TA's estimate for fuelwood consumption in 2000 is 31 million m$^3$).

Aside from the two harvesting categories mentioned above, there is significant illegal logging, transporting and marketing in Vietnam. The amount of forest products in the illegal market cannot be estimated precisely. Thousands of cubic meters of timber have been confiscated every year, indicating that the total volume is much larger. The ADB TA estimates that some 1.3 million m$^3$ of natural forest logs are from illegal sources, including Cambodia and Laos.

The policy of phasing out harvesting from natural forests can only be feasible when planned harvesting can be monitored and complied with. On the ground, however, nearly 30 million people depend on forests for fuelwood, construction materials and cash income. As a result, much forest resource utilization becomes illegal. In spite of extensive Government measures to protect natural forest, timber markets have not witnessed significant supply gaps, not even in precious wood. This clearly indicates that an illegal timber market is flourishing.

**Harvesting of non-timber forest products (NTFPs)**

NTFPs in Vietnam are very abundant and diverse. NTFP harvesting is normally carried out by local people to meet their daily needs; however, some NTFPs are commercialized, including pine resin, rattans, bamboo and herbs, which are often part of the livelihoods of local populations.

A number of general trends in NTFP harvesting during the 1990s can be observed. First, the amount of NTFPs that can be marketed domestically and internationally is decreasing. The decrease is partly due to declining exports to former socialist countries, insignificant demand for these products in new markets and uncompetitive product range and quality. At the same time, many NTFPs have become scarce as a result of previous misuse. This situation is punctuated with occasional surges in demand for a certain product, such as fragrant wood essence, creating a rush on that product and rapidly leading to declining supplies. Second, the yields of harvested valuable NTFPs are decreasing. And third, intensive or specialized NTFP production has not gained a hold.

**Timber and non-timber forest product processing**

Vietnam's timber processing industry includes a number of specializations, including primary processing (normally near forest sites), saw milling, furniture making, wood-based panels and paper. At present, there are 1,959 wood processing enterprises in Vietnam, of which 1,200 are small and medium enterprises, mainly in the private sector, and there are three joint ventures (TF II, Bui Minh Vu). With the exception of the joint ventures, most processing establishments use outdated technologies and equipment.
The paper industry has been developing quite strongly, in part due to extensive foreign support to the Bai Bang paper mill. Annual paper production is about 200,000 tons, with plans to increase it to 1 million, requiring the establishment of 600,000-1,000,000 ha of raw material plantations.

The wood-based panel industry has made no significant inroads. Two MDF factories in Gia Lai (capacity of 54,000 m$^3$/year) and one in Thai Nguyen (capacity of 16,500 m$^3$/year) are under development. Manual processing in rural specialized villages is also on the way down, at present, only a few of the specialized villages producing carved wood products for exports are developing. In recent years, the export market of fine carpentry products remains stable, so many wood processing workshops have been re-equipped and applying new know-how to improve their capacity and product quality.

Overall, the Vietnam's timber and forest product processing has not been developed significantly. The establishment of timber processing businesses requires large capacities to be able to compete with products from other countries. However, the country's scattered material resources and the low capacity to invest in equipment represent major disincentives for industry development. A more clearly defined strategy for establishing and developing wood processing is urgently needed, in order to achieve a wood processing industry suited to match current and the likely future available material supply and to meet the demand of domestic market and exports.

Agroforestry products

Agroforestry on forest land has been an important activity for SFEs and households (in the Vietnamese context, agroforestry refers not primarily to mixing agriculture and forestry activities on the same piece of land, but mainly the production of perennial tree crops). In many places, such land use systems have proven successful due to their income generating capacities, employment opportunities, and their role in livelihood security. For most SFEs, agroforestry products have presented a lucrative alternative to timber production, particularly since natural forest harvesting has been phased out. Large areas of state forest enterprise land have been used for growing perennial crops, such as coffee, cashew and fruit; the appropriateness of this practice is questionable and plays an important role in the discussions on SFE reform.

Conclusion and recommendations

- Although Government has greatly reduced natural forest harvesting quotas, a 'natural forest closing policy' has never been adopted. In order to provide long term certainty on this subject, clarification is urgently needed.
- In addition to closing exhausted natural forests, special use forests, and protection forest areas, the government should place increased emphasis on the appropriate use of natural forests that are converted to production forests (from less critical protection forest). This will require careful management planning, particularly in Central Highland provinces. There will also be a need to ensure that forest-derived benefits will contribute to the livelihoods of local populations/households.
- The Ministry of Industries, in coordination with MARD, should develop a sound strategy for developing the forest products processing industry, particularly with forest products from plantations. The 5MHRP should then take account of industry development priorities in order to make efficient use of resources for plantation development.
- It is necessary to elaborate policies for sustainable NTFP management in order to change the current situation in which harvesting is foreign market driven and not linked to concentrated and intensive raw material areas, and promote sustainable use at local levels.

3.4.3. Resource mobilization, benefit sharing, investment, marketing and pricing

The strategies for resource mobilization, benefit sharing, investment and credit, taxation, marketing and pricing in support of the 5MHRP are outlined in varying detail in a large number of legal documents.

In contrast to activities in protection and special use and production forests, which are financed through direct state budget allocations, investments in production forestry are covered under the 1998 amendments to the Law on Domestic Investment Promotion. MARD as the principal implementing agency therefore has little control over one of the two components of the Program. Furthermore, even those investment mechanisms MARD can control are flawed due to inadequate cost norms and incomplete benefit sharing regulations. Finally, the lack of an effective system for collecting, analyzing and disseminating information on marketing and price developments represents a crucial obstacle to protection, special use and production forestry.

3.4.3.1. Resource mobilization
Financial resources for forestry in general and the implementation of the 5MHRP in particular are mobilized from a variety of sources. Estimates for total capital investment in the forest sector vary considerably, ranging between VND 595-1,186 billion for 1999 (TF II, TF III). The budget allocation for the 5MHRP was VND 314 in 1999 and 316 in 2000, compared to an average annual budget of around VND 485 billion for Program 327. Of total investment in forestry, some VND 138 billion are estimated to be domestic soft loans (Task Force III, Tran Dinh Tung). No annualized data is available for ODA and FDI, but a rough estimate based on available project compendia could be in the region of VND 650 billion. Recurrent costs are estimated at VND 100 billion for administrative expenses and VND 70 billion for research and training institutions, much of which also contributes to the implementation of the 5MHRP (TF III, To Dinh Mai).

On the domestic side, the State budget (Fund 661) has so far focused on protection and special use forestry, while production forestry is to be financed through the Development Support Fund (DSF), a soft loan facility established to promote domestic investment projects. As a share of the country’s total development investment budget, the allocation to forestry has decreased from 1.79 percent in 1997 to 1.16 percent in 1999. On the international side, ODA (grants and loans) and FDI are the two main sources, with the former by far outweighing the latter. For ODA, a similar tendency from productive to protective forestry is observed (TF III, Tran Dinh Tung). Both national and international sources are found somewhat scattered, in large part due to the lack of priorities derived from a clear policy framework (TF III, Tran Dinh Tung).

The current levels of investment stand in marked contrast to the estimated needs for the 5MHRP, which vary according to presumed scope and cost norms. Below follows a summary of the scenarios Task Force III developed for estimated costs, available funds and resulting resource gaps (Task Force III). These figures should be treated with extreme caution since they are partly based on exaggerated cost norms, do not take inflation into account and may not adequately budget for capacity building measures. However, they give a rough indication for the relative scope of the program, as well as available and potentially necessary financial resources.

### Table 2: 5MHRP Investment needs

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost (billion VND)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protection and special use forest establishment and protection (2 million ha)</td>
<td>6,417-7,575</td>
<td>• Two cost norms for forest establishment, VND 2.5 million and VND 4 million, yield the two different values</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Project management fee: 8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Infrastructure: 5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Nursery costs, land allocation, research, extension training, etc: 2.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cost of overall public forestry administration, including research, training and education institutes: VND 180 million/year</td>
</tr>
<tr>
<td>Production forest (2 million ha)</td>
<td>18,290</td>
<td>• Cost norms for different types of production forest are derived from various national and international project documents and strategies. They range from VND 4.5 million per ha for the establishment of forests for producing export chips to VND 15.9 million per ha for cinnamon trees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Infrastructure: 6%</td>
</tr>
<tr>
<td>Perennial tree crops (663,000 ha)</td>
<td>17,396</td>
<td>• Cost norms for different perennial tree crops are derived from a variety of sources. They range from VND 7 million per ha for cashew nut trees to VND 48.4 million per ha for rubber trees</td>
</tr>
<tr>
<td>Additional natural regeneration (300,000 ha)</td>
<td>150</td>
<td>• This is the result of the discrepancy between 5MHRP targets and planned perennial tree crop areas in other strategies.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cost norm is VND 100,000 per ha per year for five years</td>
</tr>
<tr>
<td>Total</td>
<td>42,235-43,414</td>
<td>equivalent to approximately USD 2.9 billion (1 USD = 14,5000 VND)</td>
</tr>
</tbody>
</table>

Source: adapted from TF III, Final Report
On the basis of the targets and cost norms provided in Decision 661 and accompanying regulations, the total cost for the 5MHRP is estimated at approximately VND 43,000 billion (USD 2.9 billion). It should be noted that of this total, investment in the form of grants for protection and special use forest accounts for only 11-17 percent (or roughly VND 535-631 billion per year for the twelve years 1998-2010), whereas investment in production forests in the form of loans accounts for more than 85 percent, roughly divided between material forests and perennial tree crops. The difference of 4 percent consists in 'public service expenses' that essentially cover the total annual administrative costs of all forestry-related government agencies at all levels, as well as all research and training institutes. This comprehensive coverage is justified, Task Force III argues, because 'the 5MHRP is a national project that covers all forest-related activities in the fields of forest protection and plantation,' which means that 'the entire structure of state management at various levels and public services institutions operated to directly serve such a huge program.'

On the resource availability side, Task Force III suggests two scenarios, which differ in their expectations of how much direct budget support for protection and special use forests government will provide over the course of the entire Program; these expectations are based on budgeting targets set out in the Socioeconomic Development Strategy 2001-2010. Option 1 is based on an annual contribution of VND 350 billion from 2001-2005 and a 12 percent increase thereafter, adding up to a total of VND 4,000 billion over the 10-year period. Option 2 assumes a starting point of 1.16 percent of the total development investment from the state budget (approximately VND 55 billion) and an annual increase of 12 percent, adding up to a total of VND 8,772 over the 10-year period. For production forests, two scenarios assume that farmers contribute 30 or 10 percent, respectively, for material forests, and 70 or 50 percent, respectively, for perennial tree crop plantations from private savings, with the rest coming through soft loans from the Development Investment Fund. For infrastructure, the two scenarios assume 50 or 100 percent, respectively, to be sourced from the Development Investment Fund, the rest coming from other projects and programs. Finally, Option 2 assumes that support through official development assistance (ODA) will total approximately VND 2,500 billion; foreign direct investment (FDI) is assumed negligible in both options.

Table 3: 5MHRP investment gaps

<table>
<thead>
<tr>
<th>Category</th>
<th>Investment need (adjusted for savings mobilization)</th>
<th>Resource availability</th>
<th>Gap (numbers in parentheses indicate a surplus)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Option 1</td>
<td>Option 2</td>
</tr>
<tr>
<td>Protection and special use forests</td>
<td>6,417 - 7,575</td>
<td>4,000</td>
<td>8,772</td>
</tr>
<tr>
<td>Material forests</td>
<td>12,148 - 15,619</td>
<td>8,700</td>
<td>11,200</td>
</tr>
<tr>
<td>Tree crops</td>
<td>5,285 - 8,697</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Infrastructure and additional natural regeneration</td>
<td>592 - 1185</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>24,442 - 33,076</td>
<td>12,700</td>
<td>19,972</td>
</tr>
</tbody>
</table>

Source: adapted from TF III, Final Report

Table 3 reveals that the estimated investment gaps range from about VND 8.6-20.4 billion (USD 0.59 - 1.45 billion or roughly USD 50-120). The bulk of the shortfall is in the area of investment for production forests, even though the scenarios may be optimistic in the rate of savings mobilization they assume. In fact, the more optimistic scenario anticipates no shortage of funds for protection and special use forests at all, even without ODA. As indicated earlier, however, all of these figures should be regarded with extreme caution, as many of the assumptions are arbitrary.

3.4.3.2. Benefit sharing policies

Similar to Program 327, the 5MHRP relies on benefit sharing as a key incentive, although it is argued that benefits specified under the 5MHRP have decreased as compared with its predecessor. The overall purpose of benefit sharing is twofold. On one hand, it serves to encourage investment in forestry, particularly by households and communities, through guaranteed access to forest-derived benefits. On the other hand, it aims to decrease the need for government subsidies.
While the use of funds and benefits of stakeholders has so far been clarified for two ODA projects, general benefit sharing regulations are only at a draft stage. According to the ADB TA, the draft includes several positive elements, including the authorization of agriculture and aquaculture on bare lands of production and less critical protection forests up to a maximum of 30 percent and some provisions for communal management of forest lands. However, the TA finds that benefit shares appear unbalanced, the requirement that management boards approve selection fellings carries a high risk of forest degradation, and that some aspects would be difficult to use in practice. Above all, communal management provisions are insufficiently clear and need to be resolved.

The level and need of benefits from reforestation, natural regeneration and forest protection, particularly on protection and special use forest land, have been hotly debated. The findings are inconclusive. While farmers generally consider the cash payments extremely helpful (but insufficient), some observers have found that they are not really necessary. On economic grounds, the long-term impact of such subsidies is argued to cause more harm than good. In the short term, cash-strapped farmers rely on the payments for subsistence needs. Due to the difference in local conditions, the establishment of uniform quantifiable standards would be difficult and a relatively loose framework may be more appropriate (Task Force I, Team South).

3.4.3.3. Investment

Quite different conditions and procedures apply to investment in the form of grants and loans. In the context of the 5MHRP, grants are almost exclusively for protection and special use forestry, justified on the basis of market failures characteristic of this type of forestry. Production forestry is to be financed primarily through loans. The main problems concerning grants are prevailing cost norms, while the key bottlenecks related to loans are access to capital and lending terms, including interest rates and duration. A related issue is the cost of administering investments, commonly referred to as management fees.

Most observers have argued that the cost norms for reforestation and natural regeneration under the 5MHRP are too low; the current ceiling is VND 1,000,000 for forest regeneration and enrichment, VND 2,500,000 for establishing protection forests and VND 2,000,000 for the establishment of long-rotation production forests. By contrast, international projects have operated with multiples of these costs.

Management fees are currently regulated at 8 percent, but subsequent legislation has mandated that operating costs for provincial steering committees shall be covered by local budgets (Decision 38/QD-TTg of March 24, 2000 amending and supplementing a number of articles of the Prime Ministers' Decision 531 of August 8, 1996, on the management of national target programs). In addition to project planning and evaluation, management fees are also supposed to cover training, education, research and extension (Joint Circular 28, Circular 28. See sections 4.6).

The larger part of the 5MHRP target area, however, is to be financed through loans from the Development Support Fund (DSF) and other sources. The principal problem with loans is their cost and procedural conditions. Under Program 327, interest rates were kept between 0-4 percent through a special provision. By contrast, DSF interest rates are 7 percent; loan durations are limited to 10 years and loan sizes to 70 percent of total project investment cost. Although tax exemptions could cancel out the effects of the increase, they have yet to be implemented (see below). As a result, little borrowing for production forestry has occurred, while large areas of previous production forests have reportedly been re-classified as protection forest to qualify for government grants (Ogle et al. 1999).

Access to investment capital is difficult for two main reasons. First, banks are reluctant to provide credit for forestry purposes due to the long pay-back period and the high risk compared to other loans. Second, smallholder foresters have difficulties complying with the procedural requirements stipulated under the Law on Domestic Investment Promotion. Furthermore, loans below VND 10 million require a forest land tenure certificate, which few farmers have. However, in the few cases where land tenure certificates exist, only the male head of the household has access to loans as the sole signatory on the certificate.

Other credit channels have played an increasing role in rural development, particularly the Vietnam Agricultural and Rural Development Bank (VBARD), the Vietnam Bank for the Poor and People's Credit Funds. However, such loans are for longer term industrial and fruit tree establishment by richer households (TF II, Phuong and Phung), targeted at the male head of the household, depriving other social groups based on ethnicity, economic class and gender.

Taxation

Forestry activities are subject to a wide range of taxes, including resource tax, agricultural land use tax, land
rental, export/import tax, value-added tax and enterprise income tax. In recognition of the special characteristics of forestry, there is an equally wide range of tax reductions and exemptions. Generally, the recent evolution of the taxation system has reflected the Government's policies of phasing out harvesting from natural forests and, to some extent, encouragement of foreign investment.

Bottlenecks concerning the taxation system fall into four general areas. First, the structure of certain taxes does not encourage sustainable forest management, particularly in the case of the resource tax on natural forest products and the additional tax on areas larger than the legal limits. Second, the complex regulations and their often widely differing implementation at local levels have led to various difficulties in wood harvesting from planted forests and discourage investments in forest plantation and management. Third, the cost of collection of some taxes is as much as two thirds of total tax revenue (TF II, Phuong and Phung). And fourth, the eventual dismantling of the import/export tax structure under regional and international trade agreements will create considerable difficulties for industries, which currently benefit from substantial protection.

3.4.3.4. Marketing and pricing

Although today's overall prices for logs and forest products are close to international prices, Vietnam's geography and low value to bulk ratio of most forest product raw materials and secondary processed products has created a highly fragmented market, with wide variations in price being largely accounted for by transportation cost (Ogle, 1999). At the same time, plantation wood products obtain very low prices, which for some uses could be increased by as much as one-third, or cannot be sold at a profit to the producers (ADB TA).

Marketing of wood differs according to product. The market for large logs is mainly in the hands of the private sector, with marketing chains ranging from relatively short and simple to very complex channels. For small diameter logs, SFEs and private growers supply wood to government-controlled outlets for pit props, woodchips for export, and pulp manufacture through state-controlled intermediaries that do the actual purchasing. For woodchips, marketing of non-timber forest products is almost exclusively in private hands.

With the lack of published information on wood product transactions, local populations' limited or non-existent access to such information, and the large reliance on logs from illegal sources, there is still scope for unequal market bargaining power between buyer and seller, and excessive margins by intermediaries in the system. In fact, the enormous profits to be gained in wood trade have led to widespread tax evasion, systematic organization for illegal exploitation, transportation and trade, collusion and even violent acts against responsible authorities (TF II, Doan Minh Tuan).

3.4.3.5. Conclusions and recommendations

Resource mobilization

- Government investment in forestry is decreasing, both in absolute and in relative terms. In light of the considerably underestimated contribution of forestry to the national economy, an increase in public investment is justified. The establishment of a forest development fund to ensure the reinvestment of gains from forestry and mobilize additional resources from beneficiaries of positive externalities, such as downstream water and electric power users and tourists.

- Although official development assistance for forestry has increased in recent years, its effectiveness remains constrained. Problems such as the current fragmentation caused by the lack of clear government priorities, widely differing donor procedures, insufficient consultation of local counterparts concerning loan terms, low absorption capacity and ineffective monitoring and evaluation preventing the systematized internalization of lessons learned need to be addressed.

Benefit sharing

- If the unsustainable long-term dependency on direct subsidies for forest protection is to be overcome, which many observers say needs to happen, the government needs to finalize and implement flexible and contextually adaptable benefit sharing regulations such that greater access to forest goods and services by households and communities are sufficient to compensate for their efforts.

Investment and taxation

- The Government needs to develop a long term investment strategy based on realistic needs and potentials in order to provide potential investors with the necessary certainty. This strategy should consider (i) the strong linkage between raw material and wood industry development; (ii) the different
uses of forests, particularly their environmental, economic and social functions; (iii) the diversity of investors' strengths and weaknesses; and (iv) the variety of investment channels.

- Investment instruments need to be adjusted to facilitate the diversification of investors, particularly from abroad, as well as to remove obstacles related to the loan duration, collateral and post-investment interest support. In addition, the suitability of a plantation insurance policy should be examined.
- In addition, some aspects of the designs for reforestation, or more specifically the conditions for payment were seen as unsuitable. One example repeatedly encountered was the short duration of the payment for tending of new forest stands. According to its present rules, Fund 661 can only pay for such tending for three years, while the forests in reality need tending for at least five years (TF I FA South, 28).
- The present system of fixed cost norms and terms, which leads to sub-optimal fund utilization, needs to be revised in order to account for the country's natural and socio-economic diversity.

**Taxation**

- Certain tax structures need to be revised to remove barriers to investment in forestry and increase efficiencies in forest products processing. In particular, (i) taxes on areas beyond land limitation need to be eliminated and land rents decreased; and (ii) export taxes on products in which Vietnam has a competitive advantage, such as woodchips, need to be removed.

**Marketing and pricing**

- The current lack of adequate marketing and pricing information is a major obstacle to improved management and increased domestic and international investment. MARD needs to establish as soon as possible an effective system to track forest products pricing, trading and processing.

### 3.5. Social development

Deforestation and environmental degradation have social dimensions, which are rooted in the lack of options and opportunities resulting from social differentiation within local populations. The overall proportion of poor households in Vietnam is over 17 percent, but roughly 40 percent of mountainous communes have been identified as extremely poor. In these areas, agricultural land accounts for only 11-15 percent of total land, forest land about 33 percent and land designated as 'unused' but usually under some form of cultivation 45 percent. Agroforestry generates 75-80 percent of family income, but average incomes are only 37 percent of the national income (TF II).

As a consequence, livelihood security among vulnerable group in terms of ethnicity, economic status and gender is the overriding dimension of the 5MHRP's social development objective. As outlined in Section 2.4, the pre-conditions for livelihood security primarily consist of food security; human input, including employment opportunities and conditions; equitable access to physical, financial and technical resources; with a framework of active engagement at the overall program and sub-project level. This section outlines the nature of current strategies to address these issues, as well as the scope for improvement in the context of the 5MHRP.

#### 3.5.1. Livelihood security at the forestry-agriculture interface

Food security continues to be a serious problem in many rural mountainous areas. Agriculture and forestry being integral parts of household food security strategies, increased socio-economic vulnerability usually means greater dependence and hence pressure on forest resources for timber and non-timber products, as well as for expanding agriculture production activities through forest clearing, especially for upland cultivation (TF I Assessment Teams; TF I; Do Van Hoa, Phung Thi Dinh, TF II).

The level of dependence on forests depends on a number of factors, including the availability of arable land; the type of land use system; the potential for income diversification (including access to markets); the role of SFEs (they control large forest areas, while local populations in some areas still lack arable land for subsistence needs) (TF I; ADB TA); and trends in agricultural yields (declining yields often forces people to complement their diets with forest products, to clear forest for expanding cultivation, or to shorten fallow cycles) (TF I). Agricultural intensification could therefore lower dependency on upland crops and reduce agricultural expansion, increase forest-related activities (TF I; ADB TA), as well as reduce the labor burden of women who are normally in charge of upland crops. Moreover, people's investment (labor and capital) in forests are often only undertaken when sustenance needs are met, while extraction of forest resources forms part of satisfying their sustenance needs, which is especially the case for poorer households (TF I).
The 5MHRP aims at combining forest planting and natural regeneration with fixed cultivation and sedentarisation. For certain sections of the population, shifting cultivation systems are not only the primary source of food security, but also play an important role in natural regeneration and the conservation of biodiversity (Fox et al, 2000). More often than not, forest clearance is the result of spontaneous migration, which leads to the loss of parts of 'resident' shifting cultivators' fallow land, exerting pressure on the land and its unsustainable use. Moreover, experience from the past twenty years has shown that in spite of substantial investment and considerable policy initiatives, few have abandoned shifting agriculture (Rambo et al, 1995). Thus, the assumption that ethnic minorities are principally responsible for forest clearance would be a misleading one within the framework of the 5MHRP initiatives.

Social dimensions of land use planning and land allocation

From a social perspective, two main issues are relevant in the context of land use planning and allocation. First, although land use planning has the potential to avoid the marginalization of vulnerable groups in terms of ethnicity, economic status and gender, inadequate approaches may perpetuate marginalization. And second, land allocation may equally marginalize vulnerable groups and individuals by excluding land use arrangements that are the basis of traditional production systems, particularly among ethnic minorities in upland areas.

As outlined in Section 3.2., land use planning aims at defining the 'most appropriate' use of particular tracts of land. The process through which this is defined has a significant impact on livelihoods at community and household levels. With the exception of localized instances in the context of international projects, land-related agencies often carry out land use planning without sufficient participation of local stakeholders. As a consequence, discrepancies between official land use designations and existing land uses are widespread. In particular, government agents often consider fallows in shifting cultivation systems as 'unused lands' that can be targeted for reforestation.

However, local populations usually cannot afford taking these lands out of their production systems, not only because they cultivate these plots within specific cycles, but also because they manage regeneration between fallows such that these lands generate necessary products or services. This is especially the case for less critical protection forest, much of which is used under different shifting cultivation systems. Decision 08/2001/QD-TTg (January 11, 2001), as well as the recommendations of the ADB TA, proposes the elimination of this forest category. While this may legitimize agricultural uses by local populations, there is a risk that SFEs or other outside actors capture these lands.

It has been commonly recognized that these obstacles can be overcome through participatory land use planning approaches and tools for demand articulation and conflict resolution, which enable the establishment of a common understanding of 'appropriate' land use (for both agriculture and forest land), as well as address both opportunity (access) and capability (capacity) to participate. In fact, Joint Circular 28, which guides the implementation of Decision 661, states that 'land allotment must be conducted openly and democratically and priority must be given to families living right in the territory of the locality.' Current practices fall short on most of these accounts, which rarely consider variations in education levels, work burdens (heavy work burdens discourage participation), language barriers (for ethnic minority groups and especially their women members), and variations in communication techniques (in public fora).

Given the forest sector's long term horizon, investment in forestry requires land tenure security and locally negotiated terms of access and benefit sharing. Decree 163/ND-CP (November 16, 1999) provides the basis for forest land allocation, leasing and contracting. Under this decree, eligible entities for allocation are organizations (state forest enterprises, management boards of special use and protection forests, forestry seed stations and enterprises, schools and vocational schools), households and individuals. It is important to note that the Forest Law (Decree 58-LCT/HDCN8 of August 19, 1991) includes allocation to cooperatives and pre-cooperatives, and the predecessor to Decree 163 (Decree 02-CP of January 15, 1994) allowed allocation to 'social organizations' and 'other organizations,' Decree 163 no longer permits this (it specifies, however, that 'other organizations in different economic sectors' who were allocated forest prior to January 1, 1999, can retain the land use certification until it expires, after which time they will have to rent the land).

Program 327 and the 5MHRP have made extensive use of contracts to engage local populations in forest protection activities. Numerous reviews have argued that this approach is a step in the right direction, but does not adequately provide for long term ownership and benefit sharing. These contracts are found (i) largely unsustainable because their timeframe does not provide sufficient incentives for long term investment in money and labor; (ii) inflexible due to the top-down approach within a diverse national context; (iii) adversely affecting institutional strengthening by maintaining communities and individuals as mere 'implementers' of the initiative, rather than partners in forest management; and (iv) having negative environmental returns due to dependence on government handouts and the consequent lack of local ownership (TF I; ADB TA).
One of the main shortcomings of the current tenure regulations from a social perspective is that they do not permit joint ownership at household and community levels. This deprives women of equal legal status as land users/owners and disregards upland productions systems that are based on joint property approaches. This in turn affects both longer-term forest management and livelihood security and contributes to the marginalization of vulnerable groups and individuals (Nguyen and Gilmour, 2000). At the household level, red and green books are generally signed by the male head of household, leaving women and single-adult headed households (mostly female headed) and widows at a disadvantage. At the level of communities or non-governmental organizations (including associations and cooperatives), traditional joint management systems remain outside the scope of legal frameworks, as well as the formal 5MHRP implementation, in spite of many successful examples of community forestry existing in Vietnam (National Workshop: Experience and potentials towards Community Forestry Management, June 2000). In these examples, the risk that an exclusive focus on ‘communities’ and the assumption that they are largely homogeneous can perpetuate the marginalization of vulnerable groups, which can usually be avoided through the use of appropriate land use planning and other participatory approaches.

Conclusions and recommendations

- In order for forest development and protection activities to become more socially sustainable, there is a need to complement quantitative targets by qualitative and process-oriented ones. These should ensure that vulnerable groups participate in deciding on such issues as species selection aimed at providing a wider range of forest resources and thereby maximizing biodiversity, as well as reforestation methods, particularly different approaches to natural regeneration; and that a socially responsive extension system will provide adequate support to these groups.
- The current tenure-related legal framework maintains social barriers, both for groups and individuals. Appropriate revisions should provide for joint ownership at the household level (creating equality between men and women), as well as at the group level (in order to legitimize traditional natural resource management systems, particularly among ethnic minorities); ‘communities’ or ‘user groups’ should become eligible as 5MHRP sub-project owners.
- The social dimension of land use planning and land allocation needs to become an integral part of the process. This requires (i) participatory approaches that mitigate ethnic, economic, linguistic and gender barriers to ensure that land use planning/land allocation is based on the realities of existing farming systems; (ii) increased attention to conflict resolution, particularly between local populations, newly displaced populations, as well as SFIs; and (ii) government staff capable of facilitating such approaches.
- The reclassification of less critical forests as production forests, as suggested in the Forestry Development Strategy for the Period 2001-2010 (but not specified in Decision 08), can have an adverse impact on local populations’ livelihood security. The relevant authorities at Province, District and Commune level need to be provided with the authority and responsibility to ensure that resident communities and households retain stewardship of this category of land.

3.5.2. Access to services and resources

Unequal distribution of economic and political influence significantly skews access to key resources and services, including extension, credit, markets, and planning mechanisms. Services outside the forest sector are equally important for livelihood security, requiring that linkages between the 5MHRP and the development of infrastructure related to communication, health care, transport (including roads), education, electricity and other service areas are identified, pursued and ensured (Pham Van Suu, TF II).

Agroforestry extension agencies are generally located in accessible areas for easy implementation. As a result, people in remote areas often have very limited access to agroforestry extension services; spontaneous migration has driven minority populations to still remoter areas, where resources and support activities barely reach. These agencies formulate their forest extension plans through a top-down approach, resulting in limited or token participation of households/individuals, village leaders and communities (see also Section 3.6.) (Pham Ngoc Mau, TF II).

The social biases in extension can be based on ethnicity (language and cultural barriers), and economic status (resource barriers) that encourage social dynamics of exclusion and represent a significant obstacle impeding agroforestry production (Pham Ngoc Mau, TF II; TF I). These biases are particularly disadvantageous for women, who are the driving force in forest tending and production. Women rarely have the opportunity to directly participate in extension activities due to the unequal distribution of workloads within the household, inappropriate targeting strategies (considering language and literacy levels), lack of participatory methodologies, and lacking the capability to communicate in public fora (especially among ethnic minority women). At the household level, there is a tendency towards a male bias in targeting extension related activities, unless women are specifically targeted.
Further social biases are widespread in the area of credit provision (see also Section 3.4.3.). In general, access to credit has been hindered due to the lack of confidence to invest in forestry, especially among local communities, complicated procedures, non-flexible terms of borrowing and repayment, lack of knowledge among members of the community (especially women), and literacy and language barriers (mostly in ethnic minority sections of the population). For instance, while red books are required as collateral for loans up to VND 10 million, most households that have been allocated land have not yet received red books (Tran Van Hung, TF II). Where households have received red books, they are mostly signed by the male head of the household only, limiting access to the female head of household (TF I).

Access to markets is an additional area where the marginalization of vulnerable groups is perpetuated. On the one hand, lack of access to information on market prices undermines the 5MHRP’s aim of promoting sustainable agroforestry systems to supply processing industries and engage in sustainable market activity. On the other hand, markets are often distorted by SFEs, both because of their monopolistic status in purchasing and sales policies and their role as ‘market gatekeepers.’

Finally, access to planning mechanisms places vulnerable groups at a disadvantage. Although planning mechanisms have attained a certain level of decentralization from the central to provincial levels and to some extent from provincial to district and commune levels, they do not reach local communities (TF I). Steps involved in elaborating provincial forestry plans, for instance, include the participation of provincial institutions but fall short of employing the full potentials of active engagement at district, commune and community level to incorporate the aspirations and knowledge of local populations of women and men, and thereby, affecting access to resources and services.

Conclusions and recommendations

- Appropriate service provision and targeting strategies need to consider, and be informed by, ethnic, economic and gender variations. This would facilitate the use of social analysis as an integral part of planning, implementation and monitoring and contribute to the avoidance of social exclusion.
- The provision of services should become increasingly less fragmented so that rural populations, particularly those vulnerable due to ethnicity, economic status or gender have access to integrated support in participatory land use planning, joint land allocation, extension and credit for both agriculture and forestry.

3.5.3. Employment

Essentially, employment-related issues in the context of social development consist of all activities engaged in, especially by vulnerable groups to achieve livelihood security. Because of the cross-cutting nature of the issue and the broad scope of the 5MHRP, this section distinguishes between ‘formal’ employment, such as in large forestry operations or public forest service, and self-employment among rural households and individuals who pursue forestry activities as part of their livelihood strategies.

The lack of market opportunities and production development has presented an enormous challenge for local inhabitants, especially in rural and remote areas. Generalized strategies to develop ‘market mechanisms' outlined in government strategies and legal documents have often focused on quantitative production targets, which are assumed to automatically create employment, without taking location-specific constraints and opportunities into account. In the context of the 5MHRP, to date, employment generation is largely addressed through contracted forest development and protection. Job opportunities in the forestry-related secondary (harvesting and processing) and tertiary (services) sectors, by contrast, have received much less attention.

While there is a potential for greater employment in small and medium enterprises in the forestry sector, carefully carried out feasibility studies should precede the further development of such establishments in order to avoid failure and consequent losses to local populations, as well as undermining confidence in forestry in general. The economic, social and environmental impact of larger projects, such as the medium-density fibre board plant in Gia Lai and the particleboard plant in Thai Nguyen, is still greater. These investments, along with the ambitious forest products processing projects envisioned for the next ten years, would cause significant changes in local labor markets, particularly if local inhabitants are granted employment priorities.

Two general areas that are of relevance to employment in sustainable forest management follow from the above, both for formal and self-employment. The first relates to employment conditions, the second to human resources development.

Employment conditions
Rights and responsibilities related to performance and expectations in employer-employee relationships have been spelt out in various international labor conventions, many of which Vietnam has signed or endorsed. These include the 1958 Discrimination (Employment and Occupation) Convention, the 1951 Equal Remuneration Convention and the 1981 Occupational Safety and Health Convention.

The provisions of these codes are usually implemented at two levels. At the national level, a general 'code of practice' may spell out basic principles, including remuneration and employment benefits, which are adjusted to men and women employee needs (including, for instance, favorable maternity/paternity packages, childcare facilities, provision for flexible working time and part time options, especially for parents of very young children); equal opportunity and non-discrimination based on ethnicity, economic status and gender; elimination of child and forced labor; occupational safety and health; consultation and cooperation between authorities, employers and workers. Detailed guidance on many of these principles are contained in the ILO Code of Practice on Safety and Health in Forestry Work, which covers various kinds of forestry workers, including contractors, self-employed and forest farmers.

At a second level, employer-employee understanding on performance criteria and appraisal, as suggested in the Equal Remuneration Convention, would be incorporated into employment contracts. Performance appraisals would be based on mutually agreed performance criteria, which take social inclusion and gender sensitivity between employers and employees into account. In the context of the 5MHRP, performance appraisals would be of particular importance for public servants, who are responsible for facilitating the achievement of the Program's objectives.

**Human resource development**

With a quantitative and qualitative shortage in the human resource base, issues around human resource enhancement in terms of content and delivery need consideration in all types of training and education activities (see also Section 3.6.). From a social perspective, it is important that gender integration and mainstreaming is undertaken in all curriculum development and content at all levels of professional education and training. Furthermore, in considering the content and curriculum, technical knowledge is complemented with skill development in socially inclusive participatory methodologies. It is also essential that the profession of forestry is made accessible and attractive to men as well as women, especially of varying ethnicity, through socially inclusive, gender-sensitive employment packages.

**Conclusions and recommendations**

- Employment generation strategies for local people living in rural mountainous areas should be developed on the basis of location-specific potentials, market opportunities, and production development, as well as in close coordination with CEMMA and MOLISA. For instance, the development of forestry-related enterprise development should be subject to careful social labor impact studies and job priorities should be given to local inhabitants.
- MARD, in coordination with MOLISA, should more closely monitor state and non-state organizations and enterprises to ensure appropriate working conditions in terms of remuneration and employment benefits, non-discrimination, occupational safety and health, as well as access to training opportunities.
- MARD, in coordination with MOLISA should develop a tracer system to track employment opportunities and careers of members of socially vulnerable groups in order to ensure equal opportunity.
- Skill development should include the integration of participatory methodologies and the mainstreaming of gender in training and educational curriculum.

**3.6. Capacity building**

In the context of this report, capacity building largely falls into two different but closely related areas. On the one hand are the immediate individual skills and institutional capacity to administer and support a program of the scope of the 5MHRP, including planning, implementing, monitoring and evaluating 5MHRP sub-projects. On the other hand are the individual and organizational capacities required to carry out MARD’s mandate in rural development in general and the forest sector in particular, including in non-5MHRP areas and issues. The two are closely linked because higher overall capacities also mean increased individual and institutional competence in implementing the 5MHRP. Because the current implementation of the 5MHRP has seen little investment in capacity building, this section addresses issues of relevance to the entire sector. Specific reference to the 5MHRP context is made where appropriate.

**3.6.1. Research and extension**
The 5MHRP’s scope and approaches make the needs for research and extension evident. The changing role of the forest sector and forest sector stakeholders requires that research and extension services be tailored to emerging needs.

**Research**

Forestry research in Vietnam is carried out in a wide variety of institutes, including the Forest Science Institute of Vietnam (FSIV), Forest Inventory and Planning Institute (FIPI), the Forestry College and their regional or thematic subsidiaries. Although much technical pioneering work has been done, many results have either not reached implementing agencies because of inadequate dissemination or have not been directly relevant to the needs of the forestry sector and the local populations of forest-dependent households. Particularly with respect to social forestry and biodiversity conservation, multi-disciplinary approaches and closer collaboration among social researchers, economists, technical specialists and extension agents have not been sufficiently addressed (TF II, Tan; ADB TA).

The low levels of budgetary support, the lack of private sector driven or supported research opportunities, and the institutional fragmentation in forestry research have held up solutions to many technical issues and prompted calls for more research, such as on higher yielding varieties and seed improvement. Such research, desirable in itself, would probably take too long to translate into better plantations to be of much help to the 5MHRP (ADB TA); yet, existing research results in these areas from other countries in the region have been slow in reaching Vietnamese institutes.

The scarcity of funds for research has also created an environment in which research results are shielded from potential users, rather than shared. Although few legal guidelines regulating rights to access and responsibilities for dissemination exist, research results are more often kept for their potential to generate financial revenues. The current regulations guiding the 5MHRP add few incentives to improve this situation. Decision 661 stipulates that research is the joint responsibility of MARD and MoSTE, but does not specify any means for ensuring budgetary support; Circular 28 on the management of state funds for the 5MHRP stipulates that research is to be covered by the management costs, which in its present form restrict access to adequate funds.

**Extension agencies**

Formal forestry extension in Vietnam is a relatively recent occurrence. A state extension system was established from central to district levels, but few agroforestry extension units at district level have trained forestry personnel and a communal extension network is virtually non-existent. The annual central budget for agriculture and forestry extension has increased from VND 26.6 billion in 1998 to VND 35 billion in 2000; of this, the share for forestry has decreased to VND 3 billion in 2000 (TF II, Mau and Tuan). Provinces generally complement this budget with local sources.

Forestry extension budgets have mainly been used for the transfer of seeds and tending techniques through demonstration plots, with little emphasis on communication skills, training and application of participatory methodologies, formal or on-the-job training, overall land planning, business development or product processing and marketing. Furthermore, extension workers have focused on the establishment of demonstration plots, neglecting their suitability to social and ecological conditions. Where training courses are held, they are often attended by male heads of households, even though women are the principal forest managers (TF II, Mau and Tuan) (see also Section 3.5.). Finally, the lack of collaboration between state forest enterprises and extension agencies has left many farmers working under contract with SFEs without any technical support. Since forest extension qualifications at District level are almost non-existent, SFE renovation may eliminate even the possibility of advice from former SFE employees, unless they are remain in the locality and begin to provide extension services on a contract basis.

The diversification of extension is an attractive option to overcome these difficulties. In fact, the regulations guiding agriculture and forestry extension contain a provision to ‘encourage and allow voluntary agriculture extension to be established by research, training institutions, mass and social economic organizations, individuals both in the country and abroad,’ but they did not specify measures to facilitate this. In practice, some mass organizations are already active in extension.

**3.6.2. Training and education**

The country’s forestry training and education network includes institutes at the tertiary level: Forestry College under MARD, with annual student enrollment of about 830, and three universities under the Ministry of Education and Training (MoET); secondary level: three forestry secondary schools with total annual student
enrollment of about 1,000; and vocational training institutes: six forest worker schools with total annual student enrollment of about 2,200. In addition, MARD has two Agriculture and Rural Development Management Schools with annual enrollment of 850-900. Finally, some provincial agroforestry schools and colleges also provide training on forestry; FSIV has a doctorate program in forestry; and agroforestry centers and forestry projects train local staff and farmers in various issues.

With some exceptions, such as emerging community forestry curricula, the substantive scope of training and education in forestry has been slow in catching up with the changing conditions in the forest sector. There has been an excessive focus on technical subjects, while broader emphasis on socio-economic issues, indigenous knowledge, biodiversity conservation, rural household profiling and the organization of farmers/communities have been neglected. Training equipment, transport facilities, computers and premises are also lacking. Finally, only few training and education institutes have developed and applied tracer systems designed to better match training and education services with staff needs and potentials, as well as effective monitoring and evaluation systems.

As in research and extension, one of the main constraints in human resources development for trained forestry staff is the low level of compensation, which has driven many to employment outside the forest sector. Moreover, the sector is characterized by a very low employment rate among women staff. As a result, staff capacity and equipment are very limited in comparison with the needs, which are greatest at District level, including among land administration staff involved in local land use planning and allocation. The situation is improving where international projects are active and/or where Provinces have shown the necessary leadership to address the problem, such as in Thanh Hoa and Dak Lak.

Conclusions and recommendations

- In general, the fragmentation of research, extension, training and education has undermined the effectiveness of service delivery at the field level, where appropriate methods or techniques (research), learning about various methods and techniques (training), and disseminating information, methods and techniques (extension) are generally integrated. For the forest sector in general and the 5MHRP in particular an integration of these functions in all institutions should be pursued.

Research

- In spite of some advances, the current forestry research system largely fails to meet forest sector demands. Three main issues need to be addressed. First, MARD has to take the lead in revising the organizational setup, including the merging of research institutes, greater sharing of research results and increased funding; while the contribution through the 5MHRP needs to be increased and concretized. Second, research needs to become more demand-oriented, both with respect to households and communities and the private sector, which could even provide funding. Research should address the implications of large diameter wood scarcity, product marketing, community forestry, as well as biodiversity conservation. And third, MARD needs to ensure that research and extension are linked more closely; models already exist, including Thai Nguyen, Nghe An and Quang Ngai, where research centers are located inside agriculture extension centers (TF II, Mau and Tuan).

Extension

- The constraints facing forestry extension agents need to be overcome if they are expected to serve as effective service supporter of farmers. Institutionally, MARD needs to resolve the overlap in extension provision between the Departments of Agroforestry Extension, Forest Development and Forest Protection (see Section 5.2.), as well as consider a closer link between extension and land use planning integration. Financially, wider administrative and political constraints may preclude drastic salary increases, but total compensation packages can be improved through the improvement of allowance regulations, increased revenue generation from extension activities, and better integration with the rural credit system.

- The diversification of forestry extension on the basis of voluntary or contract-bound service provision has to be fostered, including through farmer-to-farmer extension, mass organizations, extension clubs and the private sector. Such alternative extension sources should be considered as potential 5MHRP sub-project owners or service providers contracted under performance-based agreements.

Training and education

- As with research and extension, the priority for improving the training and education system is for MARD and MoET to ensure the transfer of skills needed in the changing forest sector. This will require
continued adjustment of educational curricula, as well as more demand-driven training delivery systems. These should not only take into account the changing skills needs, but also the special demands of different trainees, including women and ethnic groups.

- All training and education institutes need to develop effective tracing systems to assess whether trainees are able to apply their new skills and whether graduates find employment in their respective fields. In addition, institutes need to establish or strengthen effective monitoring and evaluation systems so that training and education delivery meets the diverse demands of the sector.

3.7. Links to other programs and sectors

The Forestry Sector cannot work in isolation from other sectors of the society. Many activities and functions are in common with other sectors, or even with activities outside of the country. Figure 1 tries to illustrate that the Forestry Sector System is a part of the General Political and Economic System, having main components such as Land, Land use, People, Industry, and Institutions. The latter is shared with the society at large. The system also overlaps with several other systems or sectors such as the Agricultural, Energy, Industry, Transport, and Construction sectors. In turn, several of these sectors are overlapping. The Forestry Sector System of a country stretches outside of the country borders as illustrated by the boxes Nature Tourism, Down-stream People, and Foreign Trade.

Figure 1: Forestry Sector in the larger environment

The 5MHRP has significant consequences for numerous national and subnational programs. Probably more important, however, are the impacts of these programs on forestry in general and the 5MHRP in particular. Some of them have the potential to create synergies and reinforce the programs’ respective achievements,
such as the Hunger Eradication and Poverty Reduction program (133) and the 1715 Poor Communes program (135), the national program on Drug Prevention and Opium Elimination (06), as well as several natural disaster mitigation programs. In addition, a large number of internationally-assisted projects in forestry and poverty alleviation already contribute to the 5MHRP.

Other programs or large-scale projects are more difficult to reconcile with the 5MHRP objectives. Among the latter are, for instance, the construction of National Highway No. 2 (the 'Ho Chi Minh Highway'), which will eventually run from Cao Bang to Ca Mau, crossing or straddling numerous special use forests along the way and encouraging socioeconomic development in already fragile watershed areas. Another program with a potentially less benign influence on forestry is the planned construction of a hydroelectric dam in the Ta Bu area of northwestern Vietnam, which would not only inundate large areas of agricultural land, thereby increasing pressure on areas of higher elevation, but also require the relocation of thousands of people. Finally, many aquaculture development programs negatively impact mangrove ecosystems through shrimp farming.

Several of these programs have been accompanied by policies and implementing regulations with additional consequences for the 5MHRP. These include, for instance, Instruction No. 525/TTg (1993) outlining several guidelines and measures for socioeconomic development in mountainous areas; Decision No. 35/TTg (1997) on the development program of mountainous or upland village group centers; Decision No. 393/TTg (1996) on population planning, infrastructure construction and production arrangement in mountainous minority areas; Decision No. 960/TTg (1996) on long-term orientation and 5 year plan (1996-2000) on socioeconomic development in northern mountainous provinces; Decision No. 135/QD-TTg (1998) on socio-economic development program in mountainous and remote communes with special difficulties; and Instruction No. 660/TTg (1995) on dealing with spontaneous migration to highland and other provinces.

In spite of the 5MHRP scope's close links to other national initiatives, a systematic approach to coordination among these projects and programs has not been implemented. As a result, the scattered utilization of resources has resulted in lower effectiveness and efficiency than would otherwise be possible. In addition, relevant experiences and lessons learned have not been reviewed and applied across similar initiatives.

Administratively, the links between different programs is institutionalized through the overlap in Steering Committees at the national and provincial level. With the formalized Vietnamese administration system, up to twenty such committees may exist in every province; recent legislation aims at lowering the consequent transaction costs by ordering the merger of all steering committees for national programs at provincial level (national target programs, including the 5MHRP, may petition to maintain a separate committee).

However, the same problems that exist within single committees are found across committees. Above all, cross-sectoral integration is not effective because operational responsibility largely lies with individual line agencies, where resource scarcity and turf consciousness work against the inclusion in work plans of other agencies. Since the key parameters are decided at the line agency level, the Steering Committee representatives who generally sit on numerous other committees and therefore lack the time for extensive deliberation in most instances merely approve the proposals submitted to them. Observers familiar with this system have also argued that since operational responsibility, and therefore financial authority lies with single line agencies, steering committee members from other administrative units lack the incentive to ensure better cross-sectoral and cross-program integration.

The importance of coordination among different projects and programs is generally much greater at local levels. Consequently, implementing agencies at commune, district and province levels usually have a better idea of how resources from different programs could be combined. Because of the lack of local design autonomy and the rigid implementation mechanisms, however, local agencies are often forced to pursue separation, rather than integration. At the same time, resource scarcity at local levels is generally more pronounced and therefore acts as a disincentive for greater interagency coordination and collaboration.

In principle, program frameworks could provide for more explicit linkages with non-forest management related programs. For example, where priority areas under Program 135 and 133 overlap with priority watersheds under the 5MHRP, vulnerable households could be earmarked to benefit from protection contracts and red books. Also, infrastructure construction under Program 135 could be coordinated with 5MHRP activities such that access to watersheds targeted for biodiversity protection or rehabilitation is postponed, while roads to densely populated mountainous areas could serve to provide market access for products from alternative income generating employment opportunities (see also ADB TA).

At the more general level, forestry sector lies at the intersection of several other sectors, each of which impacts forestry in direct or indirect ways, and each of which is in turn impacted by forestry. Lessons learned from the history and shortcomings of national forest programs (including Tropical Forestry Action Plans, Forestry Master Plans and Forest Sector Reviews) have long pointed out the importance of cross-sectoral integration (UNCED
Greater attention to cross-sectoral integration starts at the central level, where medium to long-term sector strategies are prepared and implementation strategies defined. Although several pieces of legislation require that these plans are prepared in coordination among different line agencies, the reality is that little communication takes place, as seen in the largely separate developments of the Environmental Strategy and Action Plan and the Forestry Development Strategy. Absent such communication, conflicting goals continue to be translated into incompatible programs. As a result, the potential to combine resources in priority areas is lost. This is particularly consequential in sectors directly relying on the outcomes of the 5MHRP, including the development of the large-scale forest products industry projects, which is under the Ministry of Industries, and in sectors influencing such factors as access to, and the cost of capital for forestry activities. At the subnational level, where local administrations confront the real implications of cross-sectoral integration, bureaucratic rigidities and target-driven planning requirements often prevent more effective resource use.

Conclusions and recommendations

- Although Decision 661 requires that 5MHRP "should be closely combined with the programs for fixed cultivation and sedentarization and for hunger elimination and poverty reduction," little efforts have been made to integrate the respective initiatives (other national programs include similar provisions). In the process of defining more clearly the priority areas and activities for the 5MHRP, MARD should more closely collaborate with the respective program units (especially HEPR), particularly at the level of executing committees at the national and provincial level.
- Conflicts between forestry and planned or ongoing national programs and large-scale projects are often addressed too late, as in the case of the construction of National Highway No. 2. In addition to requiring greater and earlier transparency from the respective steering committees, MARD itself should make an effort in providing more information about its planned and ongoing 5MHRP activities.
- In addition to national programs and projects of other line agencies, forestry is also greatly influenced by macroeconomic conditions (fiscal and monetary), including taxation, interest rate, banking and trade policies. Although MARD can do little to influence these policies directly, it can become more effective in communicating the special conditions of forestry to Government and relevant agencies.

4. INSTITUTIONAL ENVIRONMENT

The institutional framework through which the 5MHRP operates is extremely diverse and characterized by large variations in capacity and influence. The first part of this Section provides a general overview of the different stakeholders in the 5MHRP and attempts to identify some of the key strengths, weaknesses, opportunities and threats.

Although the 5MHRP has its own Program setup, it is largely implemented through the regular administrative structure. Similarly, most international projects have their own management mechanisms, yet are also largely implemented through the regular administrative structure. In addition to these semi-parallel administrative structures, the 5MHRP and international projects tend to use separate financing channels. The bottlenecks from these parallel structures are analyzed in the second part of this Section, which takes a closer look at government agencies involved in the 5MHRP.

Because of the scope of the 5MHRP, most public forestry administration units are involved in some way in the 5MHRP. For this reason, this Section also addresses issues of general relevance to the forestry sector.

4.1. Stakeholder roles in the 5MHRP

4.1.1. Central and local government organizations

The central government is responsible for formulating national strategies and developing implementation plans in accordance with the guidelines provided by the National Assembly and the Communist Party of Vietnam. The government and ministries involved in forestry should provide the lower levels with an appropriate legal framework and necessary advice. In practice, the ability of central level agencies to manage and influence key issues at local levels is very limited. Many laws and legal documents are not clear, or are contradictory, nor do they provide sufficient guidelines.
In reality, provincial authorities enjoy considerable autonomy from the central level. At the same time, widespread uncertainties concerning the interpretation of legal documents leads to different ways of implementation. In addition, there is no consistent structure of forestry administration, because several provinces have not yet established Forest Development Departments (under DARD) and/or Forest Protection Sub-Departments (PPC).

At all administrative levels, the organizational structure of the forestry administration suffers from overlapping tasks and functions among different agencies. As a result, duplication and time-consuming decision-making procedures considerably reduce the efficiency and effectiveness of administrative bodies. Activities that promise to generate funds are of high interest for all public administrative bodies.

Human resources in public administration are generally limited. Forestry-related departments at the provincial level are short of specialists, stretching the ability of public employees to carry out their duties. The situation in districts and communes is even worse.

As stakeholders in the 5MHRP, governmental organizations currently play an instrumental role in program management and fund allocation. In fact, the way Decision 661 and implementing regulations are organized, government institutions at all levels control planning, decision-making and budgeting, leaving only a minor role for other stakeholders. However, the gap between responsibility for management and capacity for implementation is large and bears critical implications for the future unfolding of the 5MHRP.

4.1.2. State-owned enterprises (state forest enterprises)

Of the country's more than 400 state forest enterprises (SFEs), only 27 hold red books for a total area of 100,000 ha of production forest or one percent of the total forest cover. Nationwide, however, SFEs control 4.6 million ha of forest land, including 2.8 million ha of natural forest. Decision 661 implies an important role for SFEs in program implementation. This is largely a carry-over from Program 327, in which SFEs carried out land allocation and afforestation, effectively making them sub-project managers and beneficiaries at the same time. SFEs control state forest land and facilitate government programs, effectively turning them into administrative managing units at district and commune level. As a result of this situation, conflicts between private households/farmers and the SFEs can be expected to occur frequently.

In their dominant position as project owners, SFEs contract farmers for forest protection and planting and provide them with seedlings. Farmers have little choice but to buy seedlings from SFEs, even if these products are often of low quality and overpriced. This monopoly negatively affects local labor markets and undermines the achievement of the 5MHRP objectives, as the dependence on SFEs adds to the overall risks of investment in forestry activities. Aside from their economic monopoly, SFEs also play an important social role, especially in remote areas, where they organize health services and supply the market with tools for agricultural production, including machines and fertilizer.

The decline in natural forest harvesting quotas and the phasing out of government subsidies have dramatically changed the conditions under which SFEs operate. Due to the shortage of financial, technical and human resources, as well as the failure to initiate enterprise reform, SFEs have largely become incapable of effective forest management, surviving instead on commissions generated through national programs. This situation presents a key bottleneck in the successful implementation of the 5MHRP and needs to be addressed as soon as possible.

4.1.3. Private Sector

The development of private farms and forest plantation companies is still at an initial stage, but several provinces have witnessed the establishment of private initiatives. Because they mostly operate at small scales and with limited funds, their minor role in implementation of the 5MHRP stands in marked contrast to the hope that private sector firms would become involved in production forestry. A number of factors have so far prevented this, including shortcomings in the investment environment (see Section 3.4.3.).

By contrast, private sector firms have made considerable inroads in wood trading and processing, particularly furniture making. In addition, much of the handicraft sector is held in private hands. Because of the generally small scale of operations and consequent difficulties in capital accumulation, combined with the unfavorable investment environment referred to above, few prospects exist for upstream integration with forest plantations.

4.1.4. Households and communities

The role of households in reforestation and forest protection has become more important in recent years.
According to government statistics, around 500,000 ha of forests have been allocated to 350,000 households under red books, some 1.6 million ha are managed by households under temporary land use certificates, and 1.6 million ha have been assigned for protection to approximately 247,000 farmer households (ADB TA). Farmers implement activities on allocated land or under contracts. Although households carry out most of the work and assume most of the risks under the 5MHRP, they have practically no influence on project design and planning. Incentives to invest in forestry are further diminished by the lack of investment capital, insecure tenure and scarce access to technology and markets.

In spite of the long tradition of community-based ownership and forest resources management among ethnic groups, the current legal framework does not formally give adequate recognition to such arrangements, especially concerning land tenure; in the context of rural democratization, Circular 56 has provided for the development of hamlet conventions for forest protection and management, which could potentially lead to the codification of certain communal ownership forms and management practices. In practice, 5MHRP activities are often organized village-wide, particularly for forest protection.

4.1.5. Mass organizations

The Farmer Association, Youth Union, Women's Union and other mass organizations have previously been involved in Program 327 and are currently represented in the National 5MHRP Steering Committee. While their positive role in forestry is generally acknowledged, their potential is far from reached, in part because the 5MHRP implementation framework is presently too focused on government agencies and state forest enterprises (see also Section 3.6.).

4.1.6. International development projects

International development projects involved in the forest sector work on numerous issues related to the 5MHRP and thereby directly and indirectly contribute to the achievement of the Program's goals. However, they do not formally constitute 5MHRP 'sub-projects,' nor are they planned, implemented, monitored and evaluated in the same manner as official 5MHRP sub-projects. In addition, few explicitly coordinate and/or cofinance their activities in collaboration with the 5MHRP. One of the reasons for the development of a donor-government partnership is, of course, improved coordination and harmonization of international development assistance activities with government priorities. This is based on the recognition that significant improvements in effectiveness and efficiency can be achieved, particularly in the areas of capacity building, planning and monitoring.

4.1.7. 5MHRP Sub-projects

In 2000, central level agencies and 40 provinces implemented around 400 projects under the 5MHRP. The large majority of these are watershed afforestation and forest protection carry-overs from Program 327, with state forest enterprises being the key project owners. On the other hand, few activities aimed at establishing 3 million ha of production forest have been prepared, with the exception of promoting raw material forests for the paper and pit prop industries. As outlined in Section 3.4.3., significant obstacles remain to be solved before production forestry develops as envisioned by the 5MHRP.

4.1.8. Development banks

There are three banks that serve the rural households: (1) Vietnam Bank for Agriculture and Rural Development (VBARD); (2) Vietnam Bank for the Poor (VBP); and (3) People's Credits Funds (PCFs). These banks represent the formal financial sector in rural areas. Although the reach of poorer households is limited, especially in remote areas, VBARD and VBP are reported to reach about 38 percent of rural households.

Aside from the formal banking network, the informal financial sector is strongly represented by private credits and revolving fund schemes (ADB TA). Also, some mass organizations, such as the Women's Union, have been very active in the area of rural credit management.

4.2. Government agencies involved in the 5MHRP

A large number of government agencies and personnel at central and local levels are involved in planning and implementing the 5MHRP. After the previous section provided an overview of the main stakeholder groups, this section takes a closer look at key aspects related to those public stakeholders who constitute the main actors under current 5MHRP conditions.
4.2.1. Management mechanisms and procedures

The present 5MHRP steering and implementation mechanism operates in parallel to the existing forestry administration structure, in addition to the parallel structures set up under international projects. Similar to other national programs and following legal requirements, the basic design consists of a National Steering Committee and Central Executing Office, with uniform local counterparts, as well as ‘supervisory bodies’ and ‘project owners.’ Following recent regulation on the management of national programs, however, a number of national steering committees, including the National 5MHRP Steering Committee, have been abolished. At the provincial level, although there has been a move to merge steering committees of national programs, the 5MHRP steering committee appears to have been retained with the justification that it belongs to one of the three most important national target programs.

Key representatives from relevant and influential administrative branches at central and local levels participate in inter-ministerial and inter-departmental committees and boards, as well as their subsidiary operational bodies. In spite of this cross-sectoral mechanism, however, the executing bodies operate almost exclusively under the authority of the line agency under MARD responsible for program implementation; the closest links usually exist with the Ministry of Planning and Investment and the Ministry of Finance, largely because these have significant authority over important aspects of the program implementation process.

The parallel operation of the program organization presents two key problems. First, a large number of staff and decision makers have to familiarize themselves with additional procedures related to the implementation of the 5MHRP. This automatically absorbs staff time and resources from the normal day-to-day tasks to respond to the special demands of the Program implementation structure. In particular, senior staff has to participate in numerous Program-related meetings, comment on sub-project proposals and annual work plans and cope with other administrative activities.

Second, the parallel structure creates ambiguities in decision-making authority at the interface between the regular administrative hierarchy and the Program hierarchy. In one context, senior staff may have the authority to make decisions regarding certain affairs under the mandate of their departments or sections, but when the decision relates to the 5MHRP, the Program hierarchy is invoked and should be complied with. In some cases, this may serve to postpone ‘inconvenient’ decisions; in others, decisions are made without the necessary authority. This gray area of ambiguity is one of the reasons why decision-making in committees tends to gravitate towards the line agency under the person in charge of the committee, in the case of the 5MHRP towards MARD in general and the Forest Development Department in particular.

The national level agencies are generally responsible for allocating targets and budgets, developing guidelines and procedures for planning and implementation, and approving new projects. No direct monitoring is carried out by central level bodies, which rely instead on regular reports from local implementing and supervisory bodies. This situation also creates several bottlenecks.

First, central level agencies suffer from a lack of accurate and up-to-date information, caused by (i) cumbersome and lengthy procedures for project approval, which is based on inflexible administrative planning that ignores socio-economic linkages and needs; (ii) insufficient institutional and human resources capacity; (iii) technical shortcomings in timely and accurate information gathering and processing; and (iv) conflicts of interest in the monitoring and evaluation process, particularly at the provincial level, where funds may be diverted but progress towards achieving centrally designated targets has to be shown.

Second, the parallel implementation structure weakens the forestry administration by overloading it with additional activities. The creation of alternative funding sources and channels to the normal budget also causes competition between different implementing actors, as well as between activities within actors’ administrative units. When a certain percentage of program funding can be charged as an administrative fee, it is often more profitable for administrative units to fully switch to administering such programs (especially because normal budgets are allocated on the basis of staff numbers and do not include recurrent costs other than salaries). Non-program activities therefore move further and further down on work plans until the administrative unit’s sole purpose becomes the implementation of national programs (in the case of state forest enterprises, the switch is forced through the phasing out of natural forest harvesting, traditionally the main income-generating activity).

Although the primary responsibility for 5MHRP implementation rests with the Provinces (and ultimately with the project owners), the overall top-down implementation system neglects the needs and capacities of local stakeholders. With numerical targets handed down from the central level, Provinces and provincial departments are confined to ‘packaging’ these targets into a similarly predefined set of activities. In doing so, similar dynamics at the national level can be observed at the provincial (and sub-provincial level) level. Although an inter-departmental Provincial Steering Committee is supposed to ensure cross-sectoral
integration, all operational aspects are carried out by the Forest Development Sub-Department (or Forestry Section, where an FDsD has not been established) under the Department of Agriculture and Rural Development and in some Provinces by the Forest Protection Sub-Department. In the process, the Provincial Project Management Board, which is supposed to be the Provincial Steering Committee's inter-departmental operational arm and local counterpart of the Central Executing Committee, is often bypassed and all major decisions are taken by the Vice Chairman of the Provincial People’s Committee who chairs the Provincial 5MHRP Steering Committee (ADB TA). Only minor decisions, such as contracting, are delegated to more local levels.

These general observations concerning management mechanisms and procedures reveal a situation in which the lack of greater focus and accountability has allowed the forestry administration to translate National Assembly Resolution 08 into a Program that largely serves to channel additional funding to an ailing administrative and state-owned enterprise system. Urgent decisions on existing problems, such as the overlapping mandates of the Forest Protection Department, the Forest Development Department and the Agroforestry Extension Department, as well as state forest enterprise reform, are thereby postponed, because the national program provides continued funding and specifies activities to be carried out.

Aside from the above more general observations, more specific issues apply to the different planning stages of the 5MHRP. These are outlined below.

Planning

Because the planning system is largely geared towards the incorporation of centrally defined reforestation and forest protection targets into 5MHRP sub-projects, many important aspects of the 5MHRP are inadequately addressed. No adequate guidelines exist for incorporating support activities, such as land use planning, land allocation, extension or biodiversity protection. As a result, the technical feasibility and sustainability of sub-projects is rarely guaranteed. Furthermore, because there are no criteria and indicators for program implementation (and monitoring), uncertainty among project-preparing agencies leads them to formulate the kinds of projects they know from Program 327. Not surprisingly, the overwhelming majority of ongoing 5MHRP projects are carry-overs from the previous reforestation program.

An additional problem at the planning stage is that the percentage-based management fee provides an incentive to inflate project scopes and costs. The fact that the 5MHRP has in many places come to a standstill after the Ministry of Finance regulated that operating expenses of steering committees are to be paid from local budgets indicates the extent to which administrative units (and SFEs) have become dependent on these funds (Decision 38/2000/QD-TTg, March 24, 2000).

Approval

Although a number of relevant institutions are involved in project appraisal, sub-project approval procedures are largely controlled by the chairpersons of the National and Provincial Steering Committees, which generally follow the recommendations of the Central Executing Committee (DARDs at Province level; Provincial Management Boards are involved inasmuch as they are chaired by senior DARD staff). Because there are no substantive (as opposed to procedural) criteria for sub-project preparation (aside from predefined cost norms), the approval process greatly lacks in transparency.

Funding

The management of state funds is regulated by Circular 28/1999/TT-BTC of the Ministry of Finance March 13, 1999) and the Inter-ministerial Circular 28/1999/TT-LT (February 3, 1999). The procedures differ according to project responsibility and purpose. Overall tasks and functions are generally clear, but the lack of realistic cost norms, combined with the lack of a performance-based monitoring system often leads to the ineffective or illicit utilization of financial resources.

Implementation

The top-down orientation of the implementation procedures under Decision 661 stifles initiative and creativity of local stakeholders. Because 5MHRP measures are not sufficiently linked to local needs and capacities, their sustainability is greatly endangered. Technical decision-making is often limited by predefined parameters, such as provincial land use plans, which constitute a narrow framework that has to be followed at the grassroots level, even if the technical feasibility may be questioned. Especially the smallholders are limited by these kinds of generalized guidelines because they preclude real alternatives and neglect the socio-economic needs in the localities. Technical advice and guidelines are needed, but they should also provide the flexibility
necessary to respond to local conditions.

Monitoring

Many key elements of the monitoring system are not yet sufficiently defined. Although a reporting system has been established and reporting lines and frequencies are clear, reports are primarily descriptive and there are no standards on the kind of information that has to be provided.

Conclusion and recommendations

- The 5MHRP management mechanism operates in parallel to the regular administration and implementation arrangement created under international projects, which adds transaction costs and creates ambiguities in decision-making. Such parallel organization can only be justified if the undertaking is truly cross-sectoral and program-oriented, which it currently is not. Furthermore, the 5MHRP management mechanism is highly centralized, with numerical targets for reforestation and forest protection decided at the national level and without reference to a clearly defined set of criteria and indicators. Hence, the functions and tasks of the different program units need to be better defined and more consistently applied, particularly as concerns the division between steering committees and executing bodies and the links between the program hierarchy and the regular administrative system. MARD should also address existing overlaps between different forestry-related units as soon as possible, particularly between FDD, FPD and AFED, so that the provision of support services under the 5MHRP is guaranteed and forestry expertise at district levels consolidated (see also 4.2.3).

- The centralized approach to 5MHRP management has to give way to greater autonomy in decision-making at local levels, so that 5MHRP sub-projects respond to local needs and resources are used more effectively. This also requires that project owner eligibility be diversified to include non-state actors, particularly mass organizations and communities. Greater autonomy, however, has to be accompanied by increased responsibility and accountability, so that 5MHRP resources are utilized as intended (this will require more direct involvement in monitoring and evaluation by national level agencies and third parties, including international projects). Finally, sanctions against non-compliance have to be made clear and credible.

- The process of implementation at local levels comprises more than just planting and protection activities. Other issues, such as land classification, land use planning, land allocation and training have to be addressed. As a consequence, the 5MHRP management procedures have to include a greater emphasis on capacity building for sub-project preparation, as well as monitoring and evaluation.

4.2.2. Transparency and accountability

Issues of transparency and accountability relate to the ways in which 5MHRP activities are planned, funded, implemented, monitored and evaluated. While it is clear that there are significant problems, many of them could be addressed by clarifying the Program's basic parameters and strengthening institutional and staff capacities in Program administration. Others may be more difficult to solve, requiring strong government leadership and more credible penalties. Outlined below are some of the more prominent issues, arranged by the different stages in the 5MHRP implementation.

Planning

Although the 5MHRP management cycle consists of several stages, planning is the initial and most important step because it determines all actors and beneficiaries. Hence, increasing the effectiveness of resource use requires that planning procedures and guidelines become more transparent in order to avoid misdirected or illicit use of public funds. Sub-project and annual planning procedures for sub-projects under provincial authorities are relatively clear as concerns the sequence of approvals, but the criteria to be used as the basis for deciding which sub-projects to approve and with what level of funding are in need of clarification. The situation for projects under the central level is less clear, where Decision 661 contains only very general formulations about the way planning is to be carried out.

Accountability, in a top-down planning environment, is difficult to accomplish. In principle, the central level should be accountable for the targets it assigns to local levels. In practice, local authorities are held accountable for achieving the targets they translate into sub-projects. In order to attain greater cost effectiveness, the central level should limit itself to providing general planning guidelines, including criteria and indicators, and defining target investment regions, but leave decisions on the detailed parameters of reforestation, forest protection, extension and other relevant activities to be decided as close as possible to the implementation level.
Funding

Circular 28/1999/TT-BTC on the management of state funds for the 5MHRP includes very detailed procedures and requirements for the handling of financial resources, although projects under central authority appear to benefit from somewhat greater flexibility than projects under provincial authorities. All budget transfers are implemented by the State Treasury, which is the executing agency that operates at all administrative levels on the basis of advice of 5MHRP ‘Supervisory Units’. All accounting has to be done by the project implementing units following relevant guidelines and annual plans. The State Treasury receives monthly reports about the use of the funds and transfers them to the next higher level. Non state-funded projects have the right to define their own procedures and criteria.

Monitoring

Aside from periodic reporting, Decision 661, Joint Circular 28 and Circular 28 do not contain adequate provisions for monitoring the activities, outputs and outcomes of the 5MHRP. Furthermore, the main reporting requirements are input-oriented in that they serve to ensure that money has been spent (assuming that it was used for the right purpose). In addition to the lack of adequate monitoring instruments, conflicts of interests among project owners create strong disincentives for accurate reporting. Project owners are usually administrative or commercial units (forest protection stations or protection forest/special use forest management boards, or state forest enterprises) that subcontract reforestation and forest protection activities to farmers, rather than carrying them out by themselves. Because these project owners depend on the management fees that accompany the 5MHRP sub-projects and because they gradually come to rely on these fees for supplementing their salaries, they have an interest in reporting positive results; this dynamic equally applies at the higher level, as provinces generally have an interest in reporting the successful achievement of their targets.

In the absence of clearer guidelines on how 5MHRP funds are to be used, more local autonomy in designing sub-projects that correspond to local realities, and a more independent monitoring system, this situation is unlikely to change because local authorities and project owners essentially have to report compliance with targets if they want to ensure that 5MHRP funds will be available in the future.

Evaluation

Evaluations are needed at the macro level to assess progress towards achieving the goals and objectives of the overall Program, as well as at the micro level, where emerging problems can be identified and communicated to Program steering bodies through adequate feedback systems. Like monitoring, this requires technical standards and criteria, which should be derived from the basic outline of the Program. Evaluation should also be designed to yield both quantitative and qualitative results and include participation by communities, households and the private sector. As in the case of monitoring, however, the prevailing system is not conducive to the identification of shortcomings, except for cases where they would justify increased funding (not surprisingly, the most commonly stated shortcoming of the 5MHRP is that the cost norms for reforestation activities are inadequate).

Conclusions and recommendations

- The main obstacle to increased transparency is the lack of a mutually agreed and widely communicated set of criteria and indicators for deciding on key issues in the 5MHRP, including preparation and approval of sub-projects. In revising the 5MHRP, MARD therefore needs to provide much clearer guidelines, as well as adequate training, that allow local authorities and project owners to prepare sub-projects that respond to local needs and priorities.
- Greater accountability can only be achieved if responsibility at local levels is accompanied by greater autonomy in sub-project design, and prevailing conflicts of interests are solved in combination with the provision of better guidelines. As long as project owners are accountable for work they do not carry out themselves, yet depend on the project management fees, they cannot be expected to accurately report on the actual use of the funds, let alone the success or failure of the activities. Consequently, MARD should ensure that project owners have more flexibility in designing locally appropriate sub-projects, but at the same time provide for occasional third party monitoring and evaluation, ideally with the participation of the ‘project beneficiaries.’

4.2.3. Institutional reform needs

The need for institutional reform has been recognized ever since the former Ministry of Forestry (and later MARD) was designated a pilot ministry in the country’s public administration reform process. As a result,
recommendations have been compiled for many years, the large majority of which are included in the Task Force Reports, particularly of Sub-group 4, Task Force II. While many of them concern the forest sector as a whole, some of them have been magnified by the shortcomings in connection with the 5MHRP implementation. These are arranged under a number of key headings below.

**Legal framework**

In keeping with the Vietnamese interpretation of administrative reform, legal reform aspects are included in this brief discussion. The difficulties in the implementation of the 5MHRP underline the urgency for improvements in the legal framework. Much work is needed in clarifying legal documents, eliminating contradictions and overlaps, and nullifying outdated laws. Because there is no tradition of elaborating policies as understood in the international sense, all documents of this type are promulgated as laws, usually (but not always) accompanied by implementing guidelines. Furthermore, because the legal (policy) process suffers from the same shortcomings as planning in general, individual ministries and departments voice their policy statements (and consequent petitions for additional budget resources) in the form of legal documents, many of which contradict each other as a result; even major laws, such as Decree 39 of 1994 on the organization, duties and authority of the Forest Protection Department and Decision 245 of 1998 on the exercise of state managerial responsibilities of various levels concerning forest and forest land contain contradictory provisions. This situation is made worse when parallel administrative structures, procedures and funding channels are created through national programs, such as the 5MHRP.

At present, the reform of the forestry legal framework appears to have been paralyzed in part by the question what needs to be reformed first, the administration or the laws. Finalizing the revision of the basic forest law of 1991 is long overdue, so that structural changes, particularly the consolidation of forestry related departments (FDD, FPD and the Agroforestry Extension Department), and secondary legal changes, such as the legalization of joint forest resources ownership at community and household level, can proceed. Similarly, state forest enterprise reform appears to be paralyzed by the revision of the land classification system (in addition to more political reasons). Finally, the reorganization and consolidation of the dozens of training and research institutes has also lagged behind. Because the 5MHRP program is currently the main funding mechanism in the forest sector, however, the relevant regulations (Decision 661/QD- BTC of March 13, 1999, of MoF and Joint Circular 28/1999/TT-LG of February 3, 1999, of MARD, MPI and MoF) have attained higher importance.

**Reorganization**

To develop a sustainable administration capable of implementing the 5MHRP, several options have been proposed. First and foremost, the existing division between the Forest Protection and Forest Development Departments creates many delays and high costs because of inefficient work coordination. In principle, the Forest Development Department should be the main agency for technical support to forest development. Because of its staff shortage, however, the Forest Protection Department, which is well represented at the District level, has assumed many of FDD's tasks (in addition to functions from the land administration units). Moreover, forestry skills at local agriculture and forestry extension sections are usually lacking, except where international projects operate. As a result, the Forest Protection Department carries out numerous extension services, which are legally the mandate of other departments, simply because it has the staff and resources to do so. One such example is in the development of hamlet and village forest management and protection conventions (Circular 56/1999/TT-BNN-KL of March 30, 1999). The option most commonly discussed (and recommended by the ADB TA) is a merger of FDD and FPD, with forest protection tasks transferred to a more specialized unit, either inside or outside MARD. This would alleviate many of the problems and also be in line with Government's professed 'socialization' of forest management, i.e. the transfer of more extensive rights and responsibilities to organizations, households and individuals, and the consequent need for extension support.

**Decentralization**

A special concern in administrative reform is decentralization. In order to strengthen state management autonomy and responsibility needs to be transferred to the local level, as envisioned in Decree 245 of 1998. As outlined earlier, the existing centralized planning procedures cause difficulties because the lack of information about local conditions at central levels leads to plans that are unrealistic because they attempt to micromanage the vast diversity in ecological and socio-economic circumstances prevalent in Vietnam. Hence, more flexibility is also needed in the implementation of activities at the commune level. As experiences in many parts of the world prove, increased responsibility generally leads to a greater sense of ownership and engagement at the grassroots level, as well as better mobilization of local knowledge and resources.

**Monitoring and Evaluation**
The transfer of greater responsibility and decision-making authority (including on financial matters) needs to be accompanied by the establishment of a more effective monitoring system, one that firmly locates accountability where decisions are made. Several difficulties in forest land use and forest management in general highlight this urgent need. Quality control in monitoring processes is one elementary management tool that ensures that the implementation of programs does not divert from their stated objectives; this also requires the greater use of criteria and indicators. Public administration bodies in particular are highly endangered to create procedures that lead to self-administration. Circular 28/TT-BTC and Joint Circular 28/1999/TT-LG provide a reasonable point of departure, but their approach still needs more specifics concerning clear and realistic qualitative and quantitative figures and transparent controlling procedures.

**Human resources development**

Sustainability in institutional reform can only be guaranteed if it is combined with human resources development. Although many of the current shortcomings could be alleviated by the clarification of legal and organizational frameworks, the country's overall transition from a centralized to a more market-oriented society makes large-scale changes in staff qualifications evident. As outlined in Section 3.6., training and education curricula are only slowly adjusting to new realities. The rapidly changing environment requires that monitoring and evaluation of training and education activities receives much greater attention in order to anticipate and realize necessary adjustments and for training institutions to catch up with new knowledge and incorporate it into appropriate curricula. In the context of the 5MHRP program, urgent priority should be given to the establishment of a qualified work force at subnational levels. There, the government's changing role from key implementer to that of technical support provider to rural populations and the emerging private sector has to become the central element, both in the training of senior staff and front line personnel. At senior levels, micromanaging tendencies have to give way to the elaboration of guidelines for local authorities to elaborate strategies suited to their special circumstances. This will require increased capacities for policy and legal development, monitoring, evaluation and reporting.

On the ground, as argued in Section 3.5., forestry personnel has to pay increased attention to vulnerable groups in terms of ethnicity, economic status and gender. The new set of skills that local forestry extension workers will have to master includes greater emphasis on facilitating the articulation and implementation of local development visions; of special concern will be services aimed at ensuring that productive activities are environmentally and socially sustainable and matched with market opportunities. Aside from that, traditional technical support will continue to be needed, including in silviculture.

**Market mechanism**

Central planning is not capable of handling all issues of market development. Furthermore, public authorities cannot predict fluctuations and have only limited influence on such regional and global forces as timber prices. To overcome the risk for farmers and to promote private afforestation, the greater role of the market has to be balanced by services aimed at providing relevant information to investors, in both forest management and forest products processing. In addition, the SFE monopoly in providing material inputs for 5MHRP implementation should be eliminated through the promotion of alternative sources.

**Conclusions and recommendations**

- Institutional reform is closely tied to legal reform because the legal framework outlines the basic functions and tasks of the overall administrative system. MARD should therefore speed up the revision of the forest law and gradually work to nullify outdated laws and eliminate overlaps in existing texts. Although the 5MHRP has added to the urgency of these reforms, the Program should not act as a point of reference for the reform process. Instead, the emerging legal framework should articulate the role of forests in overall rural development and designate the key goals and objectives of a suitable administrative structure (these goals and objectives may then provide the rationale for the development of national programs, such as the 5MHRP). In revising the legal framework, MARD needs to incorporate the principles of rural democratization, including the transfer of greater decision-making authority to local levels and the legalization of joint forest resource ownership at community and household levels, as well as the move to a more market-oriented society, which would lend strength to the current state forest enterprise reform process.

- Organizational reform has to focus on (i) the consolidation of forestry-related agencies and the consequent redefinition of functions and tasks of specific departments - the merger of the Forest Development and Forest Protection Departments should be completed as soon as possible, with policing functions transferred to a specialized unit that works under much closer coordination with the military, border guards and the police; (ii) state forest enterprise reform in accordance with existing regulations and guidelines - the difficult issue of staff separation should be dealt with in the context of the 5MHRP, as proposed by the ADB TA, for instance by allocating forest land for protection or
development or by promoting the establishment of extension service associations or similar non-state units; and (iii) the reorganization of training and research institutes, as outlined in Section 3.6., in order to strengthen the links between demand-oriented research and training and extension, as well as to accelerate curriculum reform.

5. SECTOR SUPPORT PROGRAM

The previous sections have addressed the situation in different areas of the forest sector in general and the 5MHRP in particular. Because the 5MHRP has the potential to cover such a large share of the overall forest sector (it currently does not, as argued in Section 3.1.2.), the distinction between the two is sometimes difficult to discern. For instance, even though Decision 661 includes provisions for capacity building activities, potentially including the country's entire forestry-related research, extension, training and education system, few have transpired in implementation. In moving to more inclusive 5MHRP implementation, questions such as whether capacity building should only be incorporated into 5MHRP sub-projects, or whether more broad-based initiatives are necessary require close attention.

This section takes these issues to the next step and responds to how a comprehensive government-donor partnership can overcome the current bottlenecks in a more coordinated way, and thereby contribute to the achievement of the 5MHRP objectives. Following a brief discussion on the relative scope of the 5MHRP and the envisioned Sector Support Program (SSP), options for an SSP coordination mechanism and implementation mechanisms are proposed. The section concludes with a possible timeframe for the SSP.

The rationale for partnerships through sectoral approaches is based on the recognition that project-based development assistance has not been successful in consistently obtaining sustainable results. Individual projects have in many cases resulted in temporary improvements and generally increased awareness of new approaches in forest sector development. However, they have often been designed by donors, who are not sufficiently familiar with local conditions, needs and potentials and yet maintain strong influence and control over implementation. At the same time, projects have created parallel institutional structures, siphoning off qualified national staff and greatly increased transaction costs in forest sector development due to the vastly differing procedural systems.

The fragmented nature of project management has also led to considerable overlaps in certain areas (e.g. protective forestry) while neglecting others (e.g. productive forestry). The lack of more coordinated approaches has meant that bottlenecks in the larger policy and institutional environment have prevailed and further undermined the potential of development assistance. Conversely, the absence of a mutually agreed forest policy and government-led development assistance framework have perpetuated the above shortcomings.

In light of these observations, the ‘scope’ of a long-term government-donor partnership to support forest sector development needs to be defined such that it facilitates the mitigation of development assistance shortcomings. The scope can be understood to consist of four related aspects:

i. Substance (issue areas or themes);
ii. Mechanism (structure of the Sector Support Program);
iii. Procedures (management arrangements); and
iv. Timing (Sector Support Program Phases).

5.1. Substance

The substantive scope of the Sector Support Program should meet a number of requirements.

First, the scope has to be comprehensive enough to accommodate all activities necessary to contribute to achieving the objectives of the 5MHRP, including improvements in the enabling policy and institutional environment. In light of the long-term horizon, the substantive scope also needs to be dynamic in order to respond to changing conditions and emerging challenges. Hence, it should be monitored and reviewed periodically in the context of the Sector Support Program's main phases (see below).

Second, the substantive scope should be arranged in a number of ‘components’ made up of similar activities. The components contain the thematic areas under which activities under the 5MHRP and Sector Support Program fall. These activities would be combined into (i) field-level 5MHRP sub-projects (directly supported
through government or in coordination with international organizations through regional programs, see Section 5.3.) or (ii) broader support activities addressing the 5MHRP's enabling policy and institutional environment (see also Figure 4).

The discussions at the scoping workshop organized in the context of the Synthesis Phase showed that no single way of grouping activities would be ideal. However, a number of factors need to be considered:

i. Due to the inherent links between different activities, it is impossible to design components such that they are completely devoid of overlaps; however, transparency in monitoring the components, as well as effective communication between 'thematic' actors, can help to avoid duplication and take advantage of synergies.

ii. While the components should in some way reflect the environmental, economic and social basis of the 5MHRP objectives, they should avoid that these objectives become mutually exclusive 'sub-project areas.' In other words, the economic, environmental and social dynamics should be understood as equally important criteria against which 5MHRP sub-projects are judged.

iii. Although certain administrative units or organizations will be logical counterparts for the different components, the component structure should avoid the maintenance of administrative structures that are found in need of change; for example, a component structure that would sustain the distinction between forest development and forest protection would risk undermining the administrative reform process.

iv. The component system should not be too complex in order to avoid excessive transaction costs caused by the coordination, monitoring and evaluation of the Sector Support Program.

v. The components should be arranged such that they contribute to achieving the goals of the 5MHRP.

Figure 2: Relative scope of sectors, programs and sector support program

![Figure 2: Relative scope of sectors, programs and sector support program](image)

Figure 3: Scope of the Sector Support Program

![Figure 3: Scope of the Sector Support Program](image)
Figures 2 and 3 show where the Sector Support Program could locate itself in the overall context of Vietnam's socio-economic development and how different activities can be grouped. The component structure reflects the outcome of the dialogue initiated during a workshop held in the context of the Synthesis Phase. Specifically, it reflects:

i. the broad development objectives of the 5MHRP;
ii. the incorporation of specific issues, such as land use planning and allocation, biodiversity conservation, human resources development and marketing/processing aspects;
iii. the inherent link to other sectors and programs (this also applies to cross-sectoral projects with forestry components, which could contribute to the 5MHRP); and
iv. the inclusion of policy and institutional issues. Policy and institutional reform is addressed such that the substantive scope of activities under the Sector Support Program allows for capacity building required to implement specific changes, which are defined as benchmarks in the phasing of the Sector Support Program.

Figure 3 also mirrors the cross-sectoral nature of the 5MHRP, since its broad objectives clearly require the involvement of additional general and line ministries in addition to forestry and MARD's other sub-sectors. As a consequence, the Sector Support Program similarly needs to reach beyond the forest sector, possibly more so because of donors' increasingly integrated approach to rural development.

**Figure 4: Operation of the 5MHRP and Sector Support Program**
In addition to Component 5, Livelihood Security, which is intentionally designed to accommodate multi-sectoral and cross-cutting issues (involving, for example, the Committee on Ethnic Minorities and Mountainous Areas), Component 1 will involve, among others, the General Department of Land Administration and the Forest Inventory and Planning Institute; Component 2 the Ministry of Industries; Component 3 the Ministry of Science, Technology and Environment; and Component 4 the Ministry of Training and Education. The implications for the management setup of the Sector Support Program are addressed in the section below.

5.2. Coordination mechanism

The move to sector wide approaches (SWAPs) is not a new phenomenon in development assistance. Recent work carried out by the Overseas Development Institute's Centre for Aid and Public Expenditure identified close to 80 SWAPs: 67 in Africa, 9 in Asia and 2 in Latin America; 22 each in education and health, 13 in roads/transportation, 10 in Agriculture, and some in energy, environment, water and urban development (Foster, 2000).
Although each SWAP is unique to its special environment and history, some general lessons have been drawn. These include, among others, the need for:

i. broad and high level government commitment to a strategy to which donors can broadly agree, which often requires hard choices and linkage to a credible medium term budget process and civil service reform process in order to be meaningful;

ii. action plans that recognize capacity limitations by prioritizing action lists especially where much needs to be done by an overloaded government;

iii. a better organized review process and rigorous, verifiable information and analysis that is independent of influence/editorial control by government; clearly specified timetables and agreed processes for reviews and preparation activities; and

iv. capacity issues to be solved not only at sector level; this may require supportive action to reform civil service procedures and salaries, adjustments in the responsibilities of line ministries to focus on the priorities, and delegation of more budget responsibility to those charged to deliver the program, especially at local levels.

In addition, the ODI reviews have identified a number of variables related to the policy environment and management capacity, which help determine the suitability of different development assistance approaches.

### Box 1: Assessing the policy environment, and management capacity

<table>
<thead>
<tr>
<th>Good Sector Policies linked to Resources</th>
<th>Weak Sector Policies not linked to Resources</th>
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<tbody>
<tr>
<td><strong>High Sector Management</strong></td>
<td><strong>Low Sector Management</strong></td>
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<tr>
<td><strong>Low Sector Management</strong></td>
<td><strong>Low Sector Management</strong></td>
</tr>
<tr>
<td>High Aid Dependence</td>
<td>Broad program support in crisis situations</td>
</tr>
<tr>
<td>Low Aid Dependence</td>
<td>Targeted aid to support innovation</td>
</tr>
<tr>
<td>Sector program, using government</td>
<td>Targeted support for capacity development</td>
</tr>
<tr>
<td>procedures</td>
<td>Targeted support for sectoral policy</td>
</tr>
<tr>
<td>transition to use of government</td>
<td>development, initiate preparation of sector</td>
</tr>
<tr>
<td>procedures</td>
<td>programs</td>
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<tr>
<td>High level</td>
<td>Low levels, targeted support for policy</td>
</tr>
<tr>
<td>functions</td>
<td>analysis</td>
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Source: Foster, 2000

**Appropriate sector policies based on realistic estimates of resource availability:** Where the policies of the donor agency and recipient government diverge, or policies are based on unrealistic assumptions of resource availability, donor agencies will prefer to target assistance through stand-alone projects rather than broad program support. Project interventions will need to be based on a view of what will be affordable and sustainable in the long term. **Macroeconomic and financial management capacity:** If the government’s track record in terms of macro-economic and financial management is sound, and there are adequate safeguards to ensure transparency and accountability in the use of funds, there are strong grounds for the provision of program rather than project aid. On the other hand, if macro-economic and budgetary management is weak, this will erode capacity and constrain the implementation of sound policy at sector level. The most useful donor intervention may well be to support the overall macro-economic reform and improvement in budget systems, before developing sector programs. **Sector management capacity:** If sector management is strong but policy weak, focus on policy dialogue, project interventions pending success in influencing policy. Where policy is strong but sector management is weak, a sector approach with strong emphasis on capacity building is feasible. If macro management is weak, sector management is likely to worsen, and it may need attention to overall staff incentives and budget management before SWAP can succeed. **Level of Aid Dependence:** If development assistance represents a significant proportion of sector or overall budget resources, sector programs can be mutually beneficial in improving policy coherence and reducing inefficiencies of donor driven projects. Where aid dependence is low, there is little to be gained from the introduction of a program approach at sector level, since the volume of assistance will be limited and can usually be managed effectively through stand-alone projects.
These options are outlined in Box 1 and can serve as a point of reference for the 5MHRP Partnership process in Vietnam, which should aim to gradually move towards the top-left corner.

The lessons from SWAPs have a number of implications for the coordination mechanism of the Sector Support Program. First, government has to take the lead in clarifying and adjusting the strategy, i.e. the 5MHRP, and in managing the Sector Support Program. Due to the cross-sectoral nature, this requires a steering mechanism that has the necessary political clout to facilitate the implementation of larger changes.

Second, to avoid the risk of bottlenecks and capacity overload, the high level steering mechanism has to limit itself to providing strategic direction, arrange independent reviews and consider modifications on the basis of identified shortcomings or changing conditions.

Third, the steering mechanism consequently has to be able to delegate operational responsibility to subsidiary bodies similarly composed of inter-ministerial teams in order to ensure adequate attention to cross-sectoral issues. And fourth, the review process should be arranged such that it can generate the necessary level of trust, which may initially require some insulation from the regular government monitoring and evaluation mechanisms, combined with sustainable capacity building.

Through the implementation of the 5MHRP, a management structure has been established from central to local levels. However, the evaluation of the first two years of 5MHRP implementation also reveals that the reasons for many of the shortcomings can be found in the very structure set up to implement the program (Section 4). Government leadership is therefore required to initiate changes, if necessary with the assistance of international donors (Section 6).

In moving to a Sector Support Program, options for a suitable coordination mechanism can then be located along a continuum from low to high direct and indirect involvement of donors (Figure 5). The two options outlined below represent two such points. Both options build on existing and evolving structures, but differ in extent and nature of participation of the different actors. The National Steering Committee is retained in both options, in spite of its recent elimination, because it is necessary as a high-level mechanism for the mobilization and maintenance of political will, as well as to ensure cross-sectoral integration among different line agencies.

**Figure 5: Coordination mechanisms**

<table>
<thead>
<tr>
<th>Low donor involvement</th>
<th>Medium donor involvement</th>
<th>High donor involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option 1</td>
<td>Option 2</td>
<td></td>
</tr>
<tr>
<td>• Periodic consultation and reporting to donors for reviewing and adjusting program direction</td>
<td>• Indirect Donor participation in strategic guidance and review processes</td>
<td>• Direct Donor participation in strategic and operational guidance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Donor emphasis on strategic guidance and program review</td>
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</tbody>
</table>

The two options also recognize the large difference in nature and scope between 5MHRP sub-projects and international projects. Both types are likely to persist at the initial stage, but as 5MHRP sub-projects become more effective and international projects become aligned more closely with the objectives of the 5MHRP, the difference between the two types of projects is expected to diminish and international support will come to focus on strategic capacity building and tailored technical assistance interventions.

The respective roles of government and donors are likely to evolve over time. It can be expected, and should be an explicit goal, that donor involvement will diminish as government capacity increases. The pace at which this occurs is difficult to predict, as it also depends on numerous related events outside the scope of the Sector Support Program. At the very least, it can be assumed that the two options, although starting at different points, may not necessarily proceed at the same speed, the crucial determining factor being how quickly and broadly mutual trust, as well as government capacity, can be established.

**Option 1**

The first option for a Sector Support Program coordinating mechanism builds on improvements of the existing 5MHRP implementation structure, combined with selected participation of international donors; the National Steering Committee is retained as in Option 1. It represents a minimal option, as the transition from a project-based to a program-based approach starts closer to the current situation. The main advantage of this option
may be the initially small disruption of existing structures and ongoing activities, which may be more conducive to building trust through the gradual development to a different approach.

As outlined in Section 4, the key shortcomings of the existing 5MHRP implementation structure is that it fails to mobilize key actors outside the forest sector, thereby neglecting crucial variables in the enabling environment and at the level of implementation; creates conflicts of interest between project implementing, project supervising units and 'project beneficiaries', which severely jeopardizes monitoring and evaluation; and stifles local initiative because it maintains local dependency on the ability to design sub-projects that best comply with numerical targets decided at the central level, regardless of whether they reflect local needs and capacities.

Consequently, Option 1 emphasizes a more effective cross-sectoral program steering mechanism; increases the ability of local authorities and project owners to design and implement activities which reflect real needs and capacities; and strengthens the monitoring and evaluation system by resolving conflicts of interests and increasing its independence from the direct influence of political motivations.

What Figure 6 fails to reflect is that (i) central and provincial level steering committees are mainly responsible for providing overall guidance and inter-sectoral coordination across administrative boundaries, while their executive counterparts are in charge of operational aspects related to program administration and monitoring (at the local level, the two functions are integrated in a Program Management Board); and (ii) cross-sectoral integration is strengthened through a mix of performance-based monitoring/evaluation of accountability and an improved incentive system in support of active committee participation. Within the general priorities set by the Program context, local project owners (not necessarily 'agencies') design their own sets of activities based on prevailing needs and capacities, where necessary with external technical support (from 'agencies').

Figure 6: Option 1 for the Sector Support Program Coordination Mechanism

The role of international organizations (SSP partners) would consist primarily in (i) reviewing, in collaboration with the National 5MHRP Steering Committee and with the support of Thematic/Regional Task Forces, progress towards achieving the mutually agreed program goals and objectives; (ii) providing capacity building
support to the 5MHRP planning and implementation structure, as well as project owners and beneficiaries; and (iii) arranging, in collaboration with government, for effective program monitoring and evaluation.

The following are the key characteristics of the coordination mechanism under Option 1:

1. An International Forestry Advisory Group (attached to the Office of the Ministry). The main purpose of this group of Donor and NGO representatives would be (i) to review and discuss project portfolios in order to ensure cohesion with the Sector Support Program framework, (ii) to arrange, where possible, for joint implementation of project cycle stages, and (iii) to work towards adapting project cycles to government planning cycles and/or harmonizing development assistance delivery procedures.

2. A Government-Donor Partnership Review Committee. A selection of members from the National 5MHRP Steering Committee and the international forestry advisory group would periodically meet to jointly assess the status of progress in the Sector Support Program and implementation of changes in the enabling environment on the basis of predefined, mutually agreed criteria and indicators, identify emerging issues and decide on how to address them. If deemed necessary, the Partnership Review Committee may arrange for third party M&E activities.

3. Donor-Government Thematic/Regional Task Forces. The role of these task forces would be to ensure cohesion within thematic components of the Sector Support Program, to provide conceptual and operational support to the Central Executive Committee and the Ministerial 5MHRP Management Units.

4. Ministerial 5MHRP Management Units. Above and beyond the functions and tasks of existing Ministerial Management Boards, which the Ministerial 5MHRP Management units would replace, these units would be responsible for following up on necessary actions required outside MARD. They would probably be under the guidance of the relevant line agency representative in the Central Executing Committee.

5. A streamlined provincial structure. As outlined in the ADB TA Report, significant overlaps exist between the Provincial Steering Committee and the Project Management Board, which is generally bypassed in the 5MHRP decision-making process. For this reason, it is suggested that the Board be eliminated. In its place a Provincial Executing Committee (referred to as Provincial Operations Center in the ADB TA Report) assumes responsibility for the operational tasks of facilitating the administration of the Sector Support Program.

6. Local Program Management Boards (LPMBs). Similar to the Local Project Management Boards proposed in the ADB TA report, the LPMBs are responsible for providing guidance to project owners and administering the Sector Support Program at the local level. Due to the prevailing shortage of qualified forestry staff at local levels, however, it is suggested (i) that the 'Commune 5MHRP Post' proposed in the ADB TA be folded into the LPMB and (ii) that the functions of the 'District 5MHRP Station & Training Center' indicated in the ADB TA are also subsumed by the LPMB, as the parallel existence of such Centers and LPMB would risk adding an unnecessary administrative layers between project owners and the most local Sector Support Program unit. The LPMB would be made up of different stakeholders from District and Commune levels, including, among others, DPC, CPC, SARD, FP Stations, SFEs, Cadastral Stations and mass organizations. Care would need to be taken to avoid conflicts of interest between LPMB members who may also be project owners. To avoid this, the LPMB could for instance be made up of government agency representatives, with a support group made up of non-state actors, including project owners, who provide regular feedback to the LPMB.

Option 2

The second option for a Sector Support Program structure is based on a more integrated government-donor partnership. As mentioned earlier, the two options are not mutually exclusive, in that one could evolve into the other over time, or that certain elements could be combined into additional options. Option 2 builds on the same Sector Support Program goals, objectives and substantive scope as Option 1. Whereas Option 1 is more likely to result in a stop-go mode of implementation due to less integration dialogue and decision-making structures, however, Option 2 may lead to a more constant pace because government and donors can identify and tackle emerging issues simultaneously through joint fora. The visually more simple coordination mechanism should hence reflect decreased transaction costs in terms of time spent on reporting back and forth between donors and government.

Option 2 also builds on the same premises as Option 1, namely the need for greater cross-sectoral integration, local design autonomy and improved monitoring and evaluation. Similar to Option 1, steering committees at central and provincial levels are responsible for providing overall program guidance, while their executing counterparts are in charge of operational aspects.

The main features of Option 2 for a Sector Support Program coordinating mechanism are the following:

1. A joint Government-Donor Policy Support Group (PSG) attached to the SSP National Steering Committee. The Policy Support Group functions as a permanent advisory body in support of the
Steering Committee. It provides advice on and reviews Steering Committee proceedings and decision and publicizes its technical commentaries. The Policy Support Group’s relationship to the Steering Committee is the next closest to a joint Government-Donor Steering Committee, which may evolve over time. In addition to its policy support and review function, the PSG also acts in close coordination consultation with the Thematic/Regional Task Forces.

2. A joint Government-Donor **SSP Central Executing Committee**. This Committee assumes most of the responsibilities the current Central Executing Committee has. However, greater emphasis is placed on facilitating the implementation of the Program through providing support to Provinces and project owners, as well as ensuring that cross-sectoral issues in the Sector Support Program’s enabling environment are addressed, rather than working out the detailed targets and ensuring provincial proposals are in compliance with them. A large part of the work of the SSP Executing Committee is to review monitoring and evaluation results and prepare the agendas of Steering Committee meetings accordingly. In addition, the SSP Executing Committee shall be responsible for arranging, in close collaboration with the Permanent Office, the external representation of the Sector Support Program and its achievements.

The SSP Central Executing Committee is supported by the same **Thematic/Regional Task Forces** as in Option 1. The difference is that the two integrate their coordination more closely through joint work planning. Through the membership and activities of the Task Forces, the functions of the Ministerial 5MHRP Project Management Units in Option 1 are subsumed, making the separate existence of such Units unnecessary.

3. Joint Government-Donor **Advisory Groups** attached to the Provincial SSP Steering Committees extend the government-donor partnership in Sector Support Program management to the Provincial level. The Advisory Groups assume the same responsibilities vis-à-vis the Provincial SSP Steering Committees as the Policy Support Group has for the National SSP Steering Committee. In addition, the Advisory Groups provide a strengthened and more regularized link between the Provincial political and technical authorities and international projects.

4. Joint Government-Donor **Provincial SSP Executing Committees (PSECs)**. Similar to the national level, where Government and Donor representatives share membership, the Provincial SSP Executing Committees assume operational responsibilities in Sector Support Program administration (in the ADB TA, these are referred to as Provincial 5MHRP Operations Centers). Unlike the current Provincial Management Boards, which are eliminated, however, the Provincial SSP Executing Committees receive reports from the technical departments and act on matters delegated to them by the Provincial Steering Committees. Finally, the PSECs carry out the same tasks as the Thematic/Regional Task Forces at the national level, focusing however on the provincial context and inter-provincial consultation for cross-border issues.

5. **Local Project Management Boards (LPMBs)**. Same as in Option 1.

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**Figure 7: Option 2 for a Sector Support Program Coordination Mechanism**
5.3. Implementation procedures

The central question concerning implementation modalities is the ways in which transaction costs in development assistance delivery can be reduced (in Box 1, moving from the bottom-right to the top-left corner). Two general areas in which this can be achieved are in (i) project/program cycle management and (ii) harmonization of implementation procedures, particularly concerning financial disbursement.

Transaction costs in project/program cycle management stem largely from duplication of activities, resulting in excessive absorption of precious human, technical and financial resources, particularly during the early project/program stages and M&E activities. Transaction costs from implementation procedures have their roots in the vastly diverse donor reporting requirements.

Accordingly, the two options for implementation modalities of the Sector Support Program attempt to address these respective areas. As is the case with the Sector Support Program Coordinating Mechanism, the two options discussed in this section should not be regarded as mutually exclusive and static alternatives. Rather, they similarly represent instances on a continuum extending from a project-based to program-based approach (Figure 8). The location of Options 1 and 2, although arbitrary, reflect the suggestion of Task Force III that a mix between project-based and program-based measures in the Sector Support Program will be most likely in the near to medium term.

Figure 8: Implementation procedures
Both options refer to the possibility of 'regional earmarking.' This concept has emerged from the Partnership discussions as a way to accommodate the larger (loan) projects of multilateral development banks. The regional division would imply compliance with the overall prioritization of investment areas for protective/special use and productive forestry. According to the National Environment Action Plan, for instance, 'watershed conservation provinces' were divided into first priority (Lai Chau, Yen Bai, Lao Cai and Son La), second priority (Nghe An, Ha Tinh, Thua-Thien Hue, Lam Dong and Dong Nai), and third priority (Dak Lak). Priority areas for large-scale commercial forestry development would be within reasonable distance from processing centers and sea and air transportation hubs (see also ADB TA).

### Option 1

The first option emphasizes the lowering of transaction costs through joint implementation of project cycle steps and thematic and regional earmarking of international assistance activities.

The point of departure is an agreed interpretation and analysis of the prevailing strengths, weaknesses, opportunities and threats facing Vietnam's forest sector. With the activities of the 5MHRP Partnership, as well as the ADB Technical Assistance, this step is already underway.

On the basis of an agreed problem definition, the 5MHRP can then be modified to reflect real needs and capacities. It should be noted that not all actors would agree with all aspects of the joint problem definition. Many of these disagreements may stem from differences in principles underlying the respective organizations missions. However, more widespread agreement is likely to emerge in the problem definition's translation into concrete action. On a more conceptual note, it may actually be healthy to have a diversity of interpretations, rather than a monopolistic problem definition.

With an improved 5MHRP, broad strategies and necessary changes in the enabling environment can be identified. Similarly, criteria and indicators for the implementation of the strategies can be defined and progress monitored.

As outlined in Figure 3, thematic and regional Sector Support Program components can then be defined and, building on a mapping of current donor involvement in the forest sector, broad allocation of thematic or regional emphases can be assumed by the various actors.

Finally, on the basis of the needs for action in the respective components, donors can begin to harmonize project management cycle stages and adjust these to correlate more closely with government planning cycles.

A second look at the options for the coordination mechanism reveals that broad guidance would be the responsibility of the National Steering Committee (in collaboration with the International Forestry Advisory Group and the Partnership Review Committee in Option 1), whereas broad operational guidance and review would be the responsibility of the thematic/regional task forces (in close coordination and collaboration with the Central Executing Committee and the Ministerial 5MHRP Program Management Units in Option 1).

### Option 2

The second option builds on the first one and may be considered an addendum, rather than a free-standing option.

It similarly aims to lower transaction costs through collaborative problem definition, strategy identification and project cycle management. In addition, however, Option 2 also attempts to gradually achieve the harmonization

<table>
<thead>
<tr>
<th>Project-based approach</th>
<th>Mixed approach</th>
<th>Program-based approach</th>
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</thead>
<tbody>
<tr>
<td>Largely uncoordinated project cycle management</td>
<td>Partial coordination of project cycle management</td>
<td>Joint project cycle management</td>
</tr>
<tr>
<td>Project-based financing</td>
<td>Thematic and regional earmarking</td>
<td>Government budget support</td>
</tr>
<tr>
<td>Intensive and extensive Donor involvement in project management</td>
<td>Donor emphasis on capacity building in policy and institutional change</td>
<td>Donor emphasis on strategic guidance and program review</td>
</tr>
</tbody>
</table>
of development assistance delivery procedures with those of government's own procedures. Initial steps in this direction are already underway with the activities of the World Bank, Asian Development Bank and the Japan Bank for International Cooperation (JBIC).

The harmonization of donor procedures is a difficult process and most probably a long term undertaking. Little experience exists to date and the question whether the net benefits outweigh the costs of the harmonization process remains unanswered. At the very least, however, coping with fewer procedural requirements would certainly appear beneficial from the perspective of the recipient country.

5.4. Timing

The final aspect of the scope of the sector Support Program is the overall timing and division into distinct phases. In previous Partnership discussions, the signatories have emphasized the need to gradually harmonize Donor project cycles with Government's 10-year strategy and 5-year plan horizons. At the same time, the experimental nature of the Sector Support Program will likely require an initial phase during which the implementation arrangements are established and tested, capacity building is carried out, and necessary changes are made on a rolling basis with the support of an effective and efficient monitoring and evaluation system.

Figure 9 below show a possible timing for the Sector Support Program.

**Figure 9: Sector Support Program Timing**

<table>
<thead>
<tr>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
<th>Phase IV</th>
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</thead>
<tbody>
<tr>
<td>2001</td>
<td>2003</td>
<td>2005</td>
<td>2010</td>
</tr>
</tbody>
</table>

The key features are:

i. The overall time horizon extends beyond 2010, the anticipated completion of the 5MHRP. The reasons for this is that (i) forest sector investments naturally take longer to gestate, and (ii) that given the economic and demographic trends in Vietnam and the larger region, it is unlikely that current problems will simply go away over the course of the next ten years; rather, their nature and dynamics will change and eventually require a new type of investment and technical assistance arrangement. The period beyond 2010 could thus serve to take stock through in-depth reviews of the evolving situation and the development and transition to a new scope and approach.

ii. An initial phase to 2003 serves to establish the Sector Support Program structure, focus on capacity building and changes in the Program's enabling environment, as well as the preparation of targeted donor assistance activities. During this period, the bulk of development assistance is likely to come in the form of grants from bilateral donors and NGOs. Multilateral banks would prepare larger projects and in the process harmonize their project preparatory phases through joint missions.

iii. A second phase from 2003-2005 would witness the gradual increase in development assistance through loans to consolidate changes in the enabling environment.

iv. The 2006-2010 phase would coincide with the Government's 5-year plan. By then, multilateral loan projects would be fully operational and bilateral and NGO projects would continue to build capacity where it is most needed.

v. Finally, the 2011-2015 phase, as indicated above, would serve to complete initiated activities in parallel to taking stock and initiating the transition to a new investment and technical assistance arrangement.

At the end of each phase, the Sector Support Program Agreement would be evaluated on the basis of previously agreed and regularly monitored criteria and indicators.

6. CONCLUSION AND RECOMMENDATIONS

This final section ties together the various parts of this report and addresses key elements of the way forward. This includes, first, an outline for a viable 5MHRP, taking into account the shortcomings that have been identified in Sections 2, 3 and 4. Second, it contains key recommendations concerning both the 5MHRP itself and the enabling environment, which need to be addressed in order to strengthen the foundation of he
5MHRP. Third, it identifies some areas where insufficient information exists, and thereby identifying knowledge gaps. And fourth, general terms of reference for the formulation of a SSP are outlined.

6.1. Towards an improved 5MHRP

Drawing from the entirety of the Synthesis Report, this section attempts to identify the main parameters of a viable 5MHRP. In line with one of the main conclusions emerging from the Partnership Process, the specific content of Program activities should be determined by stakeholders involved at the project level. As a consequence, this section also limits itself to more general considerations, normative aspects/principles, and program administration (more detailed recommendations are contained in Section 6.2.). Accordingly, the quantitative targets currently included in Decision 661 and accompanying regulations should be complemented with qualitative targets.

Goal, objectives and principles

Since forestry is an integral part of rural development, the goal of any forestry-related program must contribute to economically, environmentally and socially sustainable development in rural areas. For this reason, the 5MHRP has to be anchored in the country's overall rural development strategy, both at policy and operational levels. In light of the diversity of Vietnam's socioeconomic and biophysical conditions, such a Program also needs to distinguish between largely different types of stakeholder groups, approaches to forest establishment, and financial mechanisms. More specifically, the elementary difference (but also overlaps) between large-scale commercial forestry and smallholder forestry, as well as between protective and productive forestry, has to be recognized and translated into appropriate support packages.

The Program objectives have to be able to accommodate this overall diversity in general and the basic difference between large-scale and smallholder forestry in particular. A set of such objectives could look as follows:

- In priority watersheds and coastal areas, all types of forest ecosystems and their functions are protected or rehabilitated.
- In target areas for commercial forest development, all plantation and natural forest management is economically, environmentally and socially sustainable.
- In all Program areas, forest-dependent people actively participate in and benefit from forestry, particularly vulnerable groups based on ethnicity, economic status and gender.

However, all Program activities should be measured against quantitative and qualitative environmental, economic and social criteria.

As already included in Decision 661, the 5MHRP should be further guided by a set of principles for implementation. These would include, among others that all Program activities:

- have national ownership
- lead to sustainable land use in general and sustainable forest management in particular;
- are financially, environmentally and socially viable;
- are locally driven and designed with the active participation of local stakeholders to ensure that socioeconomic and biophysical diversity is accounted for;
- result in equitable outcomes based on ethnicity, economic status and gender;
- are coordinated with other national programs;
- are subject to transparency and accountability in planning, implementation, monitoring and evaluation; and
- enable participation by the private sector.

Strategies

In order to design the means and financing mechanisms for achieving the Program objectives, government's role in the sector needs to be defined. Broadly speaking, direct government intervention is justified in cases where significant positive (e.g. regular water discharge patterns, biodiversity conservation) or negative (e.g. water and air pollution) externalities occur. More specifically, this means that government support to Program activities in protection and special use forests would be more direct (including through selective subsidies) than in production forests, where government's role should be limited to fostering a favorable private sector investment environment within sound environmental and social conditions. However, the distinction between
large-scale commercial and smallholder forestry should also be taken into account, with selective direct support to the latter as a potential option.

With the above qualifications in mind, the strategies to achieve the Program objectives would follow from the components outlined below (they are derived from the scope of the Sector Support Program outlined in Figure 3 of Section 5). Due to the variations in possible 5MHRP areas, specific sub-projects would greatly vary in their scale, nature and relative emphasis. In order to fit local needs and potentials, sub-projects would combine and integrate activities listed under these components, which would be eligible for Program funding.

- **Forest land classification, land use planning and allocation**

At the macro level, a greater focus is required to avoid spreading scarce Program resources too thinly. Using a mutually agreed set of criteria and a transparent process, priority Program areas need to be identified, which would yield a more practicable reforestation target for the Program as a whole. This includes key watersheds and high biodiversity value areas on the one hand, and areas with the potential for developing large-scale commercial forestry on the other. This macro level step does not aim to prescribe certain land uses -- it merely identifies those areas that become eligible for Program funding.

At the micro level, land classification, participatory land use planning and socially equitable land allocation should be carried out with Program funds (grants). In the context of the Program, joint ownership by communities or user groups of land use certificates should be permitted until the country's overall legal framework fully legitimizes it. In light of the central role state forest enterprises currently play, SFE renovation should proceed in parallel, with Program funds going to the forest land classification and (re)allocation aspects of the renovation.

The outcome of land use planning would be a mutually agreed and clear delineation of areas to be used primarily for agriculture and forestry (and those which cannot), as well as agreement on suitable approaches to forest development and protection (including benefit sharing).

- **Sustainable forestry development**

This component would comprise financial and technical support to the establishment of forest resources, with an emphasis on both quantitative (e.g. forest cover, forest inventory) and qualitative (e.g. forest structure, tree quality, plant survival, health, biodiversity) aspects.

Specific sub-components would include forest management planning (inventory, silvicultural measures, yield projections, harvesting schemes, access roads) plantation establishment and maintenance, seedling production, different approaches to natural regeneration, agroforestry, and non-timber forest product management.

All these would clearly take the difference between smallholder and commercial forestry into account, with the former having priority access to technical and financial support (including small and medium enterprise development), particularly in the case of sub-projects involving vulnerable populations in terms of ethnicity, economic status and gender.

Financial support would be in the form of direct budget support (grants) or favorable loan terms. In the case of large-scale plantation forestry, commercial viability and clear links to processing industries or other end uses would play a key role in sub-project appraisal.

- **Watershed management and nature conservation**

Program activities in watersheds and high biodiversity value areas identified primarily for protection would evolve around ensuring the integrity of watersheds and their forest resources and functions, including the prevention of soil erosion, flooding and siltation in reservoirs; maintenance of balanced water discharge patterns; and diversity between different ecosystem types, between species and within species. The latter includes the establishment of proposed and sound management of existing protected areas, as well as the linking of forest fragments with corridors.

These sub-components have to be seen in connection with, and clearly linked to the livelihood security of populations living in or around the forests through buffer zone management on the basis of integrated conservation and development approaches.
Financial support to activities under this component would be primarily in the form of direct budget support (grants).

- **Capacity building**

Capacity building activities would include both skills development and institutional strengthening. It would aim to strengthen government agents and agencies responsible for administering and supporting the Program, as well as public and non-public project owners, including watershed management boards, mass organizations, forest user groups, new type cooperatives, associations, etc.

Particular emphasis would be placed on those capacity building activities that are immediately necessary to achieve the aim of sub-project and thereby contribute to the overall Program objectives. These activities include participatory and socially inclusive land use planning (including conflict resolution), forest management planning, plantation management, natural regeneration, biodiversity conservation and marketing. In addition, priority would be given to approaches that integrate research, extension, training and education, and that use approaches to magnify impacts through training-of-trainers and farmer-to-farmer methods.

Financial support to activities under this component would be primarily in the form of direct budget support (grants).

- **Social development**

Activities under this component would focus on cross-cutting issues that address human input (including employment conditions), benefit sharing (including remuneration), and participation (including conflict resolution). These activities would be necessary to ensure that the livelihood security of forest-dependent populations, especially vulnerable groups in terms of ethnicity, economic status and gender, in Program areas is guaranteed.

On the one hand, this could include specially targeted training and outreach activities; on the other hand, it could include activities jointly undertaken and financed with other national programs.

**Program administration**

The overall administration of the Program should avoid as much as possible the establishment of parallel administrative and financial structures. While it is necessary to have a special unit at the national level and counterparts at provincial levels for Program guidance and oversight, implementation responsibilities should as far as possible be channeled through existing administrative units. The responsibility of the steering unit at the national level would be to provide overall strategic direction and periodic review. At the provincial level, the steering unit would be responsible for giving operational guidance to sub-project owners and supporting actors, as well as organizing sub-project appraisal, approval, monitoring and evaluation in a transparent manner.

Program implementation should be organized on the basis of sub-projects, with a wide variety of public and non-public project owners eligible for Program support. Project owners would be responsible for preparing project proposals, if necessary with contracted assistance from administrative units. On the basis of the specific objectives of the sub-project, project owners would contract suitable public or private actors to perform the services necessary to achieve the sub-project objectives, including capacity building activities.

Monitoring and evaluation should be better incorporated into Program activities, both operationally and financially. In addition, local stakeholders involved in Program activities should participate in M&E activities in order to strengthen accountability among government agencies in charge of providing services to project owners. In addition to periodic reporting to provincial steering units, spot checks by regular administrative units responsible for the respective technical areas, as well as more formal mid-term reviews by inter-disciplinary teams should be arranged (with costs already incorporated in sub-projects).

6.2. Priority actions

The actions outlined below constitute a summary of the conclusions and recommendations indicated in Sections 3.2 through 3.7. An attempt has been made to organize them on the basis of the thematic scope of the proposed Sector Support Program (Figure 3 in Section 5.1.). The recommendations are not organized in a prioritized way, nor do they give any indication concerning their urgency. However, since the first phase of the
Sector Support Program is envisioned to be a preparatory phase, many of the necessary actions are expected to take place during this time.

**Component 1: Forest land management**

**Forest land classification**

- On the basis of a government-approved forest land inventory programs, forest land classification should be carried out with the participation of all key sectors.
  - At the macro level (national), FICI should lead the classification effort, in close coordination with NIAPP and GDLA.
  - At the micro level (province and below), qualified local cadres who are familiar with the area should carry out classification, starting with priority watershed forests.
- The forest classification system should be streamlined:
  - Only very critical watershed protection forest should remain protection forest; social and economic factors should be included in the classification criteria;
  - Critical and less critical protection forest should be converted to production forest or agricultural land.

**Land use planning**

- Land use planning in the context of the 5MHRP should be financed through Fund 661 and begin in priority areas, particularly vulnerable watersheds and threatened rich forests. It should ensure food production, demand for fuelwood and wood for other domestic uses, land for grazing, and cash generating commodity production.
- Under the authority of local administrations and with technical support from specialized agencies, including through performance-based contracting, cooperation between different sectors and local participation in local LUP need to be strengthened.
- Government should strengthen monitoring and enforcement of the implementation of land use plans at all levels, as well as information exchange between agencies and data accessibility.

**Land use allocation**

- Competent authorities should complete red book issuance, starting with 5MHRP priority areas and financial support from Fund 661.
- A revised Land Law should provide for land allocation to communities.

**Component 2: Forest-based economic development**

**Forest management**

- All reforestation activities must lead to sustainable land use and plantations of species causing site degradation and/or excessive water consumption avoided; all commercial forest plantations must have a predefined use; natural regeneration should be further promoted as a cost-effective way to establish forest cover.
- Smallholder forestry should be encouraged and supported through special measures aimed at strengthening local markets and marketing information, the promotion of community or user group arrangements, and performance-based delivery of technical and financial support services.
- The inclusion of perennial tree crops in the 5MHRP should be reconsidered.
- Greater use of indigenous species should be actively promoted. A shift should be made from a top-down approach to species selection to adopting the most suitable species on the respective site -- based on local knowledge -- in order to optimize protective functions.
- Seed quality and nursery technology for both seedlings and cuttings of a wider range of species suited to local conditions should be improved through a support program aimed at state, private and village-level nurseries; customer-oriented private sector and state forest enterprise nursery operations should become stand-alone business activities. These and other extension services should increasingly be carried out through performance-based contracting.
- MARD should develop a plantation monitoring scheme that assesses financial viability, growth and yields of the trees, number of employed people, and degree of reduced erosion, depending on the purpose of the plantation.

**Forest resource harvesting and processing**
Government should clarify the 'natural forest closing policy' through the promulgation of an appropriate policy or legal document.

In addition to closing exhausted natural forests, special use forests, and protection forest areas, MARD should pay increased attention to the appropriate use of natural production forests, including the application of criteria and indicators for sustainable forest management and the expansion of certification.

MARD, in coordination with the Ministry of Industries, should develop a sound strategy for developing the forest products processing industry, particularly for plantation-derived forest products. The 5MHRP should then take account of industry development priorities in order to make efficient use of resources for plantation development.

MARD should also elaborate policies for NTFP management in order to ensure sustainable use and promote the development of NTFP raw material areas.

**Resource mobilization, benefit sharing, investment, marketing and pricing**

Due to forestry's considerable positive externalities, public investment should be increased. MARD should investigate options for establishing a forest development fund to ensure the reinvestment of gains from forestry, as well as mobilizing additional resources from beneficiaries of positive externalities, such as downstream water and electric power users and tourists.

Government, in close coordination with MARD, needs to develop a long term investment strategy based on realistic needs and potentials in order to provide the certainty required to justify investment. This strategy should consider: (i) the linkage between raw material and wood industry development; (ii) the different uses of forests, particularly their environmental, economic and social functions; (iii) investor diversity; and (iv) the variety of investment channels.

MARD needs to finalize and implement benefit sharing regulations such that greater access to forest goods and services by households and communities are sufficient to compensate for their efforts, and that unsustainable long-term dependency on direct subsidies for forest protection is avoided.

Investment instruments need to be adjusted to facilitate the diversification of investors, particularly from abroad, as well as to remove obstacles related to the loan duration, collateral and post-investment interest support. The suitability of a plantation insurance policy should be examined.

The Ministry of Finance, in coordination with MARD, needs to revise the present system of fixed cost norms and terms, which leads to sub-optimal fund utilization, in order to account for the country's natural and socio-economic diversity.

Certain tax structures need to be revised to remove barriers to investment in forestry and increase efficiencies in forest products processing. In particular, (i) taxes on areas beyond land limitation need to be eliminated and land rents decreased; and (ii) export taxes on products in which Vietnam has a competitive advantage, such as woodchips, need to be removed.

MARD needs to establish as soon as possible an effective system to track forest products pricing, trading and processing.

**Component 3: Watershed management & nature conservation**

Protection forest planning within the 5MHRP should be based on environmental protection, biodiversity conservation and financial capacity. Adequate environmental protection for all types of forest should be achieved through forest management planning, on the basis of environmental sustainability. In particular, MARD, in collaboration with the provinces and relevant agencies should identify priority forest biodiversity areas at national and provincial levels; Government should establish these as special use forests and allocate adequate funding.

**Special use forests**

Expansion plans for special use forests should be realistic and focus on quantity and quality (seeking representative species and ecosystems).

Institutions like FPD (at central and provincial level), GDLA and FIPI should cooperate more effectively on information exchange, specifically on precise reserve boundaries, names and legal status of special use forests.

Piloting of community management for buffer zones and protected areas should be pursued.

As a signatory of CITES, the Government should step up its domestic and international efforts to stem trade in rare plants and wildlife, including awareness raising at all levels.

**Protection forest establishment**

Strengthen links in protection forests between environmental protection aims and local livelihoods. The ADB TA-recommended conditions for achieving mixed forestry-agriculture farming systems include (i)
making appropriate (non-environmentally endangered) forest land available for agriculture and mixed forestry-agriculture farming systems; and (ii) ensuring that areas critical for forest conservation (special use forests and critical/very critical protection forests) are identified and the necessary efforts and investments to ensure effective protection for them are put in place.

- Protection contracts (or alternative mechanisms) should more systematically incorporate environmental concerns. Consideration should be given to using longer term contracts or finding alternative long term stewardship and tenure arrangements.

**Promoting natural regeneration**

- The 5MHRP should encourage natural regeneration of forest on 'bare' lands. Field analysis of the 5MHRP indicates that pure protection of forests is a simple, tested and cost-effective way of regenerating forests and in many cases, the regeneration of full forest cover is very rapid.
- In the future, plantations comprised of species causing site degradation should be unacceptable. Environmental assessment guidelines for 5MHRP activities should be developed, to ensure that potential risks to biodiversity are minimized and/or avoided.

**Production forests**

- MARD, in coordination with its local counterparts, should actively promote greater use of indigenous species (including species suitable for poor soils). Decisions on species selection should be transferred from central level to local levels, in order to optimize the use of local knowledge.
- Sustainable forest management and forest certification (through use of criteria and indicators) should be used as a management tool to combine social, economic and environmental concerns.

**Component 4: Capacity building**

**Institutional strengthening and reform**

- The functions and tasks of the different 5MHRP program management units need to be better defined, particularly as concerns criteria and indicators for 5MHRP-related decisions, greater local autonomy in decision-making, the division between steering committees and executing bodies, and the links between the program hierarchy and the regular administrative system.
- Greater autonomy, however, has to be accompanied by increased responsibility and accountability, so that 5MHRP resources are utilized as intended (this will require more direct involvement in monitoring and evaluation by national level agencies and third parties, including international projects). MARD should ensure that project owners have more flexibility in designing locally appropriate sub-projects, but at the same time provide for occasional third party monitoring, ideally with the participation of the 'project beneficiaries.' Sanctions against non-compliance have to be made clear and credible.
- 5MHRP project owner eligibility should be diversified to include non-state actors, particularly mass organizations, non-governmental organizations and communities.
- MARD should speed up the revision of the forest law and gradually work to nullify outdated laws and eliminate overlaps in existing texts. In revising the legal framework, MARD needs to incorporate the principles of rural democratization, including the transfer of greater decision-making authority to local levels and the legalization of joint forest resource ownership at community and household levels, as well as the move to a more market-oriented society, which would lend strength to the current state forest enterprise reform process.
- Organizational reform has to focus on (i) the consolidation of forestry-related departments; (ii) state forest enterprise reform in accordance with existing regulations and guidelines - the difficult issue of staff separation should be dealt with in the context of the 5MHRP, as proposed by the ADB TA, for instance by allocating forest land for protection or development or by promoting the establishment of extension service associations or similar non-state units; and (iii) the reorganization of training and research institutes.

**Research**

- Research institutes need to become more demand-oriented, both with respect to households and communities and the private sector, which could even provide funding. Research should address the implications of moving from natural forest to plantation products, financial and marketing aspects, as well as social forestry. MARD also needs to ensure that research and extension are linked more closely.

**Extension**
The diversification of forestry extension on the basis of voluntary or contract-bound service provision has to be fostered, including through farmer-to-farmer extension, mass organizations, extension clubs and the private sector. Such alternative extension sources should be considered as potential 5MHRP sub-project owners, but requires additional attention in monitoring and evaluation.

Although wider administrative and political constraints may preclude drastic salary increases, extension agents’ compensation packages should be upgraded through the improvement of allowance regulations, increased revenue generation from extension activities, and better integration with the rural credit system.

Training and education

MARD, in coordination with the Ministry of Education and Training, has to ensure the transfer of skills needed in the changing forest sector. This requires an adjustment of educational curricula, as well as more demand-driven training delivery systems. These should not only take into account the changing skills needs (particularly in plantation management, products marketing, and biodiversity protection), but also the special demands of different trainees, including women and ethnic groups.

Training and education institutes need to develop an effective tracing system to assess whether trainees are able to apply their new skills and whether graduates find employment in their respective fields. In addition, the institutes need to establish or strengthen effective monitoring and evaluation systems so that training and education delivery meets the diverse demands of the sector.

Component 5: Livelihood security

Crosscutting issues

Joint forest resource ownership at household and community level needs to be legalized as soon as possible.

Government staff involved in facilitating land use planning and management should be strengthened in its ability to respond to social dimensions by applying participative methodologies, particularly in negotiations for land use, land tenure and sustainable forest management and protection, which are socially inclusive (based on ethnicity, economic status and gender).

The impact of migration and relocation needs to be assessed at the local level, particularly in the context of land use planning, to understand and respond to the conditions, capabilities and expectations of the local and newly displaced populations. The 5MHRP needs to integrate migration through increased linkages with the Department of Fixed Cultivation and Sedentarisation.

Forestry agents should pay greater attention to social analysis for targeting extension services and monitoring systems that respond to social differentiation in order to avoid social exclusion based on ethnicity, economic status or gender.

MARD, in close coordination with CEMMA and MOLISA, should develop specific employment generation strategies for local people living in rural mountainous areas based on potential and existing market opportunities and production development. This includes regulations for enterprise development that ensure job priorities for local people, corporate responsibility, and compliance with domestic and international employment related legal requirements.

Links to other programs and sectors

In the process of defining more clearly the priority areas and activities for the 5MHRP, MARD should more closely collaborate with the respective program units (especially HEPR), particularly at the level of executing committees at the national and provincial level.

In addition to requiring greater and earlier transparency from steering committees of ongoing national programs and large-scale projects, MARD itself should make an effort in providing more information about its planned and ongoing 5MHRP activities.

Although MARD can do little to directly influence macroeconomic conditions (fiscal and monetary), including taxation, interest rate, banking and trade policies, it can become more effective in communicating the special conditions of forestry to Government and relevant agencies.

Strengthen links or consistency between the Forestry Development Strategy and the National Environmental Strategy Action Plan.

6.3. Knowledge gaps

A number of areas are in need of further investigation. These include the following:
A thorough analysis that balances the need for agriculture land and products, water to support agriculture and domestic needs, and forested lands and forest products. This would provide a basis for dimensioning of protected watershed areas and the need for reforestation in such areas.

A more thorough analysis is needed to justify the big investment in commercial plantations implied in the 5MHRP. Basically, the study should answer the question: “Under what conditions (soil, market, infrastructure) is it feasible to invest in commercial plantations?” This study would be dynamic, and take into account available areas and their soil and climatic conditions, transport infrastructure, demand and supply situation of wood and forest products within and outside Vietnam, existing and planned processing units, market prices, production potentials under different conditions and silvicultural treatment, and production costs and returns. This study may give a basis for a national policy on commercial forest plantations and forest industry development.

Several social development issues, including (i) the impact on women of Program 327 and 661 to date; the status of research in upland cropping systems institutions, organizations, ministries, and/or departments involved; (ii) levels of participation of female headed households in 5MHRP and forest sector activities; and (iii) existing national experiences with corporate responsibility and levels of cooperation with the Forest Stewardship Council.

Innovative financing mechanisms, including downstream water user fees to finance watershed management and opportunities for financing through the Clean Development Mechanism under the Kyoto Protocol.

6.4. Formulation phase

The following terms of reference reflect the evolution of discussions concerning the Formulation Phase, including the perspectives heard at the 5MHRP Partnership Steering Committee meeting held on January 17, 2001.

Background

In December 1999, the Vietnamese Government and international donors, including non-governmental organizations, signed the Memorandum of Agreement on the Preparation of a Partnership Support Program for Vietnam’s Five Million Hectare Reforestation Program (5MHRP). The objective of the Partnership is to “reach agreement on a formal Partnership which will lead to a shared sector support program (SSP) for effective and efficient implementation of the 5MHRP on the basis of agreed policies, strategies, priorities and principles of implementation.”

During an initial Review Phase three Task Forces composed of national and international experts reviewed (i) the current status of the 5MHRP; (ii) Vietnam’s forest policy, strategy and institutions; and (iii) forest sector investment and assistance needs and partnership structure. Subsequently, a Synthesis Phase took place to integrate the outputs of the Task Force in order to (i) prepare a unified report and summary that contains a strategy for medium term forest sector development in the framework of the implementation of the 5MHRP; (ii) define, in relation to this strategy, the scope of a Government-Donor Partnership supporting the sector and to draw recommendations for the revision of the 5MHRP; and (iii) review national institutional capacity to implement the 5MHRP (taking into account the Partnership scope) and identify procedural and other management constraints. The Synthesis Phase is followed by a Formulation Phase and finally by the Appraisal and Approval of a Sector Support Program.

Objective and outputs

The Joint Formulation should result in an Implementation Agreement, which can be appraised, if necessary adjusted, and approved. The implementation agreement contains a Sector Support Program Framework for the 5 Million Hectare Reforestation Program, including: (i) a Program of various components resulting from the Task Forces, Synthesis Report and logical framework exercise, further fine-tuned and finalized in the joint formulation (ii) a matrix of individual donor interest in the components, probably shaped along the lines of regional and thematic earmarking; and (iii) a Sector Support Program Coordination Mechanism (Partnership Structure and Mechanism).

The Program Formulation Phase will consist of three steps:

1. Logical Framework exercise

2. Steering Committee
3. Joint Formulation of a Partnership Support Program for the 5MHRP

It will run from March 1, 2001 until the end of May. It is to be followed by appraisal and approval by individual donors and organizations and government during the period from the end of May until the middle of September and to be finalized by the signing of a new implementation agreement on September 14. This will constitute the switch from preparation to implementation.

1. Logical framework exercise

A logical framework provides a concise presentation of objectives, strategies and results of a program initiative and is a prerequisite for many donors in defining and justifying their support. It makes a clear link to indicators and thus forms the basis for a monitoring and evaluation system. It is expected that the discussions in the synthesis retreat and the synthesis report itself will provide significant background for preparing the logframe. This is to be complemented by a small group of national and international specialists in forestry sector development further validating and condensing these results of the synthesis and expanding it to specific result areas and indicators for the formulation of the Partnership Support Program.

Timing: Week 10 (5 March)

Facilitation: World Bank

Identification participants: Chair and Co-chair Partnership Steering Committee (after consultation)

2. Steering Committee Meeting

Subsequently the Steering Committee will aim to adopt the synthesis report and the results of the logframe exercise and will take decisions on: (i) the scope of the Partnership program; (ii) phasing of the Partnership program; (iii) confirmation of knowledge gaps and need for additional studies. It will also require a clarification from the Government regarding the role of the Gov budget allocation to the 5MHRP in the formulation and implementation of the Partnership Support Program. With these decisions it will set the stage for the Joint Formulation.

3. Joint Formulation

The Formulation Team will deliver detailed suggestions related to the following elements:

1. Principles of cooperation between the Government of Vietnam and international donors, including non-governmental organizations, in the context of the SSP:
   a. Contractual instrument guiding the Sector Support Program.
   b. Rights and responsibilities of Sector Support Program partners (including a 'code of conduct' for development assistance in the forest sector).
   c. Entry and exit requirements and procedures.

2. Management structure of the Sector Support Program:
   a. Steering mechanism, including function and tasks; national and international membership; location in the Vietnamese Government administration; and links to Steering Committees of other national programs.
   b. Technical support structure, including number and nature of permanent committees or other suitable subsidiary bodies; function and tasks; membership; and links to Vietnamese Government administration. This support structure will take into account the proposed Sector Support Program scope that emerges from the Synthesis Phase.
   c. Logistical support structure.
   d. Human and financial resource needs.

3. Operating principles, including:
   a. Identification of procedural mechanism for guiding, facilitating and supporting implementation design and approval, including for sub-projects.
b. monitoring and evaluation, including reporting system.
c. SSP process monitoring and evaluation.

4. Duration and phasing of the Sector Support Program:

a. Overall duration and phases, including links to the Vietnamese planning cycle.
b. Objectives and verifiable benchmarks for each phase.

5. Investment needs and structure:

a. General domestic and external financing needs and financing schedules for the duration of the SSP, taking into account the Government's 10-year socio-economic development strategy and 5-year socio-economic development plan. These proposals will take into account the proposed Sector Support Program scope that emerges from the Synthesis Phase.
b. More detailed financing and investment strategy for the first phase of the SSP. This will include benchmarks outlining objectives to be achieved and will relate to the clarified/concretized environmental, economic and social objectives of the 5MHRP, as well as identified policy and institutional reform needs and consequent capacity building activities.
c. Investment flow, including respective responsibilities of domestic and external actors.
d. Guidelines for transparent financial accounting, reporting requirements, and sanctions in case of non-compliance.

6. Approaches to address remaining knowledge gaps:

a. Identification of major issues in need of further investigation on the basis of the suggestions from the Synthesis Phase.
b. Strategies, including financial and human resource needs, for addressing these issues. This should also be incorporated into the overall investment needs of the Sector Support Program.

The Formulation Team shall be responsible to organize, with the support of the Partnership Secretariat, two workshops, one prior to the finalization of the Interim Report, and one prior to the completion of the Final Report. These workshops shall be attended by the signatories of the Partnership Memorandum of Agreement, as well as key members of the 5MHRP management structure.

Team composition

The Formulation Team shall be composed of national and international experts who will work under the general guidance of the Partnership Steering Committee. It will carry out its activities in close collaboration with the National 5MHRP Executive Office, as well as any 'topical groups' that emerge from the Synthesis Phase. The Partnership Secretariat shall provide logistical support, but one interpreter shall be employed for the duration of the Formulation Phase and provide exclusive assistance to the Formulation Team.

In addition to relevant technical expertise, the general requirement for all team members is prior working experience in Vietnam, as well as familiarity with the 5MHRP Partnership Process. For each of the following areas of expertise, one international expert will team up with one national expert:

1. Expert in forest sector financing and development assistance policy (team leader)
2. Institutional analysis and strengthening
3. Sustainable forest management
4. Biodiversity conservation
5. Poverty alleviation, including social development

The Team Leader shall have overall responsibility for the final product. The other team members shall be responsible for preparing the respective technical elements of the detailed suggestions outlined above, including identified policy and institutional reform needs and consequent capacity building activities.

The group of national and international experts of the Synthesis Reference Group will continue to act in their capacity as additional source of expertise. Members of this group will provide written comments on the outlines and drafts of the interim and final reports, and attend briefing and commenting sessions for the interim and draft final reports.
7. SOURCES AND LEGAL DOCUMENTS


Prepared by L' Quang Trung.


5MHRP Partnership, Task Force III. 2000. Sustaining the results of the 5MHRP in 10 years after the termination of the Program. Prepared by Tề Xuân Mai.

5MHRP Partnership, Task Force III. 2000. Defining the inadequate level of finance and seeking for additional assistance and investment for 5MHRP. Prepared by Nguyễn Hữu To.


MARD, Inter-Ministerial Circular, Guidance for implementation of the Decision 187/1999/QD-TTg of 16 September 1999 on Reform of Organization and Management Mechanism of State Forest Enterprises (SFE)

MoF 1993. Strategy paper by Dr Ha, former Minister of Forests.


Legal Documents (in chronological order)

Decree 58-LCT/HDNN8, August 19, 1991, of the National Assembly on Forest Resources Protection and Development.

Decision 327-CT, September 15, 1992, of the Council of Ministers on Policies for the Use of Bare Land, Denuded Hills, Forests, Alluvial Flats and Water Bodies.

Decree 02-CP, January 15, 1994, of the Government on Allocation of Forest Land to Organizations,
Households and Individuals for Long-term Forestry Purposes.

Decree 39-CP, May 18, 1994, of the Government on the Organization, Duties and Authority of the Forestry Protection Department.

Decision 556-TTg, September 15, 1995, of the Prime Minister on Revising and Supplementing Decision 327-CP, September 15, 1992, of the Chairman of the Council of Ministers.


Directive 286-TTg, May 2, 1997, of the Prime Minister on Urgent Measures to Protect and Develop Forests.

Resolution 08/1997-QH10, December 5, 1997, of the National Assembly on the Establishment of Five Million Hectares of New Forest.


Decision 245-QD-TTg, December 21, 1998, of the Prime Minister on State Management Responsibility of all Levels on Forest and Forestry Land.


Decision 34/1999/QD-BNN-TCCB, February 12, 1999, of the Minister of Agriculture and Rural Development Promulgating the Regulation on Working Relationship between the Forest Protection Department and the National Parks under the Ministry of Agriculture and Rural Development.


Decree 43/1999/ND-CP, June 29, 1999, of the Government on the State's Development Investment Credits.


Decision 08, January 11, 2001, of the Prime Minister on the Promulgation of Regulations on Management of Special Use Forest, Protection Forest and Production Forest.

ANNEXES

ANNEX A: TERMS OF REFERENCE

Background

Based on Resolution No. 08/1997/QH10 of the 2nd Session of the 10th National Assembly, and Decision No.
661/QD-TTg of the Prime Minister, dated 29 July 1998, the Vietnamese Government launched the National Five Million Hectare Reforestation Program (5MHRP) with the overall objective to reforest and rehabilitate five million hectare of forest by the year 2010. The Program has ecological, economic and social objectives. It is a major effort of the Government towards sustainable forest management in the light of the "Rio Declaration" (UNCED) and Agenda 21 and subsequent forest-related discussions.

During the December 1998 Consultative Group meeting in Paris, the donor community and the Vietnamese Government agreed to establish a partnership in support of the Five Million Hectare Reforestation Program. On 10 December 1999, a Memorandum of Agreement (MoA) was signed in Hanoi between the Ministry of Agriculture and Rural Development (MARD) and 15 representatives of the donor community. The objective of the MoA is to reach agreement on a formal Partnership between the Government of Viet Nam and interested donors/NGOs for a shared sector-support program for the 5MHRP on the basis of agreed policies, strategies, priorities and principles of implementation in line with international agreements.

The 5MHRP Partnership process includes the establishment of a high-level Government-Donor Joint Partnership Steering Committee, a Partnership Secretariat, and three Task Forces to prepare the various elements of such a partnership (Task Force I: Clarification of the 5MHRP; Task Force II: Forest Policy, Strategy, Institutions; Task Force III: Forest Sector Investment, Assistance Needs, Financing Strategy, and Partnership Support Structure). The three Task Forces formed under the MoA have presented a summary of their experiences and lessons learnt at a workshop on 19 October 2000 jointly with the ADB Technical Assistance Study on the Policy and institutional framework for forest resources management (ADB TA). At the time of the workshop: Task Force I had completed a first draft report still to be discussed among its members; Task Force II was revising its individual reports which needed to be compiled into one overall Task Force II report; and Task Force III had presented some of their individual reports and all three sub-group reports. Therefore, the finalization of the Task Forces reports was estimated to take at least another three weeks (end November 2000).

The following steps are proposed and currently discussed in order to further develop the Partnership on the 5 Million Hectares Reforestation Program:

**Synthesis**

The results of the three Task Forces will be put together into a synthesis report, taking into account the results of the ADB TA as well as other information becoming available and looking ahead at the outline and ToR of the formulation phase. The results of the Synthesis will be presented to Government and signatory donors and organizations for comments and appraisal. In general, the signatory donors and the Government agreed to this phase and its overall content; however a rolling planning approach will spell out further details to be discussed with the members of the Partnership Steering Committee and other actors involved. The synthesis phase will last until mid-January 2001.

**Joint Formulation**

Assumed continued interest from signatory donors and organizations in participating in a comprehensive sector support program, a joint donor-government mission will be mounted to formulate a 5MH Forestry Sector Program. An outline of the ToR will be drafted by the end of November for approval by the Steering Committee, after which it will be finalized in December as part of the Synthesis-phase. The ToR will specify the required national and international expertise. Donors and organizations will be invited to contribute to the required expertise, next to the Government. The joint formulation is expected to take place in February and March 2001. The possibility of contributing to the plenary session of the National Assembly in April 2001 will eventually influence the timing and outcome of the formulation mission.

**Appraisal and Approval**

The proposed 5MH Forestry Sector Program resulting from the joint formulation will have to be appraised by Government and those MoA signatories willing to participate. Appraisal will have to take place before the summer of 2001. However, the length of this exercise obviously depends on re-formulation needs and additions required as a result of the appraisal done by the various parties. After the appraisal phase, approval by all parties remains.

The timing of the described steps largely depends on the commitment and contribution by the various actors involved. Each step should be a thorough and in-depth exercise in order to avoid that they have to be redone due to some weaknesses or not having reached a common understanding among the different parties involved.
Objectives of the consultancy

The overall objective of the synthesis phase is to create an appropriate framework and agenda for the formulation phase of a forest sector support program based on the synthesized results of the Task Forces and ADB TA reports.

The objective of the consultancy is to provide the necessary and agreed inputs to the Partnership Secretariat and the Synthesis Reference Group in order to contribute to the achievement of the above-mentioned overall objective of the synthesis phase.

Expected Outputs

Based on further compilation and analysis of the information of the Partnership Task Forces, the ADB Technical Assistance, the Government's review of the 5MHRP, and other relevant information and using their relevant conclusions and recommendations, the synthesis report will provide the following elements:

1. Clearly defined development objectives and strategies for the 5MHRP related to environmental protection, poverty reduction and forest product-based economic development
2. Those strategies will include, where relevant, the need for policy change and institutional reform
3. A definition of the scope of a sector partnership
4. Conclusions regarding the development needs of sector support services (training, extension, research, and others)
5. An organizational sector analysis that draws on existing reviews to (i) evaluate the role of stakeholders and institutions in achieving sector development objectives (including government institutions, decentralized structures, state-owned and private sector companies, households and communities, foreign assisted projects, 5MHRP sub-projects), and (ii) assess government management mechanisms and procedures applied, their transparency and accountability, and the capacity of the institutions to manage the Program and consequent human resources development needs
6. Identification of follow-up steps in the formulation and organization of the 5MH Sector Program Partnership, including general terms of reference for the formulation phase and, if relevant the need for additional studies
7. A comparison between the above results and Decision 661 and its implementing regulations

Activities

The following activities of the consultancy have to be closely coordinated with the Partnership Secretariat of the 5 Million Hectares Reforestation Program Partnership:

- Prepare an overview of the current status of the drafting process of the three Task Force reports
- Develop and present a schedule and concept for the synthesis of the Task Forces and ADB TA reports
- Define and discuss inputs to be provided by the national and international consultants as well as by the members of the synthesis reference group
- Prepare and organize together with the Partnership Secretariat a scoping exercise defining the future outline of the forest sector program which will form the basis for the formulation phase
- Develop a report structure for the synthesis document
- Ensure an appropriate framework for the members of the synthesis reference group to give input and feedback to the proposed report structure, work plans of the consultants and sets of conclusions and recommendations
- Screen, extract and synthesize the Task Forces reports and combine with ideas provided by the ADB TA report and additional information becoming available during the consultancy
- Distribute the draft synthesis report for comments and integrate comments received
- Assist the Partnership Secretariat in the organization of a workshop in order to discuss the synthesis report

Organization of the consultancy

It is proposed to engage one international and two national consultants full-time for this consultancy. In addition, part-time input will be contributed by one national and one international social development and gender analyst, an international environment specialist seconded by the World Bank (two days per week), as well as by experts previously involved in Subgroup 4 of Taskforce II dealing with organizational issues.

Their proposed reference will be the Synthesis Reference Group as laid out in the Terms of References of the Synthesis Phase. Members of this Group will make themselves available (i) to provide direct guidance and
feedback to the synthesis team on specific issues (minimum one hour per week), (ii) to review and provide written comments on a proposed report structure, (iii) to review and comment on the draft Synthesis Report, and (iv) to convene with the Synthesis Team and other relevant stakeholders during a workshop to discuss the Synthesis Report. Contributions from representatives of other organizations and institutions are encouraged and will be accommodated on a case-by-case basis.

The work of the consultants will be closely coordinated with the Partnership Secretariat, which will arrange for the establishment of the Synthesis Reference Group.

**Timeframe**

The consultancy starts in the second week of November 2000 and lasts until the middle of January 2001 for a total of 6 weeks of working time.

**Reporting**

The reporting elements to be delivered by the consultants will be defined within the first ten days of the consultancy in close coordination with the Synthesis Reference Group and other stakeholders involved.

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**ANNEX B: SUMMARIES OF DISCUSSION GROUP OUTCOMES AT THE SYNTHESIS RETREAT IN HOI AN, FEBRUARY 9-10, 2001**

The goal of the 11/2-day 'Synthesis Retreat' was to provide selected national and international decision-makers and experts with the opportunity to comment on Draft 1 of the Synthesis Report in such a way that it (i) enables the Synthesis Team to complete its work by February 22, and (ii) contributes to the preparation of the Formulation Phase. An additional objective was to offer representatives from several provinces an overview of the Partnership process and the preliminary findings of the Synthesis Phase in order to stimulate discussion and receive feedback from a previously little involved, but very important group of stakeholders.

For most of the workshop, the participants were divided into small discussion groups. Annexes B1-B7 provide summaries of the outcomes of those discussions.

**Annex B1: Group A - The 5MHRP in a provincial context**

In this group, the participants were from Nghe An, Thua Thien Hue, Quang Nam, Phu Yen, Gia Lai and Dong Nai, as well as MPI and MARD. Presentations on the Partnership process and the preliminary findings of the Synthesis Phase served as a basis for the discussions.

**Synthesis report**

**General comments**

- Participants unanimously agreed that this is a good, well prepared report.
- The report addresses comprehensively activities of the forest sector, in particular, it has identified the missing elements and elaborated strong recommendations to improve the sector policies, institutions, structure, as well as management mechanism of forest sector projects.

**Additions**

- In the early part of the report, an introduction of partnership establishment and forest sector development strategy should be made;
- Updated forest land inventory data and figures which are recently published (January, 2001) should be incorporated;
- The report should also address the issue of forestry seedlings;
- A section on Vietnam's financial mechanism in the sector support program implementation should also be added;
- With regard to the linkage between forest sector and other national programs, although this is addressed in the report, the mechanism to steer this linkage has not been mentioned, which requires further elaboration; and
- The Sector Support Program should be incorporated with investment, financial, and disbursement
policies.

Sector Support Program

Agreed

Coordination mechanism of the Sector Support Program

No selection of either option 1 or option 2 was made, however, participants commented that:

- At central level, the Steering Committee should be eliminated, Executive Committee is sufficient;
- At provincial level, Steering Committee should also be eliminated, Executive Committee should be maintained and Project Management Board should be set up whose permanent office is located in DARD or FDD;
- At district level, eliminate local program management board and set up projects.

Timeframe

Reduce one year in Phase 1 (to 2001-2002)

Whole program period is up to 2010, but not 2015 as proposed in the report.

Annex B2: Group B - Environmental and Social Issues

Feedback on the synthesis report

The working group started by discussing the strengths of the draft synthesis report, as well as where improvements could still be made. These discussions were focused on the social and environmental aspects of the report. Some key feedback points (these have been grouped, and are selective):

Strengths

- successfully compiles a wealth of information on Vietnam's forest sector;
- provides an 'honest and frank' assessment of key issues that need to be addressed in the forest sector;
- identifies the over-riding need to move from a 'target-driven' approach (e.g. number of hectares of trees planted) to a quality-driven approach (e.g. biodiversity sustainably managed, sustainable livelihoods);
- addresses the need to integrate the 'poverty agenda' into forest sector planning

Further attention needs to be paid to

- integrating social and environmental issues as a cross-cutting theme throughout the report, not as 'stand-alone' or 'add-on' issues, which is currently the case (this emerged as a strong theme throughout the session). Members of the synthesis team responded that this was largely for reasons of convenience and logistics, and agree that improvement is needed here;
- strengthening the treatment of environmental issues which are currently addressed in a superficial and somewhat ad hoc way. The treatment of these issues does not reflect the emphasis placed by national government on addressing environmental objectives;
- strengthening the problem analysis which is currently very weak - what are the underlying problems, and how might these be addressed?
- strengthen linkages to other government programs e.g. resettlement, transport;
- responding to the reclassification of less critical watershed protection forests into production forests. This could have significant social and environmental implications, particularly for people and biodiversity in remote mountainous areas;
- expanding on ideas for financing arrangements, including innovative approaches, such as downstream water user or flood protection charging, exploiting tourism revenues, SFM and CDM possibilities etc.

Addressing social and environmental objectives
The approach adopted for this session was to review the (draft) goal and 3 objectives prepared by the synthesis team, and consider whether these provided a sound basis for addressing the environmental and social issues identified in the Synthesis report. The intention was then to identify, as a group, activities and implementation strategies that would help address objectives within the core components of the forest sector support program. This approach would help ensure that strategies for environmental and social issues were ‘cross-cutting’ and fully integrated with other components.

Key points to emerge

- The group found that the draft goal and objectives provided for the discussion need re-formulating, if these were to meet with both government and other partner needs. The group then began to embark on this process, and re-formulated the goal and two of the three objectives.
- The group needed to ‘revisit’ Decision 661 and the (3) objectives outlined within this decision. This was because various components of the 5MHRP dialogue (e.g. Task Force 1) have re-interpreted these objectives in different ways, which was found to have added to subsequent confusion and contradiction. The group’s experience was that future log framing and programming needed to be based on an open negotiation of the original objectives if these were to reach consensus amongst partnership stakeholders;
- there are clear differences of interpretation between partnership stakeholders on key terms, such as ‘goals’, ‘objectives’, indicators and ‘targets’. These differences are exacerbated by differences in nuances of translation. The partnership needs to recognize this issue and ensure that everyone is ‘speaking the same language’. The group found that these differences have, on the one hand, profound implications for designing the log frames required by donors, and on the other, for government partners that need to ensure that programming addresses the core objectives of decision 661;
- it was possible to reach consensus on the goal and the first 2 of the 3 objectives of Decision 661.

Goal: it was felt that this should apply to the forest sector support program and should be:

‘The sustainable management of forests and the conservation of biodiversity to achieve a) the protection of the environment, b) enhancing the contribution of forestry to the national economy, and c) improving the livelihoods of people in forest areas.’

Objective 1: based on decision 661, this can be interpreted as:

‘In order for Vietnam to protect the environment, decrease disasters, increase water availability, preserve genetic resources and protect biodiversity [-must be coherent with 661], x ha of new forest will be established
and y ha of existing forests will be protected.*

Therefore: Biodiversity conservation, environmental protection, genetic resources conservation, a decrease in
disasters and an increase in water availability are included in all the activities related to
the management of protection, production and special use Forests.

* In future discussions, we need to check the definition of such terms as 'conserve,' 'preserve' and 'protect' as the meanings vary in English and do not always correspond to the same meaning in the Vietnamese translation. Some group members felt that the use of protect should include a meaning which promotes local active use and management, rather than strict protection, such as closed forests.

**Objective 2:** based on decision 661, this can be interpreted as:

'In order for the 5MHRP to contribute to poverty alleviation, food security, hunger elimination and national
security and to create employment opportunities, there is a need to focus on appropriate and efficient use of
land and particularly 'bare-land' and effective community participation in production, protection and special use
forest development and/or management.'

Sub-objectives will need to focus on a) appropriate and efficient use of 'bare land' (e.g. who defines 'efficient
land management?') and b) effective community protection in production forest development to achieve i)
poverty alleviation, ii) food security, iii) security, [i.e. as stipulated in Decision 661].

**Objective 3:** time constraints did not allow us to cover this objective.

In conclusion...

This was a useful session. Whilst the workshop planners had hoped we would provide specific issues for
inclusion in strategy development, these discussions highlighted the dangers of proceeding further, where clear
agreement or shared understanding on the goals and objectives of the forest sector program had yet to be
reached. This has clear lessons for the forthcoming log framing exercise and subsequent programming
activities.

**Annex B3: Group C - Land management and forestry development issues**

**Land management**

- Forest land classification
  - Review land use currently inventoried data. It should use newly approved data by the Government
    (2001)
  - Forest land classification: 5MHRP must be based on Decisions 03, 08 issued by the Government in
    January 2001. Watershed protection forest should keep a single class consisting of former very critical
    and critical classes. The former less critical class should be merged with production forest or agriculture
    land.
  - 5MHRP must define criteria and indicators and mechanism for forest land classification. Criteria and
    indicators must include technical and socio-economic aspects and be flexible for different regions.

- Land use planning (LUP)
  - 5MHRP has to indicate the priority areas to make LUP for specific purposes. Define their location, total
    areas, use purposes, who implements LUP. Then a bottom-up approach should be applied for defined
    areas with balance between national and local benefits.
  - Provide more empowerment to localities and stimulate participation of local people in micro LUP.
    Central levels should play role of orientation, instruction, training, technical advise and provision of
    information for LUP.
  - 5MHRP must define clear functions for LUP institutions.
  - Application of remote sensing and GIS technique in 1/25,000 and 1/10,000 mapping for micro LUP.

- Forest land allocation
- Forest land allocation and issuance of red books should be continued using appropriate processes. 5MHRP has to define priority areas for forest land allocation. Forest land is strongly recommended to be allocated to individuals and households. Legalize already community-occupied forest land. Review and withdraw the forest land already allocated to SFEs but currently not in effective use.

Forest-based economic development

- Forest resource must be managed sustainably. Existing forest must be protected and developed. New plantations must based on site condition, species, marketing and support plantation forest owners and rural people.
- 5MHRP has to define benefit-sharing mechanisms, cost-benefits of forest production and environment benefits.
- Establish independent M&E agencies for forest plantation based on quantitative and qualitative indicators.
- Forest resource should be used for multi-purposes.

Watershed protection and nature conservation

- Concept: Natural regeneration should be applied except where there is not enough condition for it.
- Watershed protection forest and nature conservation should apply approaches of multi-purpose use such as environment protection, biodiversity, water supply, recreation, eco-tourism.

Strengthening capacity

- Amend law of conservation and development of forest and other related legal documents. Increase decentralization policy, providing more empowerment to local people, authorities but under strict supervision of central authority to ensure 5MHRP goal achieved. 5MHRP has to link with other national programs.
- The recommendation to merge FPD and FDD to a single forest unit of MARD is not relevant. It should not recommend a subjective point of view before careful research.

Livelihood

- Zoning for investment areas
- Define coordination mechanism between different programs in the same regions.

Annex B4: Group D - Institutional issues and Sector Support Program

Institutional issues

The numbered items in the list below were drawn from the recommendation section of the draft Synthesis Report. Comments and ideas that emerged during the discussions are added in italics.

Conclusions

1. Research, extension, education and training actors under-funded and lack of incentives to share and coordinate as well as operating separately

2. Extension focused on models with insufficient linkage to research and with little needs-orientation towards the clients

3. Training and education curricula have not caught up with the changing nature of forestry

4. Education and training lacks an effective impact monitoring system add research and extension

5. Government agencies including SOE/SFE continue to control majority of planning and implementation in forestry including the budget

6. Effective 661 program management prevented by:
• Limited scope of eligible projects financed with Program 661 funds
• Cumbersome and control oriented procedures
• Traditional reluctance to work across agency boundaries
• Overlapping and contradicting/conflicting procedures

7. Centrally defined targets are packaged by Provinces and Districts into Sub-Projects resulting in:

• Central Level needs extensive double-checking and modifying
• Local level needs and capacities are incompatible with the prescribed sub-project parameters

8. Lack of concrete objectives, criteria and indicators prevented transparent decision-making, monitoring and evaluation

9. Once sub-projects are approved few mechanisms exist to prevent use of 5MHRP for other activities than foreseen in the work plan

10. Conflicts of interest between project owners and supervisory bodies undermine monitoring and evaluation to be replaced by: No mechanisms to clarify interests between project owner and supervisory bodies

Other new ideas & comments from the discussion:

1. Underlying causes not considered sufficiently in the conclusions
2. Overlapping and contradictions in the legal documents/framework
3. Subsidiarity and decentralization not sufficiently addressed in the legal framework
4. Wages and allowances of the staff working in the forestry sector is insufficient (not only extension, training, etc.)
5. Overlap in the institutional responsibilities in the forestry sector
6. 5MHRP is forestry focused, but if livelihoods are not improved it will fail: create linkage with other national programs
7. Trained personnel does not find or does not want to work in the forestry sector (applies for skilled workers up to university graduates)
8. Extension weakness is also due to few results of research that can be disseminated, positive results of extension in the framework of an international assisted project can not be applied in other areas, and classification focused on 661 funded forest types as protection and special use forests

Priority actions

1. Functions and tasks of different 5MHRP units need to be better defined at all levels
2. Criteria and indicators for 5MHRP related decision need to be better defined
3. Greater local autonomy in decision making at those levels where sub-projects are defined including financial management
4. Division between Steering Committees and executing bodies and the links between program hierarchy and the regular administrative system defined
5. Increased responsibility and accountability at local level, so that 5MHRP resources are used as intended
6. More flexibility for project owners to define locally appropriate sub-projects
7. Greater autonomy and flexibility should go in hand with third party monitoring including projects beneficiaries
8. Sanctions against non-compliance have to be made clear and credible
9. Include non-state actors, particularly mass organizations, NGOs and communities as project owners
10. MARD should speed-up revision of forest law and nullify outdated laws as well as eliminate legal overlaps and contradictions
11. Clarification & Consolidation of forestry related departments (FPD, DFD, AFED) - merging FPD/DFD and Transferring Forest Police responsibilities to other Ministries
12. Proceed with SFE renovation in accordance with existing & revised regulations
13. Staff separation of SFEs by allocating forest land, protection contracts, promoting extension service associations
14. Reorganization of training and research institutes (more demand orientation) & extension
15. MARD needs to ensure that research and extension are linked more closely & education
16. Diversification of forestry extension organizations on the basis of contract-bound or voluntary service provisions
17. Extension agents compensation packages through the improvement of allowance regulations, revenue generation and integration with rural credit system (eventually add other personnel in the forestry sector)
18. Adjustement of educational curricula and demand-driven training delivery systems
19. Develop an effective tracing system in training and education institutes
20. Strengthen effective monitoring and evaluation systems so that training and education meet the evolving demand of the forestry sector

**New ideas from the discussion concerning the priority actions:**

21. Expand 661 to cover production forests and add further policies for production forests?
22. Develop policy for loan to invest in production forest
23. The issues 21. and 22. have been controversially discussed in the group, together with the issue of the ‘Creation of an enabling environment for private sector investment in production forest’.
24. Creation of a body coordinating at regional level national target programs and projects
25. Strengthen implementation of Decision 245 (decentralization) and newly issued Decision 03 (5.1.2001) and organizational reform with regard to land and forest
26. Decision 661 and Decision 187 needs to be more clearly defined
27. More policy elements should be added to the synthesis report
28. Establish a Monitoring and Evaluation unit in order to monitor and evaluate the impact of training and education

The following priorities were set by the participants and roughly grouped together:

**Group 1**

1. Functions and tasks of different 5MHRP units need to be better defined at all levels (8 votes)
2. Clarification & consolidation of forestry related departments (FP, FD, AFED) - merging FP/FD?
   Transferring Forest Police to other Ministries (3 votes)
3. Criteria and indicators for 5MHRP related decision need to be better defined (3 votes)

**Group 2**

4. Greater local autonomy in decision making at those levels where sub-projects are defined including financial management (5 votes)
5. Greater autonomy and flexibility should go in hand with third party monitoring including projects beneficiaries (5 votes)
6. Increased responsibility and accountability at local level, so that 5MHRP resources are used as intended

**Group 3**

7. Proceed with SFE renovation in accordance with existing & revised regulations (5 votes)
8. Group 4
9. Reorganization of training and research institutes (more demand orientation) & extension (3 votes)
10. MARD needs to ensure that research and extension are linked more closely & education (3 votes)
11. Group 5
12. Extension agents compensation packages through the improvement of allowance regulations, revenue generation and integration with rural credit system (eventually add other personnel in the forestry sector) (5 votes)

**Group 6**

13. Creation of an enabling environment for private sector investment in production forest (3 votes)

Note: Each of the 11 participants received 5 dots in order to vote, clustering was allowed

**Sector Support Program**

The group discussed Chapter 5 of the draft Synthesis report (SR): Scope of a SSP. The discussion followed the 4 sub-chapters

1. Substance
2. Coordination Mechanism
3. Harmonization of Implementation
4. Timing
1. Substance.

This was discussed on the basis of Figure 3 of the SR. Observations:

- The regional boxes are not necessarily helpful in understanding the purpose of the figure
- The Figure delineates the scope of a SSP. It should be borne in mind that it is not the same as an operational program framework (reference Group G). Thus the subdivision should definitely not lead to disjointed (separate) development investments
- It is important to consider the relation between the scope and sub-division of the SSP and that of the Forestry Sector Strategy
- The components of the scope should be linked to the objectives of the SSP and institutions/stakeholders
- Training, Research and Extension should not be boxed separately, but rather be approached in an integrated way
- Institutional strengthening is too limited; 'development' would be a broader and better term
- Food security is not a responsibility, but a 'dimension' in forestry programs

2. Coordination Mechanism

This was discussed on the basis of Figure 4 and Option 1 and 2 (Figure 5 and 6) of the SR.

- First we learned that the National Steering Committee has been merged with the national executing committee by decision of the government.
- It should be remembered that the coordination mechanism is the end of the line. It starts with a vision on sector development and sector strategies. This defines donor positions, which defines donor support, which defines coordination.
- 'Donor Involvement' (Figure 4) has several dimensions. The Government's position is that they welcome high donor involvement in policy discussions and in financial support, but not in decision making which remains a national affair and a decreasing involvement in execution (implementation).
- A very interesting discussion developed on the opportunity to involve the national budget allocation to the 5MHRP (approx. 330 billion VND) in the Partnership program and thus in the discussions on shaping the SSP. This would eliminate the need for the Government to allocate separate counterpart contributions to the donor contributions. It would open the door for a far more coordinated sector program and much more substantial and meaningful government-donor co-financing. It would guarantee a high involvement and national ownership over the total SSP by the Government and it would maintain a strong donor interest in cooperation on the program. This needs to be further discussed internally in the government and between government and donors.
- It is most important to define the TOR of the units and make sure that this strengthens decentralization.

3. Harmonization of Implementation

Little time was left for this issue and no time was left for the last issue on Timing.

The most relevant observation was that harmonization of project cycles, potentially resulting in joint identification, formulation and M&E, requires policy harmonization among donors and between government and donors.

Annex B5: Group E - Revision of Decision 661 and related assistance from the Sector Support Program

This group discussion aimed to identify key elements to be considered in the revision of the 5MHRP, both concerning the process and the substance, as well as the possible role the international partners in the Sector Support Program can play in this process. Whereas the identification of areas for revision was relatively easy, the discussion became more difficult when the question turned to who would do what, how and when.

Process

- Recommendations from local levels (including on changes in process and technical norms) should be provided to MARD.
- Recommendations from local levels (including on institutions, mechanisms and policies) should be provided to other concerned ministries and then to the Government.
- Recommendations from local levels on key program objectives should be provided to MARD and related ministries, then to the Government and the National Assembly.
Field experiences on the impact of land allocation, contracts and local management from projects, districts, provinces should feed directly into the revision process.

MARD should prepare the proposed revision, then submit it to Government and the National Assembly.

The steps and deadlines in the revision process need to be made public.

Draft revisions should be prepared by an inter-disciplinary task force and then discussed in workshops.

The revision of 661 needs to be linked to the activities of the Forestry Strategy Group and the 5MHRP process in order to achieve convergence for a joint strategy for a Sector Support Program and 5MHRP.

Key areas for revision

- Review the objectives (qualitative and quantitative targets; relative focus on protection, production and special use forest; relative focus on plantation and natural regeneration).
- Take into consideration the redefinition of protection and production forest (including its implications on administrative and funding aspects).
- Community involvement
- Link of 661 with overall forestry strategy
- Roles of management units/boards at all levels
- Consistency between investment/ha and targets
- Linkages/integration with other national programs for higher effectiveness towards improved livelihoods/poverty reduction
- Institutional changes to involve local levels and promote decentralization
- Links between biological diversity and people’s benefits
- Independent monitoring and evaluation operating according to clear criteria and indicators
- Strengthening service delivery systems/extension and clarification of the role of state forest enterprises and watershed protection forest management boards

Other comments

- Detailed implementation guidelines should be attached as an Appendix. They should not be mixed in the main content of the Decision.
- A revised Decision should contain (i) immediate objectives, (ii) solutions, (iii) organization, and (iv) policies.
- More autonomy in decision-making and budgeting to local levels.
- Management structures for 661 at provincial and local levels should be aligned with those of other programs.
- Greater emphasis on community-based land use planning before land allocation.
- Identify a process for the integration of natural biodiversity and utilized biodiversity (e.g. NTFPs) into a strategy to increase productivity for local benefits from natural/regenerated forests and plantations.
- Identify the role of land, forest resource and formulate suitable investment policies.
- Identification of a process that would involve communities directly in long term forest land management of protection and production forest.
- Decision 661 should clarify in its preamble how it fits into the overall forestry sector medium and long-term development strategy.
- Incorporate forest products processing planning: markets (capacity, price, quality requirements) and land resource.
- Group of eligible 'sub-project owners' needs to be diversified.
- Identify criteria/indicators for classification of protection forests for field level.
- Ecotourism.
- Complete beneficiary policies for different types of forests.
- Set up effective and accountable extension network.
- Make objectives and implementation clearly geared to livelihood security and poverty alleviation.
- Investment in human and technological development.
- SFE renovation to enhance role of private sector and beneficiaries.
- Training, education, study tours.
- Non-land based fund should facilitate compensation for budget cuts from reclassification of forest land.
- Research priority products for different areas and markets (quantity, quality, price) and capacities (land, infrastructure and human resources).
- Introduce transparent M & E system focusing on achievement of objectives and impact of 5MHRP.
- Introduce commune/village/user groups as legal entities in land management.

Annex B6: Group F - Policy and institutional reform and related assistance from the Sector Support Program
1. Forestland classification
   - Decision 08/2001/QD-TTg dated January 11, 2001, by the Prime Minister on Management Regulations of Special use forest, protection forest and natural production forest needs to be applied;
   - The existing protection forest system needs to be reviewed;
   - Land classification should take into account not only watershed but also coastal protection forest;

2. Community land allocation
   - This can only be done if community becomes an economic entity or cooperative;

3. Nature conservation and watershed protection
   - The forest management plan for three types of forests needs to be revised;
   - The Synthesis Report has not proposed any solutions to the local fuelwood problem;

4. Policy of forest closing
   - The objective of the 5MHRP is to reduce exploitation of natural forest, and shift to plantations;

5. NTFP management
   - In-depth studies on the NTFP market to identify suitable plant/animal species and ecological conditions should be carried out;

6. Options for establishing a forest development support fund should be studied; a mechanism for charging downstream water users for forest establishment contribution for forest beneficiary sectors should be studied;

7. Long term financial strategy, including investment policy, credit policy, etc. should be studied;

8. Regarding benefit sharing: MARD in coordination with related Ministries and sectors has submitted to the Government a forest benefit sharing regulation.

Annex B7: Group G - Visioning a Regional Sector Program

Introduction.

Working Group G had a wide-ranging discussion of what a regional forest sector program might look like for Vietnam. The discussion was not conclusive mainly because of the complexity of the subject and the need for the form of a sector program to follow the functions it has to perform, when the key functions are still unclear, i.e. it may be premature to develop a vision of a regional program structure. Although it is recognized that the concept of a region was helpful, it was also recognized that the region is not a unit that is widely used in Vietnam today. Administration follows strictly the national, provincial, district and commune hierarchy of levels of government

Functions and stakeholders

A sector program has to recognize both a range of key functions and stakeholders and who has primary (4) or secondary responsibility (3) for performing those functions. The government does not and cannot perform all these functions: responsibility is shared.

<table>
<thead>
<tr>
<th>Function</th>
<th>Government</th>
<th>Community</th>
<th>Households</th>
<th>Private sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest policy development</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forest protection and conservation</td>
<td>4</td>
<td>3</td>
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<td></td>
</tr>
</tbody>
</table>
Key functions and supporting services

Each key function serves an economic, environmental, or social development objective and some serve more than one objective. Performing these functions in practice requires a number of support services that provide: management information, technical information, research, extension services, training and human resource development, etc.

Local, regional and national responsibility

A sector program has also to be visualized in terms of levels of activity, from bottom to top. Doing this ensures that activities on-the-ground are recognized and that higher level activities serve and enable the lower level activities.

Timing and sequencing

A sector program has also to be visualized in terms of the timing and sequencing of activities, recognizing that not everything can stop while all the necessary prerequisites are put in place. (The most obvious broad categories of pre-requisite are: i) sound policies and ii) capable institutions. These should normally precede investments.) Operationally, in forestry, there are activities that should logically precede others, for example:

- forest land allocation and use must be a starting point
- recognition of use rights for communities should precede upland reclassification
- land reclassification should precede further upland allocation
- land reallocation should be followed by the redistribution of use rights
- redistribution of use rights should precede major new investments in forestry
- new investments in forestry should be built on local development plans
- local plans must be based on participation, serve multiple objectives and be multiple-use
- better economic analysis should precede consideration of new investments in production forestry
- economic and materials analysis must be combined before investing in forest products industries
- state forest enterprise reform should precede or at least accompany new investment in state forest enterprises
- improved research and testing should precede the application of new forestry techniques, e.g. enrichment planting
- when in doubt, protect the resource

Discussion

The group discussion recognized the following points:

- A forest sector program requires a national commitment and a nationally agreed direction.
- Certain sector activities are best performed nationally - such as policy development, including policy on protection, utilization, trade, financing, research and extension, and human resource development, training and capacity building.
- But operationally, an effective forest sector program has to build up from local and regional components - including development plans and their execution.
- Local and regional components should be built with due recognition to administrative, biophysical and socio-economic boundaries that reflect the responsibilities of stakeholders, sustainability of natural
resources and development objectives - doing this will challenge working exclusively within current administrative boundaries.