Report of Taskforce II

FOREST STRATEGY, POLICY AND INSTITUTION

Final report

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1. INTRODUCTION

1.1 Background of the Forestry Sector

Vietnam has 33 million ha of natural land, of which forested land covers an area of 10.9 million ha accounting for 33.2% of the total natural land area (Annex 7, 5). Forest has a special importance to Vietnam as well as to all other nations in the planet. Forest not only meets the demand for timber, fuelwood for the social daily life, but also plays an important role in environment protection, sustainable development of the country, employment and income generation for millions of people living in forests most of whom are poor and of ethnic minorities. Being aware of this importance, Vietnamese Government has always considered the protection and development of forest an urgent and long term strategic task. During the war as well as the difficult years of economic recovery, the Government has allocated a considerable budgetary fund to establish a forest system and has issued many policies to attract all social resources to the protection and development of forest. In 1972, the Standing Committee of the National Assembly issued the Ordinance on Forest Protection. This is the first important document to provide legal framework for the Forestry Development. In 1991, the National Assembly approved the Law on Forest Protection and Development followed by many policies and strong measures such as purpose based forest classification into 3 categories: special use forest, protection forest, production forest as a basis for issuing suitable policies and measures; gradual socialization of forestry through land and forest allocation to organizations, households and individuals for forestry oriented long term use; limitation and termination of Government’s subsidization to the State Forest Enterprises; shifting from exploitation of forest resources to conservation and development of forests; taking silviculture as a foundation by banning exportation of logs, unprocessed sawn timber; implementation of the national program 327 to afforest and conserve special use and protection forests; implementation of the policy of limitation and termination of natural forest exploitation; decentralization of state management of forest and forestland; reorganization of the SFEs network, etc. Many nations, international organizations, NGOs have been implementing many projects assisting Vietnam in conserving the animal and plant resources, in developing production forest, training and extension, forest policy formulation, etc. Particularly, the 2nd meeting of the National Assembly Session X has approved the Resolution to newly plant 5 million ha forests (Resolution 08/1998/QU10 of 15 December 1997). It is a focal national program reflecting the State's determination in implementing forest strategy and policy for environmental protection and improvement of living conditions for people, thus contributing to realize commitment of international community on environmental protection. Recently, the plantation area tends to increase, the speed of natural forest loss gets slower. In many areas, hills and mountains have been regreened, many good models for forest protection, plantation and forest farming have emerged; there are households prospering by doing forestry business, which helps change the economic status of the midland and mountainous areas. However, like many other developing tropical countries, Vietnam used to exploit forest for timber but did not pay attention to its environment protection function, the forest area therefore decreases. In 1943, there was 14 million ha of forest, whose cover was 43%. After the unification of the country (1975) according to the nationwide inventory, the forest area was 11 million ha. In 1995, only 9.3 million ha of forest remained which made up the forest cover of 28.2%. In 2000, the forest area is 10.9 million ha, the forest cover 33.2% (see annex 7, 5). At present, Vietnam’s forest is still facing major challenges: fast population increase, which leads to considerably increasing demand for food, foodstuff and fuel wood; prevailing poverty; free migration; continued shifting cultivation and moving settlement resulting in deforestation. Natural forest is encroached and its utilization purposes are changed, its quality is degraded which threatens the livelihood of millions of mountain inhabitants and causing many other negative impacts such as flood, drought, soil erosion, forest bio-diversity reduction, etc. A series of questions are posed: what is the current status of the forest policy system? Are these policies incentive to attract the social resources to the protection and development of forest? Why does the forest resource continue to decrease despite much labor and financial investment from the Government? What are the constraints in the forest policy system? What are the potential of and the challenges for the development of the forestry, more specifically, the 5MHRP. What are the focuses of the forest strategies and the policies? This report is to answer those questions.

1.2 Objectives and expected outputs

1.2.1 General objectives

General objectives of the TFII are including:

- Review and evaluate the present forestry policy, strategy and institution in an attempt to highlight advantages, limitations, potentials and outstanding issues derived in forestry development process.
- Propose amendments, supplements for finalizing strategy, policy and institution within the implementation of the 5MHRP, whilst contributing to build up long-term vision for forestry sector of Vietnam.
- Propose solutions to organize implementation of changes in the strategy and policy.
1.2.2 Specific objectives

- Assess the existing strategy, policy on land use planning, forest classification and forestland allocation; clearly draw learnt lessons, experiences and outstanding issues, based on which to propose strategy, policy and measures to undertake land use planning, forest classification, forestland allocation and effective use of allocated land.
- Assess the present status and recommend orientations for amendments, supplements for finalizing strategy, policy in investment, credit and taxation in forestry sector.
- Assess the present status of strategy and policy on forest exploitation and use, and forest product markets, based on which to recommend orientations and measures for sustainable exploitation and use of available forest resources and for development of forest product markets.
- Assess the present status and recommend policy orientations, measures on scientific research and forest extension to serve the 5MHRP.
- Assess the present status of institutional system, policy and strategy on human resources development, basing on which to perfect the institution, strategy and policy on human resources development for forestry sector
- Assess impacts and recommend social policy orientations and some policies related to forest development in the period 2000 - 2010.

2. ORGANISATION OF THE TASK FORCE II

2.1 Internal organization of the Task Force

The Task Force II is composed of more than 20 Vietnamese and international experts experienced in the field of forest policies, strategies and institutions (see Annex XX). The forest policy expert from the Department of Agriculture and Rural Development Policy is the chairman of the Task Force II, with the forest policy and institutions adviser from the Project Reform of the Forestry Administration System (GTZ-MARD) as the co-chairman.

The Task Force has divided its work into 4 sub-groups dealing with the following issues:

- Forest classification, Land use planning and land allocation;
- Economic framework conditions and sustainable forest management
- Scientific research, forestry extension and related policies;
- Institutions and development of human resources;

From each of the Sub-Groups 2 Vietnamese and 2 international experts were selected to form the core team (see Annex XX)

2.2 Guiding principle and methodology

The guiding principle of the work of the Task Force II was to base on the work of Vietnamese consultants, which are working and experienced in the administration related to forestry or relevant other sectors. The international experts assisted in developing the overall and the sub-groups Terms of References and provided throughout the work of the Task Force feedback either during plenary or individual meetings or in written form.

- After the official approval of the Terms of References by the Partnership Steering Committee in May 2000 a group of 6 Vietnamese consultants started an information collection phase. The information collection reports formed the basis for the analytical work of the individual reports and the sub-groups. In August and September 2000 a selected number of the Vietnamese consultants conducted field trips at localities, and exchanged with leaders of provincial Departments of agriculture and rural development (DARD), State forest enterprises (SFE), Forestry companies, Management Boards of special-use and protection forests, interview of people engaged in forest production. In addition, the members of the Task Force consulted with experts and managers at the Central level.
- In October and November the individual reports of Sub-Group 1,2, and 3 and the Sub-Group 4 report were drafted and comments of Vietnamese and international experts integrated. In December 2000 the Task Force II synthesis report was drafted, revised and submitted to the Partnership Secretariat.

2.3 Task Force II outputs

The Task Force has resulted in 16 individual reports of which the current one is a synthesis. The interested readers are encouraged to contact the Partnership Secretariat for copies.
• 12 individual reports on land use planning: land allocation; forest classification; investment, credit and tax; silviculture; forest exploitation and use; forest product markets; science and forestry research; forest extension; institution and human resources development; fixed cultivation, sedentarisation and new economic zone; social issues in forestry.
• 3 reports on results of the information collection period, which briefly introduce the existing policy framework: results of researches conducted by organizations and individuals related to 3 main subjects: land use planning, forest classification and land allocation; economic conditions and sustainable management of forests; science and forestry research.
• 6 reports to briefly present outcomes of the field visits conducted by 3 sub-groups on the issues: forests and forestland allocation, investment and credit, forest extension, forest products markets, science and forestry research, fixed cultivation, sedentarization and new economic zone.

2.4 Limitations of the work of the Task Force

The current forest strategy, policies and institutions is scattered among many legal and policy documents. Vietnam does not have any recent forest policy document approved. Even though the Law on Forest Protection and Development provides some principles for the forestry sector in Vietnam, it does not correspond to a forest policy document. This made the analysis of the Task Force II more complicated and led to the separation of forest policy into several issues and by consequence into several individual reports.

In addition, the Task Force work was mainly based on Vietnamese consultants and international experts working in the administration or in on-going ODA forestry projects. It constituted a supplementary task and hence the active participation of all members of the Task Force has to be highly valued. However, it did not allow discussing in detail the individual reports by all members and to ensure throughout the work of the Task Force the quality control required.

3. DESCRIPTION OF FOREST STRATEGY AND POLICY

3.1 Overall strategy for forest development and protection in Vietnam

Strategy, in general, is a system of policies and measures to address the long-term objectives. Contents of the strategy consist of general advocacy and policies applied in a long enough period as well as long term objectives and measures to target the set objectives. The 6th Party Congress (1986) has renewed the economic management mechanism and social activities of Vietnam. Especially, the Resolution 10 of the Politburo (1988) and the following resolutions and policies of the Party and the State on reform of agro-forestry economic management have identified orientations for forest development. The documents of the 7th Party Congress (1991) has clearly indicated that “agro-forest and fisheries development together with processing industry, comprehensive development of rural economics and building up new rural areas are the most important duty to stabilize socio-economic condition”. The resolution of the 6th Meeting of the Party’s Standing Committee, Session VIII (December 1997) has also emphasised: “in forestry sector, the first duty is to protect the existing forests, specially protection and special-use forests, then to regenerate forests and strictly manage exploitation of production forests. Detailed plans have to be worked out and the 5MHRP having been approved by the National Assembly has to be actively implemented in an attempt to increase the forest cover to 40% of the entire national area”. The Resolution 06/NQ (1998) of the Politburo on some issues related to agriculture and rural development has clearly indicated: “Focus is on protection of existing forest resources and enrichment of forests, especially protection and special-use forests. To effectively undertake the 5MHRP. To establish intensive forest areas together with development of processing industry and improvement of forest production effectiveness”. In the part to mention on the State’s role in agriculture and rural area, the Resolution affirmed to consolidate and improve running efficiency of State agro-forest enterprises so that they could function as the center of production, scientific and technical services for the locality.

3.2 Program 327 and the 5 Million Hectares Reforestation Program

Program 327 (1993 - 1998) is actually the first national program on plantation and conservation of protection and special-use forests, aiming at ensuring sustainable protection function of the forests, natural disaster mitigation, effective use of land, thus gradually improving living conditions and attaching households’ benefits with national ones. The 2nd meeting of the National Assembly X (1997) has approved the Resolution for the 5MHRP with the following objectives:

• Speed up forestation to green bare land and hill, protect existing forests, strengthen protection function of forests, protect environment and diversify biology; enable sustainable development of the nation; and increase forest cover to over 40% of the national area.
- Generate employment, increase income for people, thus contributing to the course of poverty alleviation and production development.

Create important material areas for development of agro-forest products processing industry.

Decision 661/TTg/1998 signed by the Prime Minister on 29 July 1998 has mentioned on the legal frame for implementing the 5MHRP. In this Decision, general objectives of the 5MHRP endorsed by the National Assembly were detailedized.

### 3.3 Legal Framework

To provide favorable legal environment for implementing forest development orientations, from 1990 till now, the State has promulgated around 100 legal papers mainly related to forestry sector.

#### 3.3.1 Forest land classification, land use planning and land allocation

The revised Land Law (1998) and its bylaws have confirmed: land use planning and plan was 1 of the 7 issues relating to State management over land. Land use planning included classification of agriculture, forest, residential, specialized and unused land while making necessary adjustments appropriate with each socio-economic development stage of the locality as well of the whole country. Contents of the land use plan were inclusive of identification of use purposes of each land type and adjust the land use plan in accordance with the set planning. The revised Land Law (1998) also stipulated that the State allocated forestland without getting land use fee to households and individuals directly engaged in agro-forest production for long-term and stable use with forestry production purpose, and they had rights to transfer, sell, lease, inherit, mortgage and use it as their share in investment. Besides, households and individuals are leased forestland by the State to use with forest production purpose. The Decree 02/CP (1993), later on replaced with the Decree 163/CP (1999) has legalize this legal frame. The Law on Forest protection and development has regulated forest stands in the whole country basing on the forest functions, including 3 forest types: production, protection and special-use forests, based on which suitable policies and measures for each forest type were specified.

#### 3.3.2 Investment policy

Articles 22 and 37 of the Law on Forest protection and development have clearly stipulated that the State has policy to regulate, mobilize and attract capital for establishment of protection and special-use forests in long and stable terms. For protection forests, the State will facilitate and support forestation at the difficult areas. This view point has been detailedzation on legal papers like the Decision 327, 264, 661. The Decision 661 clearly noted that investment capital from the State was used to contract conservation of special-use, critical and very critical protection forests of 50,000 VND/ha/year, contracted time is not over 5 years; contract for regeneration and plantation of less than 1 million VND/ha; the contract term is not over 6 years; the contract level for plantation of protection forests is 2.5 million VND/ha; support of 2 million VND/ha on average for organizations, individuals spending their own capital to plant production forests with precious and rare species of over 30-year cycle. Investment policy for production forests is applied with 2 directions: preferential and commercial loans. The revised law on encouraging domestic investment (1998), Decree 43/CP (1999) have regulated that projects on forestation and regeneration can borrow preferential loans (7%/year at present), the reimbursement terms depend on the tree cycle. In the grateful period (basic establishment period), these projects can enjoy the interest rate of 50% compared to the preferential rate (3.5% at present). Decision 67/TTg (1999) regulated that for households, the bank will launch the credit valued up to 10 million VND at normal interest rate, the borrowers do not have to mortgage, they just submit application to borrow credit attached with their certificate of land use rights. For households doing farm economics, the bank can lend over 10 million VND, the borrowers have to fulfill regulations to ensure their credit. The revised foreign investment law (2000) regulated that the foreign investors can select suitable investment model, the Law ensured that legal assets and capital of foreign investors would not be confiscated and the enterprises having foreign capital investment would not be nationalized.

#### 3.3.3 Tax policy

The revised Ordinance on natural resources tax (1998) regulated that products exploited from natural forests have to pay natural resources tax. Levels of natural resources tax are different, depending on the groups or types of natural resources, if it belonged to the limited resources, the tax level would be high; tax levels for wood varied from 25 - 40%. The Law on agricultural land use tax (1993) regulated that wood from planted forests would be taxed 4% of the exploited value. Decision 1124/TTg (1997) stipulated that exported products made with wood from natural forests would be taxed 20% on average, wood from planted forests 15 - 20%, particle wood - 5%, most of products using wood from planted forests would be taxed 0%. The Law on value added tax (1999) provided for products that would not be taxed, including forest products and raw products from planted forests directly sold to the markets by producers. The revised Law on encouraging domestic investment (1998) regulated that investment made in forestation, regeneration, processing of agro-forest products, technical services for forestry sector were classified in
category A - encouraging sub-sectors. The activities to plant, regenerate forests at mountainous, island, difficult areas under categories B and C, therefore they are also offered with favorable conditions. If we look at 2 criteria mentioned above, almost activities related to forest plantation, protection and regeneration meet conditions in terms of sub-sectors and geographical location, therefore they can enjoy the following incentive policies:

- They are exempted from land use tax in case the land is located for forest production and plantation;
- Projects investing in encouraging areas will be exempted from land use tax for up to 15 years in case of allocated land. For projects to plant and regenerate forests or plant long-cycle trees at exhausted land or bare land, hills and mountains, tax will be exempted for the whole project implementation period.

3.3.4 Policy on exploitation, use of forests and forest product markets

The Law on forest protection and development (1991) stipulated that exploitation of forest plants, hunting of animals have to comply with the State regulations; exploitation of forest products from natural forests has to follow the forestry technical norms issued under the Decision QD/02/1999; management and use of special-use forests have to comply with special-use forest regulations. The exploitation regulations clearly indicated exploitable forests, authority to decide the exploitation, procedures, appraisal and approval of exploitation design of each forest type as well as regulations applied during and after the exploitation. For production forests used for business, it is required regulating options approved by the competent State agency. For protection forests, thinning at too dense area or of old, insect-attacked trees is allowed; the richly deposited forests can be exploited as well with maximum intensity of 20%; for special-use forests, hunting of wild animals is prohibited; at the buffer zones, forest can be clearly cut, planted or enriched in accordance with the approved plan, it is also allowed to collect some by-products. Since the implementation of the policy on limiting wood exploitation from natural forests in 1997, it is continued to close forever for special-use forests, 30 years for very critical protection forests; exploitation is allowed at medium and rich production forests with average production of 300,000 m³/year. With regard to market policy: Directive 90/CT-TTg (1992) stipulated that from 1992 onward, it is prohibited to export round, sawn or semi-processing slice wood. The Decision 65/TTg (1998) regulated export of wood products and forest products, and import of wood materials and forest products. According to those legal papers, wood products allowed to export were handicraft made with wood from natural forests, products using artificial board or wood from planted forests, imported wood; enterprises from all economic components are allowed to import material wood. Directive 19/CT-TTg (1999) encouraged use of wood from planted forests as materials for industries; solved obstacles in terms of procedures on transport, consumption and export of wood from planted forests; bamboo, neohoujeaua dulloa and by-products from natural forests are free to be circulated at markets; the State encourages processing and export of processed products from planted forests, in case the local processing establishments can not use all the available materials, then raw materials from planted forests can be exploited.

3.3.5 Policy on scientific research and forest extension

Decision 661/TTg and some other legal papers have emphasized on researches to select, inter-cross and import seedlings highly adaptable and effective as well as intensive plantation techniques; measures for protection and prevention of forest fire; species structure of protection forests, structure of protection forests consistent with different protection objectives; techniques for restoration and regeneration of natural forests; study of bio-diversification and preservation of genetic sources; scientific base for effective protection and use of precious, rare plants and animals; technology to produce particle board and plywood using domestic materials; technology to process artificial board from non-wood materials. Policy on agro-forestry extension was reflected in the Decree 13/CP (1993) and inter-ministries circular 02/LB-TT (1993) to guide implementation of the Decree 13/CP (1993).

3.3.6 Institution and human resources development

The Decree 12/CP (1993) on reform of the agricultural enterprises, Decision 187/TTg (1999) on reform of organization and management mechanism of SFEs are the important legal papers for reform of the SFEs. Decision 187/TTg (1999) affirmed SFEs operating on cost-accounting principle, the State would maintain and consolidate SFEs managing large area, that require direct management and investment from the State; or the ones located at remote and isolated area so as to make it the nuclear for development of those areas. Main duties of SFEs are to plant, protect, enrich and exploit the forests; process forest products, supply materials for processing industry establishments. Apart from the above major duties, the SFEs are allowed to conduct compound business on agro-forest, fisheries, industry and services in an attempt to effectively use potentials of labour, land and allocated forest resources. The SFEs are also permitted to join in public activities such as management and conservation of critical and very critical protection forests. The Prime Minister had Decision 286/TTg of 2 May 1997 on strengthening urgent measures for forest protection and development. The Directive clearly indicated that MARD was assigned to chair and cooperate with relevant institutions on studying and working out scenarios for reform and consolidate the forest protection system. The Prime Minister also promulgated the Decision 245/1998/QD-TTg of 21 December 1998 on State management responsibility of different levels on forests and forestland, which defined responsibility of governments of province, district and commune levels on forest protection at their locality. In the system, commune government was considered the basic and decisive factors in forest protection and development since it was where the deforestation occurred. Decision 852/TTg (1195) regulated the establishment of provincial DARD, Division of Agriculture and Rural Development (district level), and the Inter-ministries Circular 07/LB (1996) to regulate functions and duties of DARD.
Main contents of the above mentioned extension policies were to establish the agro-forestry extension system from Central to district levels with official staff in the State’s payroll and network of extension staff at commune level under the contract system and to encourage and allow establishment of voluntary extension organizations; fund for operation of the extension system was mobilized from different revenue sources such as State budget, financial support from internal and external organizations, individuals and a part from farmers for their increased value thanks to the application of extension; extension staff were trained by the State on skills and specialization on agro-forest extension.

3.3.7 Social and related policy

The Labour Law (1994) and social policy system had positive impact to forest development process. Decision 1121/TTg (1997) stipulated the objects to be granted with scholarships, who were the students recruited from mountainous and remote areas, ethnic people for universities or schools. Decision 70/TTg (1998) indicated full exemption of school fee for students from mountainous, remote and island areas and 50% exemption for student from plain areas or poor households. Resolution 120/HDBT (1992) regulated to set up national fund to solve employment, aiming at creating recycling credit market with low interest rate so as to enable people exploit potential of 10 million ha forest, hilly and coastal land. Directive 660/TTg (1995) to solve the spontaneous migration to the Central Highland and some other provinces. Decision 393/TTg (1996) on planning of residential areas, improvement of infrastructure investment and arrangements of production at ethnic and mountainous areas. Decision 135/TTg (1998) on approval of the program on socio-economic development for extremely difficult communes located at mountainous, remote and isolated areas. Some other polices mentioned on the construction of centers for group of communes at isolated and mountainous areas; resettlement at new economic zones; fixed cultivation and sedentarization, information development for remote and isolated areas, rural transport, subsidy for papers and text books for pupils, establishment of vocational training schools.

3.4 Orientations proposed by the Government for forest development

From the above analysis, the proposed orientations for forest development in the coming time are as follows:

- Forest development towards ensuring environment protection and improving efficiency of forest production and business; rational use of existing forestland availability; bringing into full play comparative advantages at upland and mountainous areas...
- Development and good protection of existing forest resources, while gradually creating forest resources, especially the ones from intensive forestation to supply material wood for industry.
- Development of multi-economic component forests basing on social forest, of which State economic component takes the leading role in cooperating and guiding private sector to operate in compliant with laws.
- Bringing into full play socio-economic and environmental effectiveness basing on tree structure appropriate with ecological and economic conditions at each region, and the development of processing industry and markets.
- Good policy to mobilize people and all economic components, especially the ones at mountainous area to actively join in forest protection, regeneration and plantation.

Long-term vision to 2010:

- To increase forest cover to over 40%, ensure environment security as well as conserve biodiversity.
- To supply fuel wood, timber and other forest products to meet demands of domestic use, processing and export, and to increase sustainably forest productivity.
- To generate employment, increase income for people living in forest area, thus contributing to poverty alleviation and changing the socio-economic conditions at mountainous area.

The 5MHRP is one of the priority programs of the country from now till 2010. This program will be the decisive factor to achieve the mentioned long-term vision.

4. ASSESSMENT OF THE INFORMATION COLLECTION PHASE

The information collection phase highlighted the existing gaps with regard to statistics and the availability of qualified information like:

- present status of land use planning;
- up-to-date results of the forests and forestland allocation to households in the whole country;
- issuance of red book at the locality;
- use of the area allocated to households;
- benefit policy applied at the localities;
- information at macro-level such as investment scope and structure in forestry sector since 1996;
• capital sources, especially the commercial credits;
• capital managed by the locality;
• evaluation of investment for new plantation of material forests;
• revenue from various tax sources in forestry sector;
• information of forest products’ markets (demand, supply, prices, market channels, wood import) as well as market forecasting;
• assessment of forest products processing industry.

The Task Force II was not available to generate additional information concerning the above mentioned issues due to time limitations. Conclusions and recommendations for those issues could only be drawn from this limited information basis.

5. ASSESSMENT OF THE CURRENT SITUATION AND OUTSTANDING ISSUES

5.1 Land use planning

5.1.1 Description

Forestry sector has worked out planning alternatives like planning of paper material areas in the countrywide from 1996 - 2010; project proposal on forest development at the Northern mountainous provinces 1996 - 2010; forest development planning at the Central Southern coastal areas; forest development program for the Central Highland 1996 - 2000 and 2010; forest development planning at focal economic regions at the South. The Government has endorsed the master plan of land use of 20 province and cities. There were 160 districts, towns conducting land use planning at district level; 2,437 communes, wards to prepare land use plan. At present, there are 3 programs parallelly undertaken, including (1) general inventory of land in the whole country in 2000; (2) forest inventory in the whole country; and (3) inventory of unused land. All 3 programs have conducted detailed inventory to commune, village levels, even the 2nd program has to do inventory to each unit.

5.1.2 Outstanding issues

• To date, some sectors have not prepared yet land use planning, plan as regulated in the revised Land Law (1998) but just mentioned on the issue as orientation for use of land resources in the agro-forest planning or economic development master plan or sectoral development plan. Land use planning, plan were not identified on maps at and the fields so there was not enough basis to allocate, withdraw land or change land use purpose, or lease land.
• Planning of different sectors were overlapping and contrary with each other. Agricultural development planning often select plain and fertile areas for land reclamation to plant perennial crops, even though such areas were rich or special-use forests. As the result, the forest area was seriously decreased at the Central Highland and the South-east area. Planning for aquaculture raising and development led to destruction of mangrove forests and changed paddy land to land for aquaculture. Other planning such as the ones on irrigation, transport, urban, industry also affected the forest development planning.
• Land use planning and allocation for forestland is slow compared to agricultural lands. Moreover, the Cadastral offices at the provincial and district levels are not much involved with land use planning for forestlands. Mainly Forest Protection Sub-Department is involved in the forest land use planning and allocation process. In some cases they are assisted by DARD and SARD.
• It was in lack of uniformity between land use master plan and forest development planning in some provinces. The total 20 land use master plans to 2010 of provinces and cities have been endorsed by the Government for the last 2 - 3 years while their forest development planning or project proposals on agro-forest or industry had been approved for 4 - 5 years. Even, the proposals on agro-forest or industry having been approved while the land use master plans of the province was not prepared.
• There was even overlapping in forestland planning in forestry sector itself.
• Lack of community involvement in land use planning and land allocation
• Lack of incentives for local people to manage forestland effectively
• Lack of coordination between agencies responsible for managing different types of land (i.e. DARD and FPD)
• Lack of knowledge in terms of what species are appropriate for plantation forestry in specific areas; what species are valuable for environmental security, but not necessarily for biodiversity
• Lack of integration of wood market demands into land use planning, to figure on which species would be good for plantations in order to generate income for farmers

5.2 Forest classification

5.2.1 Description
Orientation for classifying production, protection and special-use forests in 10 years' time and the situation of land use in 2000 are as follows:

The table and its analysis is not clear. What is the statement here?

<table>
<thead>
<tr>
<th>Orientations</th>
<th>3 forest types</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production</td>
<td>Protection</td>
</tr>
<tr>
<td>for forest</td>
<td>Area</td>
<td>% (^{(2)})</td>
</tr>
<tr>
<td>1. The former Ministry of Forestry, 1995</td>
<td>10.62</td>
<td>54.8</td>
</tr>
<tr>
<td>2. Government, 1998</td>
<td>6.88</td>
<td>47.2</td>
</tr>
<tr>
<td>3. MARD, 1998(4)</td>
<td>8.2-9.2</td>
<td>-</td>
</tr>
<tr>
<td>4. Status of land use in 2000</td>
<td>4.04</td>
<td>5.35</td>
</tr>
</tbody>
</table>

Source: Ministry of Agriculture and Rural Development, 2000

The above table shows that the area structure of 3 forest types is rather appropriate with the forest allocation and forest development orientations to 2010. However, so far no orientations were officially approved by the State. By 2000, forestry sector can use only 65% of the land availability proposed in the forest planning. The remaining was still unused so disputes over land occurred at some regions.

With regard to forest planning: basically the forests have been classified in terms of forest types (production, protection and special-use forests), location and area in the whole country, which needs to be re-affirmed within the 5MHRP.

The land area with forest cover seemed to quickly increase from 9.3 million ha in 1995 to 10.9 million ha in 2000, the forest cover was also enlarged from 28% to 33%.

The forest loss decreased. Before 1990, we lost around 100,000 ha/year but in the period 1990 - 1995, it was only 36,500 ha/year (see Annex 7,9). Even though the cleared area of natural forest decreased in the last years, very little data is available on the resource depletion of the remaining forests. In general, many thousands of rich forests are turned into poor forest areas and it’s doubtful whether the trend has turned as stated for the lost forest area. In addition, the overall increase in plantation forest as a substitute for exploited and cleared natural forests constitutes an enormous loss in species diversity.

5.2.2 Outstanding issues to be dealt with in the 5MHRP

Identify the protection forests at the watershed, which serves as the base to further classify them into protection and production forests. These 2 forest types account for 90% of forestland in the whole country. Therefore, the current outstanding issues in use and management of forestland are mainly classification of protection forests at the watershed. Particularly:

- Divide into 3 protection levels (critical and very critical and less) for protection forests has made the identification of protection forests more complicated, especially at the fields.
- The less critical protection forest should be shifted towards production forest classification
- The criteria for forest classification are not clear enough and do not include socio-economic factor, which is one of the important reason resulting into deforestation.
- Classification of forests at the fields faces with lots of difficulties, which badly effects forest management and use, resulting in encroachment or use of forest inconsistent with the set objectives.

There is yet guidance on criteria for forest classification, resulting in different application at the locality.

The State has not had official announcement on the forest stand in the whole country, therefore it can not balance land availability in the planning or in classification of forests by the locality.

Relevant sectors were not invited in preparing the forest development planning so forestland was often encroached.

The vast majority of protection forest is allocated for management by SFEs. The SFE can only partially ensure the integrity of those protections forests as they have no mandate for law enforcement and state management.
5.3 Forest and forestland allocation

5.3.1 Description

Since 1990, the State has promulgated many legal papers relating to forestland allocation and use. Decrees 02/CP, 163/CP, 01/CP on forestland allocation, lease and contract to organizations, households and individuals have led to remarkable results in mobilizing all economic components to join in forest protection and development while limiting forest degradation.

5.3.2 Outstanding problems:

- Legal papers governing land allocation were not clear and sufficient like in the Land Law, Chairman of district People's Committee was allowed to allocate land to cooperatives or production teams. Those papers have yet mentioned on the community's role as a legal body for land allocation, which was very important to people living at mountainous areas.
- Progress of land allocation was slow due to incomplete land use planning, the classification of 3 forest types was yet finished or annual fund for forestland allocation was low.
- Management of land allocation still faced with shortcomings like lack of coordination between cadastral and forest development and protection agencies so in some areas, the locality was the one to issue the red book of very critical forests to people; land allocation was not based on land use planning; lack of necessary facilities for land allocation such as measuring documents, maps, landmarks, boundary identification at the fields; lack of specialists or qualification of commune forest staff was weak, they had not been trained; some households have used the land inconsistent with the set objectives, illegal transfer or sales of land was uncontrollable.
- Priority and equal policy was not applied in land allocation. In many areas, rich people living at cities were allocated with large fertile land while the poor could receive small and infertile piece of land. Many localities, individuals, forest enterprises, commune People's Committees were allocated with large areas but the area to be used for production was small.
- Slow progress in land allocation resulted in encroachment of forestland for agriculture or aquaculture production. Together with the inappropriate classification of 3 forest types, many localities kept changing their forestland use planning (Binh Thuan), reduced protection and special-use forest areas to allocate to people (Kien Giang), or requested the Central for permission to grant red book to people so that they were able to borrow credit for agro-forest production (An Giang). Some areas, bare land planned for plantation of protection forests was marked on map but at the field it was already encroached by people for agriculture or aquaculture production (Lai Chau, Ca Mau).
- Forestland allocation or contract for forestation to households without benefit, extension, credit and other support policies, the poor really did not know how to use the forestland apart from cultivation of annual crops; benefit regulations in the 327, 661 programs have not had specific circulars to guide their application so they were not be able to apply.
- The implementation of the laws were not powerful enough to stop the encroachment of forest land and resources. Therefore, dealing with destroyers to the forests managed by people was not strictly done and faced with problems due to unclear boundaries between agriculture, forest and aquaculture land.

All the mentioned above outstanding problems led to ineffective management and use of forest resources. So far in the whole country, only 67.49% forestland was allocated and only 1.5 million ha (12%) was granted with red book. Most forest land has only be contracted to farmers with annual forest protection contracts. Contract holders are paid a protection fee of up to 50,000 VND/ha/year. They enjoy very limited rights from protection, such as the use of dry fuel wood and non-timber forest products.

Participatory forest land use planning is a pre-requisite for successful land allocation and effective management of forests.

5.4 Investment and credit

5.4.1 Description

According to the collected data, from 1991 to 1995, the investment capital of the whole society in forestry averaged at 340 billion VND. In 1999, the investment capital of the whole society for the forestry sector was 1,186 billion VND, accounting for 12 % of GDP generated by the forestry sector, while the investment capital of the whole society for the national economy also in this year represented at 21.3% of GDP. With regard to investment capital structure, during the period of 1991-1995, investment capital for siviculture accounted for 81% and in 1999 accounted for some 80-85% of the total investment capital in forestry. From 1991-1995, investment capital from State budget accounted for 76.9%, credit fund only for 7.8%, and the remaining comes from aid resources and joint venture with foreign countries accounting for about 15.3% of the total investment capital in forestry. In 1999, investment capital for forestry from domestic capital resources accounted for about 90% of the total investment capital, while State budget fund accounted for about 27%. According to surveying results, the proportion of self-funded capital of the family households accounts for some 23.2 % of the total investment capital of the household.
5.4.2 Outstanding issues

- Investment capital structure within the Forestry Sector has been planned to be changed to respond to the change of forestry development strategy, i.e. to attach special importance to protection and development of forest resources, this is clearly reflected in the proportion of investment capital for silviculture through different years.
- There are changes in foreign aided projects, shifted from direct support for timber production (example forests supported by Sweden) to support to protection of forest, development of special use forest, protection forest (example recent projects by the World Bank to support national parks and nature reserves and social forestry support projects). Others tend to support also the establishment of protection forests (e.g. KfW)
- Changing the concept of forest development only through measure of establishment of new forests into new plantation combined with nature regeneration, especially with protection forest. Tendency to shift protection forest to production forest type combined with production target – less critical protection forest is managed same as production forest. This has adjusted investment structure within the Forestry Sector.
- Investment capital in forestry is still mainly from mobilized domestic capital resources.
- No long-term investment strategy has been established basing on an integrated development strategy of the three forest types (special-use, protection and production forests) connected to socio-economic development investment orientation in mountainous areas.
- Investment resources for 5 MHRP is one of the most pressing matters, presently it requires to change both legal environment of investment and a series of other macro-level policies that can mobilize capital resources, especially capital resources from foreign countries and people.
- Level of safety for investment environment in Vietnam is not high at present, on the other hand, capacity of generating profit from investment capital in forestry is low, highly risky, duration for cost recovery is long, not attractive to domestic and foreign investors to invest to reforestation programme.
- The Government is intended to reduce subsidized investment to protect protection forest, special use forest, while almost zones planned for establishment of critical and very critical protection forests, special-use forest can be used for agricultural production, establishment of fruit trees and industrial trees is very limited, non-forestry sectors provide low income, life is difficult, what people can earn to protect forests.
- Regulation on borrowing interest rate for reforestation is low at present as compared with requirements of the bank and other sectors, but is high as compared with efficiency of forestry production and business, therefore, not encouraging investors to borrow fund for reforestation and also not be concerned by the bank.
- Investment resources mobilized from private sector is not corresponding to the potential of this sector and occupying too small ratio in the total of investment capital for forestry every year. Farmer households are not actively involved in big investment for forestry development, due to the system of grace period and interest payment that does not make people fell assured in investment, while the market is changeable. Specifically, in many cases, farmers have to pay back loans after just a few years and plantation trees often take 7 or 8 years before they can be felled and sold. In general, the current interest rates are not attractive enough for local farmers to borrow money from the banks.
- SFEs that have been “closed” since 1997 have had little or no investment from sources other than the State. Given their lack of income from harvesting quotas, it is impossible for them to fulfill their tasks (i.e. forest protection and regeneration).
- The State continues to invest in ‘closed’ SFEs in areas outside the scope of forestry, especially in cash crop production in the Central Highlands which led to further forest destruction.

5.5 Taxation system

5.5.1 Description

At present, complete information is not available on receipts from taxation relating to forestry. According to statistical figure, from 1991 – 1995, natural resources tax collected from forestry sector in the whole country averaged annually at 134 billion VND. In 1998 and 1999, tax of agricultural land use was in average of about 1800 Billion VND, of which tax collected from timber exploitation from plantation forest occupied from 20% to 30%.

5.5.2 Outstanding issues

- There are different comments on the existence of the tax on agricultural land use: some assumed that it should be abolished. On the other hand, other comments and field experiences showed that it is not the time to abrogate it, as in many localities, agricultural land use tax is a main revenue sources of the State budget. Moreover, agricultural land use tax is left for localities, if abolished; the State budget has not sources for payment.
- Planting of perennial fruit trees on annual tree planting land, it must pay tax higher than planting annual trees according to the regulation of the Law on Agricultural Land use Tax (1993), this will limit the shift to perennial trees on planned area for annual trees.
- Tax rate of 4% is applied to all perennial trees for one harvest, regardless of land grade, although it is convenient for tax authorities, convenient for tax payer when calculating taxes, but it has resulted in inequality among land categories and not encouraging people with allocated land to intensify tree crops (as high
5.6 Exploitation, utilization of forest and forest products market

5.6.1 Forest Utilization:

5.6.1.1 Description

Exploitation and utilization of forest resources: According to the statistical data, in early 1990, volume of timber exploited annually is about 4-5.5 million m³ of round logs. Moreover, in this period, the Government planned to permit business enterprises to export round logs, but not regulated the quota, thus, timber volume exploited in the whole country was always exceeding exploitation design. In order to protect natural forest, from 1992, the Government planned to reduce timber exploitation volume, therefore, area for timber exploitation was also reduced. As of 1997, in reality, about 4.8 million ha of forest, representing at 58% of natural forest remains closed without logging. At present, only 19 provinces are licensed to exploit according to a new direction, all remaining provinces have completely stopped exploitation of natural forest. Selective cutting is annually reduced from 25,000 ha to 12,000 ha. Timber exploitation volume is also reduced from 620,000 m³ down to 300,000 m³ of round logs (see anex 7, 9).

5.6.1.2 Outstanding issues

- Due to various reasons (shifting cultivation, free migration, forest destruction, and uncontrolled conversion of forest land) forest land area in some areas, especially in rich forest resources areas are seriously reduced and forests are getting increasingly impoverished.
- No appropriate policy has been made for local people involved in forestry activities in order to solve reasonable benefits for them, aimed at encouraging them to protect and develop forest resources.
- Reduced exploitation and towards closure of natural forest, but lack of economic measures for solving the requirements of forest products have led to negative impacts, like: partly wastage of natural resources (for trees ready for cutting cycle, if not cutting, they will grow old, rotten heart, reduced quality), at the same time making timber to become rare, pushing the log price to ever increasing, leading to cutting, destruction, illegal trading of forest products, timber trading without paying tax, becoming a super profitable business in the common business environment where the door is "opened" by the State with many "open and clear" regulations (free right to do business, procedures for business registration, abolishment of many licenses including licenses for timber and forest products processing...), it has stipulated many people to invest to timber and forest products trading.
- Regarding forest product market: according to collected data, in early 90s, circulated timber volume was from 4 to 4.5 million m³ of round log per year. Now. Annually exploited log production in circulation (including State and non-State sector) is about 2 million m³/year (including plantation forest and natural forest). For timber form natural forest, exploitation production gradually reduces, in 1994 it was 754,000 m³; in 1999 300,000 m³. Legal imported timber volume is about 200,000 to 300,000 m³ per year. Presently no figure is available about illegal and smuggled timber, but in reality, in many localities, this volume is currently circulated in the market, contributing partly to the deficit of timber due to closure of natural forests. Proportion of timber extracted from plantation forest for paper raw materials, chips for export, processing of chipboards, pit props, has increased due to increased plantation forest exploitation area. Supply sources of round logs has been changed, presently only some areas remain with large volume of logs that can be extracted i.e. in Central Highland and former 4th Zone. Market for timber from plantation forest is mainly consumed by paper mills, artificial board factories, pipe props, chip export factories, household furniture processing for export. People consume mainly fuelwood and partly use raw materials for basic construction. Volume and kinds of timber used as raw materials for processing of high-grade commodities is not considerable. Price of timber is formed according to market mechanism, however, timber price in forest exploitation provinces is less increased than in timber consuming provinces.

5.6.2 Forest Products Market

5.6.2.1 Description

According to the collected data, in the early 1990s, the amount of timber in circulation was between 4-4.5 million m³
round log/year, of which, between 2.5-3 m$^3$ by the state. Due to the decrease in the forest resources, the Government has accordingly reduced the annual timber logging quota. At present, the annual amount of round logs in circulation (by both State and non-state sectors) is around 2-2.5 million m$^3$ (including both natural forest and plantations). The logging yield of natural forest is gradually reduced, in 1994: 754,000 m$^3$; in 1999: 300,000 m$^3$; after 2000, it will not exceed 400,000 m$^3$, the legal timber imports is 200,000 m$^3$ – 300,000 m$^3$/year and will be increased to around 1 million m$^3$/year from 2000 on (see annex 7, 9). Because the Government has no longer taken the monopoly in supplying timber since 1990 while the annual logging is reduced gradually, this results in the sharp increase in illegal logging. At present, there is not any statistics on illegal timber, but in reality of many localities, this amount of illegal timber is being circulated in the market, filling the timber gap due to natural forest closing. The supply source of round logs is changed, at present, only Central Highlands and the Former 4th Region are the major areas having the large amount of round logged timber. The markets of plantation products are mainly the paper mills, the artificial board factories, pitprops, export chips, furniture for domestic use and export. These markets are mainly concentrated in big cities such as Ha Noi, Hai Phong, Ho Chi Minh City, and the Mekong Delta. Therefore the timber flow is from Central Highlands, the former 4th Region to the markets at the transporation distance of around 100 – 150 km by road, and longer distance by rail. I recent years, the proportion of plantation products for paper materials, export chips, chip boards, pitprops increases due to the increase in area of harvested plantations. The timber demand by the people is mainly for fuelwood and basic construction. The quantity and types of timber for material of high quality export products are inconsiderable. The timber prices are driven by the markets, however, the increase in timber price in logging provinces is rather slow as compared to that in consuming provinces.

5.6.2.2 Outstanding issues

- In immediate years, when potential for extraction from plantation forest, utilization of timber form natural forest, is still limited, illegal timber cutting is prevented, timber is not imported and other materials are used instead of timber, then, deficit of timber each year may be over 1 million m$^3$. In some recent studies even a deficits of up to 5m cubic meters in fuelwood alone are given. This clearly shows, that reliable forest products market information is lacking.
- Demand of raw materials from plantation forest for production of artificial board is not high but still lack, as timber extracted within the raw material area is not permitted to sell to outsider the area as regulated by Law.
- Market for chips is great. Presently, there are ten joint-venture companies dealing with afforestation and export of chips, but there is always lack of raw materials. Reason for that is the problem of zone planning, land use planning, benefits of joint-venture sides in raw material planting.
- Reduction of exploitation of timber from natural forests, reduction of exploitation or banning of rare and valuable timber, therefore, raw materials for export timber production become more limited. Timber resources imported from Laos and Cambodia are also limited, while other timber resources imported from other countries due to long transport distance, with price, thus, timber volume imported every year is very limited. Plantation forest area at logging age is still limited, mainly planting fast growing tree species, therefore, quality of timber is poor, full log cannot be used; production of chipboard, fiberboard, joinery board from timber of plantation forests still have difficulties due to quality, production cost, markets of these products are not stable.
- Many forces involved in timber business, including smuggled timber and illegal exploited timber, creating artificial supply, influencing on timber price on the market; phenomenon of price pressure, pressure for supply of timber still happen, impacting directly on benefits of forest growers.
- Vietnam has not really and firmly joined in the forest product markets of the Region and the World. Therefore, raw materials for ensuring stable production for timber processing units are an urgent matter at present and for dozens of coming years it will have a strong impact on the existence and development of processing enterprises. Lack of a real market-based economy also helps to preclude the development of forest certification as a viable management technique.
- One of the quickest ways to develop timber processing industry is to enjoy foreign investors, including establishment of joint-venture enterprises with foreign countries, but macro policies are changeable, therefore, foreign investors do not fell assured, resulting in short-term joint-venture and low investment rate. This is completely contradiction to the expectation of industrialization and modernization of timber processing sector.
- Research activities and forecasting of forest product markets (domestic and international) are not available.

5.7 Silviculture and extension content

5.7.1 Description

Together with the implementation of 5 MHRP, Vietnam has started to prepare a system of national standards (C&I), prepare a network of experimental models for sustainable forest management. Many forest enterprises and import and export timber processing companies have volunteered to take part in this programme, chiefly since the year 2000. European and North American markets have gradually refused traditional contracts for export of timber from Vietnam if without sustainable forest management certificates. Many forest enterprises once over exploited forests, are now managing barren land and degraded natural forests, temporarily stop exploitation of timber for tending, natural regeneration, rehabilitation and enrichment. Besides forest owners are recognized as legal entity to manage the forests, forest areas included in the process of sustainable forest management need three groups of sustainable
According to information collected, matters have been and are being studied as follows:

- **For economy**: Effective business, exploitable timber production increases sustainably.
- **For environment and silviculture**: Area and growing stock is maintained, functions of environment protection, mitigation of natural disasters and biodiversity are conserved.
- **For society**: To ensure stable income for workers, benefits for tourists, recreation for community, contributing to sustainability in terms of income, jobs and development for local people. Issues to be addressed:
- **For forest extension**: As there are many agriculture extension organizations and each organization has its own objective, therefore, the method of agriculture extension is also different. It can be classified into 4 types as follows: agriculture extension with orientation; agriculture extension following the method of participatory rural appraisal; encouraging to use materials and inputs to agriculture and forestry production and method of training of farmers on the field.

### 5.7.2 Outstanding issues

- Current policy on market price has separated forest owners with consumers without a connecting bridge, no incentive mechanism for development. Forest enterprises produce timber, but less process and market products in order to increase income for workers and local community, but sell to a company fixed by the upper level, and less chance to take part in bidding competition but regulated by province. This makes the forest owner no need to advertise for their business. If the forest is managed sustainably, then certificates will be issued to such forest areas, timber products are labeled and when circulating on the world market, its price will be much higher. However, such profit is again concentrated in upper level management agencies and logging companies but not for forest enterprise as well as local people.

- **Sylvicultural procedures on timber exploitation and logging plan is licensed by the Government and calculated in m3 of commercial round logs but not in tree trunks that enable the company to overlog forests to take high quality round logs, while ratio of timber to be used is as low as more profitable.**

- **On sustainability of demonstration models**: presently, investment capital for forestry extension models is very limited, in most cases, only maintain for maximum of 1 to 2 years. However, due to special characteristic of forest trees which have along cutting cycle, therefore, after a long period, results can be known, while fund is lacking, models after reporting, checking and transferring to the household owner, no monitoring is followed and even models are abolished.

- **Effects of forestry extension models**: Fund for forestry extension models is mainly concentrated on providing seedlings and technical support to model building. Fund used for training, field workshop occupies a very low ratio, therefore, and models after being established are difficult in transferring to the people. In addition, many models are built not linked to reality and difficult to be applied. Forestry extension models are usually constructed at favourable locations and easy to be implemented. However, forestry extension staff subjectively selects these locations. Many models have not yet been built on representative site conditions and ecological zones. Therefore, techniques applied for the models are not suitable for the whole region.

- **Major part of forestry extension work like information on market, price, market for products is almost ignored**

### 5.8 Sciences and forestry research

#### 5.8.1 Description

According to information collected, matters have been and are being studied as follows:

- **For production forest**: research, selection of plantation tree species, seed improvement, planting techniques; rehabilitation of degraded natural resources, raising the productivity of forests to supply raw materials for artificial board production, paper industry; method for forest plantation to ensure high productivity, stability and maintaining soil fertility …

- **For protection forest**: To study tree species structure for protection forest, planting method, structure of protection forest according to different protection functions; agroforestry farming technique aimed at reducing soil erosion, soil conservation, exploitation technique, forest use to ensure protective function of the forest;

- **For Special-use forest**: To study biodiversity and conservation of genetic resources; study scientific basis for effective protection and utilization of rare and valuable plant and animal species; study economic, social and technical measures to increase income for people in the buffer zone, in order to reduce to the maximum of the pressure of destruction on forest. **Achievements in research on exploitation and processing of forest products**: To study techniques for exploitation of natural forests; prepare procedures for processing of some common tree species, bamboo species, rattans; prepare technologies for production of chipboard, plywood, veneer, bamboo sheets with local raw materials and these technologies have been applied widely in the production; prepare technologies for producing panels from non-timber materials; design and manufacture of some small scale processing equipment. Issues to be addressed:

- On silvicultural techniques: Research has not yet been carried out to add to scientific basis to define criteria for division of the 3 forest types; scientific basis for defining criteria for sustainable forest management; technique for selection of hybrid trees; procedures for planting of selected indigenous trees; Study to establish and develop forests according to farm models.
5.9 Institutions and extension organisation

5.9.1 Description

Before 1995, former Ministry of Forestry implemented State management function on forestry, by that time, in its organizational structure there were two units responsible for State management on profession i.e. Forest Protection Department, Silviculture Department and Forest Industry Department. After merging three ministries into Ministry of Agriculture and Rural development (end of 1995), management organization on forestry has been changed. Forest Protection Department remains unchanged in terms of functions, duties and organization (under the Decree 39/CP). The duties relating to forest industry have been assigned to the Department of Agriculture and Forestry Products Processing and Rural Industries. The Forest Development Department was established to replace the former Silviculture Department and Forest Industry Department, which only dealt with advisory function without juridical personality. Forest Development Department is an organization with juridical personality, implementing the State management function specialized in forestry development. For forest protection organization, at Central level, there is Forest Protection Department under direct supervision of MARD; at provincial level, there is Forest Protection branch under supervision of Provincial People’s Committee or in coastal Provinces with low forest cover under DARD; at district level, there is district protection unit under provincial Forest Protection Branch, District Forest Guards are located at important cross roads under direct supervision of Provincial Forest Protection Branch, under the District Forest Protection Unit, there are Forest Protection Stations .... At provincial level, most of Provincial People’s Committees have a vice-chairman responsible for the block of agriculture and forestry and he is assisted by a number of staff. Organization specialized in forestry is the Provincial Forest Development Department. However, organization of this body varies greatly in the provinces. At present, only 24 Provincial Forest Development Departments have been established (out of 61 provinces); Besides, Provincial Department of Agriculture and Rural development, almost provinces have Provincial Forest Protection Branches under the Provincial Peoples’ Committees, at district level: there are two organizations relating to State management and implementation of the legislation on forestry i.e. District Agriculture and Rural Development Section and District Forest Protection Unit.

On State organizational system directly involved in management, protection and establishment of forest: there are special-use forest management boards protection forests Management Boards and State forest enterprises. Presently, the whole country has 11 national parks and all of them have already established management boards; 65 nature reserves, of which most of them have established management boards; in more than 200 watershed protection forest areas, only 20 areas have protection forest management boards, the remainder have only established Management Committees for project 661; There are about 412 State forest enterprises. MARD directly manages 10 out of 11 national parks; therefore, MARD is an investment employer of national parks. A few forest enterprises with only 100,000 ha are under direct supervision of Vietnam Forestry Corporation. Most of State Forest Enterprises, Nature Reserves Management Boards, Protection Forest Management Boards are under direct supervision of Provincial Peoples ’s Committees, therefore, provinces are investment employers of theses organizations.

Role of private economic sector: Presently, in forestry sector, many private companies have been set up and involved in forestry business. Although, no comprehensive information is available on established forest areas and number of labourers employed in private companies, anyhow, through a number of individual companies hereunder, important role of these companies can be seen in the implementation of 5 MHRP. Private company of Mr. Le Duy Nguyen (Nghe An province) who is managing 981 ha of forest land; Private business enterprise of Mr. Nguyen Khac Tri (Nghe An province) who has invested to establish commercial forest on the area of 500 ha; Company of Mr. Do Thap (Yen Bai province) has been allocated with 151 ha of forest land, he has also received forest land of the forest enterprise for establishment of more than 551 ha, their land has been already issued with land use right certificate; In Binh Phuoc province, there are 20 individual companies from Ho Chi Minh city to establish joint venture, hire and receive land of the forest enterprise for establishment of commercial forests and perennial trees etc. As of 1998, the Government has allocated about 1.5 million ha of forestland to some 700,000 family households, individuals for purpose of forestry uses. At present, there are some foreign companies taking part in forestry business like: Kien Tai international Company; Vijachip Company and so on.

5.9.2 Outstanding issues

- At present, at Central, provincial and district levels, there are many organizations responsible for State
management on forestry, therefore, functions and duties are overlapped, as previous duties have not been clearly defined, not relevant and close to the reality, even, the Decision 245/TTg (1998) has some impediments with a number of documents previously promulgated. In addition, coordination between different units involved in 5 MHRP, not following a close and appropriate mechanism, thus, reducing efficiency and creating a gap in the State management on forestry, like: at provincial level, there are two management bodies on forestry, i.e. Provincial Forest Protection Branch and Provincial Forest Development Department. The documents regulating functions and duties, which are unclear for two units that lead to overlapped implementation of duties; number of staff is also unbalanced between forestry and forest protection agencies.

- Regarding forestry organization at commune level: all activities relating to protection, development and use of forests take place at commune level. This is the most important grass root level to protect and develop forests, but is the weakest place in the field of State management in forestry, no policy mechanism for commune staff to participate in forestry activities like: in the structure of commune staff, there is no permanent position for forestry staff; village heads have an important role in steering all activities, but are not well taken into account.
- Forest enterprises acting as project owners of the project 661 also have different ideas. Some ideas assumed that forest enterprises as project owners will make use of existing advantages of the forest enterprises, but other people assumed that forest enterprises acting as project owners will create intermediate level that easily leads to negativism. Not understandable in the English Translation !??
- There is no policy to encourage private sector, therefore, number of people engaged in forestry is still limited, and only concentrated in some provinces where forests are near processing units and consuming timber from plantation forests.

At present, forestry extension organization has been established at four levels: Agriculture and Forestry Extension Department at Central level, at provincial level, there are agriculture and forestry extension centers and at district level, there are agriculture and forestry extension stations and at grass root level, there are forestry extension organizations at village level and contracted extensionists. However, the agriculture extension network at local level is not complete and many provinces have not yet established a network of local agricultural extensionists. Reason for that is lack of fund for paying salary as well as field activities. It should be noted that local agriculture extensionists have no profession or profession in agriculture, local extenionists with forestry profession are very limited. Presently, agriculture and forestry extension agencies are concentrating on the following activities: training and transferring of new techniques to farmers; set up demonstration models; organize study tours, field workshops for farmers to study successful production models and exchange of experiences; disseminate and propagate technical knowledge and production experiences on mass media; publish and circulate to farmers publications, booklets, pictures,photos, pamphlets … on agriculture and forestry techniques.

Decentralization of State management responsibilities on forest land is slow, lacking of policies, mechanism for encouraging local authorities in forest protection, chiefly commune level, grass root level laying a very important position in forest protection.

5.10 Human Resources development

5.10.1 Description

At present, the whole country has 44 provinces out of total 61 provinces, there are Provincial Forest Protection Branches under the Provincial People’s Committee, 14 Provincial Forest Protection Branches directly belong to the Department of Agriculture and Rural Development (mainly provinces have little forests in the Red River Delta and Mekong River delta). Permanent staff of the forest protection force of the whole country is 8721 people, of whom: 7923 people (representing at 91%) women: 789 people (9%). Professional level of the forest protection force: postgraduate university level: 17 people, university degree: 1796 people (accounting for 21%), secondary degree: 3894 people (44%), primary degree: 3014 people (35%).

Quality and quantity of staff training: Presently, there are 5 universities, 3 secondary schools directly provide training forestry staff with a scope of annual enrollment of about 120 university students and 1000 forestry secondary students following different professions. A number of universities and Forest Science Institute are also involved in training of postgraduate staff. Six forestry worker schools with the scope of annual enrollment of 2300 students. In addition to the above-mentioned schools, some provinces also have high schools, secondary agriculture and forestry schools also turn out forestry specialized officers. Agriculture extension stations and agricultural projects also take part in training of extensionists at village level and fostering of agroforestry techniques for farmers. Number of graduated students and students at schools belonging to MARD is as follows:

<table>
<thead>
<tr>
<th>S.N</th>
<th>Training level</th>
<th>Graduated</th>
<th>Training</th>
<th>Estimated plan for 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Doctorate</td>
<td>56</td>
<td>42</td>
<td>x</td>
</tr>
<tr>
<td>2</td>
<td>Master’s</td>
<td>131</td>
<td>59</td>
<td>x</td>
</tr>
<tr>
<td>3</td>
<td>University graduate</td>
<td>11,767</td>
<td>3,450</td>
<td>1,150</td>
</tr>
</tbody>
</table>
In the mountainous, ethnic areas 60% of the people do not know the Vietnamese language; labourers without training represent at 98%. Consequently, forests continue to be destroyed. In 1943, the forest cover was 45% in the whole country, in 1996 it remains 28%. In recent years, with many incentive policies and mountainous socio-economic development programmes, the forest cover has increased up to 33% in 1999; the quality of the labour forces frequently involved in economic activities has been improved, in mountainous areas, in 1992, 39.8% of the labourers have passed primary and secondary education, and in 1998 this figure has increased to 49%; trained labourers in rural areas, from 3% in 1992 increased to 8.6% in 1999, especially in agriculture and forestry, from 0.44% in 1992 increased to 3% in 1999 (see annex 7,9).

**5.10.2 Issues to be addressed**

- Cadres at administrative levels: all forestry offices are lack of officers. In Provincial Department of Agriculture and Rural development (DARD), besides few forestry officers working in Provincial Forest Development Department or forestry units, while other units have no forestry officers; At district level, only forestry officers work at District Forest Protection Units, while Agriculture and Rural Development Units of many places have no forestry staff.
- Using staff is not appropriate, especially permanent staff are unevenly distributed between Forest Protection Forces and Provincial Forest Development Department. Addition of staff to forces engaged in forestry seems to be difficult, due to the norm of number of staff and salary system of the staff and civil servants...
- Team of staff at micro level is still lack of key and qualified staff and responding to the market economy. Micro-level staff has not yet formed a team of staff good at management and organization of steering and flexible to local practical situation.

Regarding training work:

- Training of human resources to meet the demand of changing agriculture and rural economic structure to the direction of industrialization and modernization is still limited in terms of quality and quantity.
- No appropriate incentive policy to attract children from worker families in rural area to study at schools of the forestry sector and after graduating from schools, there is no incentive treatment policy to encourage them to go to work in agriculture and rural areas.
- Team of management cadres and teachers is although concerned and developed, but still remains the risk of shortage and insufficiency as required.
- Training and fostering of State civil servants is not really linked to the staff planning work, implementation of Civil Servant Ordinance and administrative reform.
- Training structure (different levels, professions) is not reasonable such as: according to the above-mentioned number of graduated students and students at study, then, structure of sectoral training at present is university and postgraduate university: 1 – technicians; 2 – technical worker: 3. If training work continues following the above structure, then lack of the group of technical workers to develop the forestry sector.
- Regarding the professional structure: some schools, chiefly vocational schools, training still follows the market mechanism, attaching special importance to services while main professions to support main production activities (silviculture, forest plantation, forest management and so on) have not yet been reasonably considered in terms of quality and contents.
- Forces of scientific staff in the sector are both limited and unevenly distributed, and concentrated in the State area (Central and province), research and training institutions; while in producing institutions and mountainous areas (district and commune) are very lack of scientific staff.
- Proportion of graduated students acceptable to serve the forestry sector is not considerable.
- Difficulties and challenges of the training and vocational training for forestry development i.e. the contradiction between the ever-increasing demand for jobs and the capacity of job regenerating is limited; conflict between the labour and employment; contradiction between demand for job generation and the capacity of management organization to generate employment; contradiction between the job generation and less developed infrastructures and markets.

### 5.11 Policy on fixed cultivation and resettlement, migration, development of new economic zones and other related policies

#### 5.11.1 Description

Until now, fixed cultivation and resettlement projects have been implemented in 740 communes. From 1989 to 1997, budget has been allocated to the fixed cultivation and resettlement work was over 812 billion VND. Only the period 1991-1997 over 798 billion VND. Average investment rate for each household for the period of 1991-1997 is 1.71
million VND. After 30 years of implementation of fixed cultivation and resettlement work, some achievements have been recorded as follows: 8652 shifting cultivation areas have been invested, 446,000 households practice fixed settlement and shifting cultivation, until now over 30% of households are target groups for fixed cultivation and resettlement have stopped shifting cultivation; 155,000 ha has been reclaimed (water ricefield, terraced ricefields, fixed cultivative fields); support has been provided to 195,000 households to establish 42,000 ha of gardens of fruit trees, long-term industrial trees and special product trees; 3512 small and medium scale irrigation schemes have been constructed to irrigate nearly 47,000 ha, 16,000 km of road has been built (of which 786 bridges) in the villages, nearly 15,000 water tanks and 92 km of paper pipes have been constructed. In addition, investment has been also made to construct clinics, schools, kindergartens and shops. Regarding migration and development of new economic zones: The Government has supported funds for households to move and initial support in food, providing land, constructing infrastructures in the project area.

Policy on hunger eradication and poverty reduction that makes the picture of mountainous rural areas much changed, but it has also led to many issues that need to be considered, like: development of mountain rural infrastructures need to move forest land to other uses; developed infrastructures create favourable conditions for forest protection and development work, but also contribute to create conditions for illegal cutters and traders of forest products.

Policy relating to shifting cultivation land for mountainous people and spontaneous migration is not synchronous, lack of close coordination of relevant sectors. It is still considered that slash and burn agriculture is the main reason for forest degradation. However, recent studies indicate that traditional slash and burn agriculture is less harmful to forests than many other activities.

5.11.2 Outstanding issues

According to the statistical data in 1999 by localities, 26,000 households are still practicing shifting cultivation, 250,000 households have practiced fixed agriculture but are still migrating.

Because, migration cannot be controlled leading to ever-increased spontaneous migration, chiefly to good soil for agricultural production, like the provinces in Central Highland and Binh Thuan province. The Prime Minister has issued the Directive No.660/TTg (1995) regarding the end of spontaneous migration to the Central Highland and some other provinces, but spontaneous migration still goes on. Due to the demand of land for production, the status of spontaneous migration is pressing on forest land in the provinces where new people arrive.

5.12 Social Issues

5.12.1 Description

According to the level of poverty and hunger declared by the Ministry of Labour, War Invalids and Social Affairs in 1997, then by the year 1999, it remains 13% and by the year 2000, it will remains 10.6% of poor and hungry households. According to the standard of poverty declared on 1/11/2000, for the period of 2001-2005, the rate of the poor households of Vietnam is 17.2%. It is noted that 4790 mountainous communes belonging to 42 provinces with 5.5 million ha of forest land and nearly 6 million ha of barren land, the ratio of the poor households is still high about 30-35%, accounting for 62% of the number of poor households of the whole country (about 1.725 million households/2.8 million households) and 1870 communes, accounting for 95% of extremely difficult poor communes and borders and islands of the whole country (1870/2000). Income form agriculture and forestry occupies 75-80% of the household income. Agricultural production area only occupies 11-15% of the total land area; forest land occupies 35% and unused land about 45%; 33% of labourers is illiterate; nearly 60% of people living in upland and ethnic minority areas do not know how to read and write national language (see annex 7,9).

5.12.2 Outstanding issues

- Policy on educational development investment has not yet appropriate among regions, not attracting students to study profession, chiefly mountain rural and remote areas; 97% of non-trained labourers; professional structure, structure of zoning for students are not proper. Out of the number of graduated specialized secondary students, only 17% is agriculture-forestry and fisheries, similarly only 8.1% at university and high school, and still 11.2% of graduated students is unemployed.
- The Government has no measure to distribute students right at the time of enrollment of students. As paradox is that agriculture and forestry sector employs nearly 68% of the total labour forces of the whole country, but the number of trained labourers only occupies nearly 10% of the total trained labourers of the whole country.
- Management, planning of professional training system is not logical for development of job training to serve agriculture and rural development. Feasibility and efficiency of vocational training policy is not high.

6. ANALYSIS OF THE CURRENT FOREST POLICY SETTINGS AND STRATEGIES
6.1 Positive impact of the policies related to forestry

6.1.1 Providing a legal Framework

From 1990 until now, the Government has promulgated a number of basic laws and legal documents, initially forming the legal framework on systematic basis, creating favourable environment for the process of forest management, protection and development.

Resolution No.10 of the Polibureau (5/4/1988) regarding the renovation of agricultural economic management, considered as an important landmark, opening an era for all-sided renovation period agricultural economic management mechanism, creating the impetus for comprehensive development of agriculture and rural economy of Vietnam in 80s’ including forestry sector. From 1990 until 1999, the Government has promulgated about 100 legal documents relating mainly to forestry aspects including:

- 20 basic legal documents and ordinances, of which 7 legal documents and 3 ordinances directly related to forestry like: Land Law (1993) and Revised Land Law (1998), Law on Agricultural Land Use Tax (1993), Law on Land Use Right Change Tax (1994) and Revised Law on Land Use Right Change Tax (2000), Law on Forest Protection and Development (1991); Revised Law on Encouraging Domestic Investment (1998); Revised Ordinance on Natural Resources Tax (1998) and so on. These are basic legal documents, creating legal basis for forestry development.
- 80 legal document (underlaw documents). Of which 10 Decrees of the Government; 30 Decisions and Directives of the Prime Minister; 40 Ministerial-level documents (including Inter-Ministerial Circulars).

6.1.2 Development of Policies for the forestry sector

Macro policy system related to forestry including policies directly influencing on inputs and on production process and adjustment of outputs of agricultural production; contributing to changing forestry strategy from exploitation of forest resources to forest conservation and development; step by step socialization of forestry activities.

- Regarding land policy: Land Law (1993) and Revised Land Law (1998) as highly legal documents have stated that: farmer households are allocated by the Government with forest land for sustainable and long-term use up to 50 years for the purpose of forestry uses and enjoy rights: exchange, transfer, lease, on-lease, inherit, mortgage and contribute capital equal to the value of land use right. The land policy has clarified two basic and joint issues i.e. right for ownership and right to use the land. These are basic renovated contents of the land policy, reflecting the openness of the new land policy, removing limitations for farmers in the process of land use for forestry production and business, at the same time creating the environment to promote effective use of rare and valuable natural resources in market mechanism. Planning work, land use planning and forest classification have contributed to national food security, forest conservation and development, close supervision of conversion of agricultural land and forested land to other uses. In reality, forested land converted to other uses is not much, averaged at about 3000 ha per year, maximum 6000 ha. Law on Forest Protection and Development was first promulgated in Vietnam (1991). This Law has stipulated the legal framework for forest management, protection, development and utilization. Under this Law, based on main purpose of use, the whole national forest resources has been classified into three categories (special-use forest, protection forest, production forest), based on which appropriate solutions and policies for each forest category are regulated. Policy on allocation of forest and forestland and forest contracting has been supported and sympathetic by majority of farmers. The one’s who received land through red book certificates gained confidence in investment, use, protection, promoting to seek different farming systems of high profit generating. This is a new driving force for the farmers. It can be said that Revised Land Law (1998) and underlaw documents have a long step as compared with previous laws, creating a very basic foundation for forestry to have the capacity of shifting to commodity production according to the demand of domestic and international markets. As of October 200, the Government has allocated 12 million ha of forests and forest land to State organizations, family households, foreign joint ventures, Commune People’s Committees; accounting for 67% of the planned land for forestry uses; of which nearly 2 million ha of forest land allocated to about 800,000 households. In the few cases where farmer households have used land effectively for forestry production, agriculture, commodities, high revenue where created. In some areas, where land and forests have been allocated, the status of deforestation decreased and newly planted area has increased, contributing to forest land erosion control and regreening barren hills and mountains.

Investment and credit policy: investment policy in forestry sector has initially changed towards intensive investment that eliminates low efficient investment, increases investment proportion in silviculture aspect in order to enrich forest resources. The new point in investment mobilization policy is - a part from investment from state budget- the mobilization of other capital sources such as credit, internal and external capital (foreign joint-venture capital, external loan and ODA) so as to not only satisfy part of production and business demands in forestry sector but as well use such capital sources in effective manner. At the meantime - the State protects, encourages, equally treats and facilitate organisations, individuals to invest in forestry sector. In parallel with policy on adjustment of investment in forestry sector, the State has promulgated number of policies to create fund for production, to directly offer loan to production households without discriminating economic sectors and special attention has been paid to offer loan to poor and remote households. Fund provision to forest production is conducted under 2 forms: preferential loan and
commercial credit under various channels. The regulation of careers and areas that entitled to preferential investment as prescribed at the revised law on encouraging domestic investment (1998) has positively impacted the investment status; number of enterprises have completed their procedures to be granted with preferential investment license. Under favourable conditions in terms of taxation, land lease fee, enterprises can accumulate fund for re-production. In an attempt to support investors under the spirit of this law, the Government stipulated Decree Nr.43/CP (1999) on State’s development investment credit. According to this decree, State development investment credit can be carried out via 3 investment support ways: offering loan for investment, interest support for post-investment and guarantee for investment credit. In the program 327 (1993-1998), state fund covered around 84% and the remaining proportion was non-interest loan; after 6 years, 2.4 mil. ha of protection and special-use forests were contracted for protection and regeneration. This figure was equivalent to more or less 44% of special-use and protection forest or 20.5% of the existing forest area in addition to 638,000 ha of new plantation. A part from that, this program also invested in construction of road, health care station, school, hydraulic structures, re-allocation of inhabitants, household- garden development, job creation so as on one hand to actively contribute to increase households’ income and on the other hand to remain and protect forest for a long period. According to decision 661, households are target groups to entitle loan; households directly use fund to invest in forest plantation, protection and regeneration. Fund investment was conducted in close combination with forest and forest land allocation; Hence, 3 elements of production process (land, labour, fund) are tightly combined. Moreover, this legal document also coherently regulated payment tenure for forest protection, regeneration contract. After this tenure, contracted households shall be entitled to forest products generated on contracted area. This is the way to gradually reduce state subsidy on forest protection.

- Regulation policy on forest economics via tax has had significant impacts that can be reflected under:

Policy on agricultural land use tax: law on agricultural land use tax (1993) replaced Ordinance on agricultural tax in 1989 with the following changes: eliminating compound tax collection (inclusive of land, income and turnover tax) and setting up preferential and exemption taxation policy applicable to regions with special difficulties in order to encourage forest production. In addition, to combine liability to agricultural land use tax with long-term land allocation to individual households. The replacement of agricultural tax policy by agricultural land use tax can be seen as a step to basically perfect the state regulation policy to be suitable with the commodity production mechanism that being to be set up in rural area so as on one hand to assist farmers to promptly enter commodity production mechanism and on the other hand to ensure equality between land recipients who have to pay land use tax to the state. Previously, organisations such as state farms, state forest enterprises were not supposed to pay tax but today, as farmer households, they have to fulfill their tax liability including the unused management land areas. The average tax rate for one time harvesting perennial crops of about 4% out of the total products value as regulated in agricultural land use tax policy has had positive impacts to encourage not only the improvement of land use efficiency but as well the application of forest production on agricultural land and at the same time to restrict the use of forest land for other purposes.

Natural resources tax replaced the former forest breeding fund and is completely appropriate to be applicable to products exploited from natural forest, not for plantation forest. The integration of forest products under the tax list with high rate provided with the distinguish upon levels and forest product groups has accelerated its remarkable impacts to restrict natural resource exploitation so as contribute actively to forest resources protection. Income generated from forest resources tax is left to local budget for further investment in forest establishment, protection. This also helps enterprises to increase capital source and at the same time to link the rights of local people with forest exploitation and protection. Base on statistical data, from 1991-1995, income generated from natural resources tax of the whole country in forestry sector was around 674 billion VND with the average amount of 134 billion VND/year.

Import-export tax really became a driving tool in ensuring receivable source of state budget, this tool has played not only protection role but as well encouraging domestic production to be initially suitable with international regulation. In forestry sector, via tax policy distinguished upon the origin of exported products’ inputs, the import-export tax helped to create necessary price level so as on one hand restrict natural forest exploitation and on the other hand bring favorable conditions for the accessibility of forest products to market to ensure outputs market for stakeholders involved in afforestation program. Currently, in average-forest products export turnover is of about 300-400 million USD/year.

- Policy on forest exploitation, utilization and forest products market: all the existing regulation on exploitation management have created strict legal corridor to ensure smooth implementation of targets on forest resources protection and development. However, these regulations are seen rather flexible for the implementation of commercial production particularly for plantation forest. The guideline on restriction of natural forest exploitation towards closure has had considerable effects on forest bio-diversity conservation. The main content of market policy is to gradually narrow the canh kep rate between forests and industrial, services products to bring favourable conditions for forestry sector and aiming at reaching an appropriate rate relation. Eliminating market division upon administrative demarcation and forest products are freely circulated between areas, regions inside and outside the country. Early 1990, the Government applied free price to most of forest products so as to end up the existence of a 2-price system and commence a uniform price system where market price mechanism came to be dominant. Export policy was basically changed towards the direction that encourages localities and agencies on one hand to strengthen forest products production for export and on the other hand to freely chose state’s import-export institutions to sign export authorization contract. In addition, procedures on export license provision were adjusted together with the elimination of the forest products quota provision regime. Thanks to great impacts of market policy, number of intensive forest products production zones have came to exist and develop. In rural areas, trading centers (rural market) with larger
and more diversified forest products were set up; all economic sectors especially individuals and private are freely participating in forest production trading. Hence, several forest products have been delivered to individual farmer households in remote and mountainous areas.

- **Forest extension policy:** The Government promulgated Decree Nr.13/CP dated 2/3/1993 regulating agriculture extension to farmer households aiming at 2 objectives: (i) satisfying services requirement on common production technique transference to farmers and at the same time combining technicians with production practices to strengthen existing capacity; (ii) identification on capital establishment for forest extension activities; capital use approach and regime on remuneration, training agro-extension staff for locality. At present, forest extension network is set up from central down to local level.

**6.1.3 Decentralisation**

The gradual decentralization of state management over forest and renovation of forest enterprises have had positive impacts to accelerate forest management efficiency at macro level and at the same time to strengthen advantages and improve production efficiency of forest enterprises.

**6.1.4 Development of other policies influencing the forestry sector**

Social and certain forest related policies have created several favorable factors to ensure sustainable forest development.

Despite limited budget, the State has supported mountainous provinces to undertake resettlement programs; support communes with special difficulties; establish communal group center; create jobs and certainly gained noticeable achievements: after 30 years, 446.000 households were settled; 155.000 ha was ploughed; food yield increased at the average rate of 4.2%/year; number of commodity-production zone were set up with various wealthy households economics modes; up to now, 85% of communes were with constructed road leading to commune center; 30% of communes were installed with electricity, number of poor households reduced from 30% (1995) down to 25.7% and basically eliminated hunger in mountainous areas. At present, there exist 124 universities and senior colleges in the country-wide, 274 specialized high-schools, 174 vocational schools of which agro-forestry accounted to nearly 30%; labour trained in agro-forestry sector increased from 0.44%/year in 1992 to over 3% in 1999. From 1996-1999, the State invested 17.9 thousand billion VND in constructing mountainous rural infrastructure and provided jobs to more or less 800,000 laborers in mountainous rural areas; income of rural households increased from non-agricultural sources.

**6.2 Existing problems**

**6.2.1 Conflicting and overlapping legal framework**

The harmonization of legal document system and forest policies is still unsynchronous, number of necessary documents that concretely regulate and guide the law enforcement are promulgated in cumbersome progress. The absence of certain legal documents can be seen in some sector or insufficient/scatteredly regulated (if exist) at different documents. Several legal documents are overlapping and even conflicting:

- Law on forest protection and development issued in 1991 whereas until 1993, the land was stipulated. The land law in 1993 regulated that land user are entitled to transfer, mortgage, inherit land. However, the guiding legal document was came to exist 6 years later - in 1999.
- From 1990 - 1999, over 20 out of the total 100 forestry related legal documents are found overlaps in terms of contents or even contrast to each other. Several legal documents whose contents are not match with newly promulgated ones have not been adjusted or abrogated timely such as: the issuance of the revised land law (1998) requires to revise or abrogate about 10 other legal documents whereas only 5 legal documents have been adjusted or abrogated so far. Most of legal documents on land use planning and plan issued by the state are at guideline level without being concretely addressed resulted in various interpretation and implementation by different agencies and localities. Policy n forest and forest land allocation was promulgated in 1993 (Decree 02/CP), however -until now-no single beneficiaries policy applicable to individual forests and allocated, contracted target groups has been developed; Rights of the people who allocated, contracted forest and forest land was scatteredly mentioned in decision 661 (1998) and decision 187/TTg(1999). In 1999, MARD stipulated decision 02 on wood and forest products exploitation regulation and decision 47 regulating the checking up, transportation and production of wood and forest products, but in the same year 1999, the Prime Minister promulgated Instruction Nr.19 on the implementation of measures to strengthen the consumption of plantation forest wood. Several contents addressed at the 2 cited documents are not any longer suitable with the Prime Minister's instruction and therefore need to be revised.
- The existing policy system mainly impacts to inputs and adjustment of outputs meanwhile just a few policies have impacts to forest production organisation process. Only a few out of the total 100 forestry related legal documents related to forest product organisation process such as: decree 12/CP promulgating regulation on
organisation re-arrangement and renovation of management mechanism of state agriculture enterprises (1993);
Decree 02/CP on forest land allocation (1994) replaced by Decree Nr. 163/CP (1999); Decree 01/CP on contract, allocate agriculture, forest land (1995); Decision 187/TTg on renovation of organisation and management mechanism of state forest enterprises (1999).

- Even the revised law on domestic investment encouragement (1998) are become attractive, investors are discouraged by un-integrated law guiding legal documents at local level. There is not any legal documents that specifically and explicitly guides on one hand the compensation for loss due to the changes of policy, land use planning or on the other hand the organisation of development support fund. In fact, policy on land, and on target groups entitled to preferential investment can be seen as objective facts to hinder the law enforcement process.

- Decision 661 only mentioned investment policy on special-use, crucial and very crucial protection forests whereas investment and credit policy on production and less crucial protection forests are undertaken in compliant with the law on domestic investment encouragement (revised in1998). However, no single legal documents guiding concretely the implementation of the cited documents has been issued so far.

Several inappropriate and unrealistic policies are being changed, hence, strong driving force has not yet been built up to encourage every social forces to be engaged in forest protection, management and development. Specifically:

- In terms of decision 661: as regulated in this decision, contract fee for protection of special use, very crucial and crucial protection forests shall be paid within 5 years, from the 6th year upwards, contracted people are entitled to benefit from the contracted forest. However, until now policy on beneficiaries applicable to people who receive protection contract is not available but in some provinces, people try to remain the contracted areas as previously and reduce the level of protection fee/ha of forest. It is inappropriate to regulate that the distribution of fund for forest plantation has to follow basic construction procedures and sequences since new forest plantation is closely linked with biological process of forest trees. Besides, the regulation on investment level in protection forest plantation, management fund for local project owners is made in average basis while different localities have different natural conditions. Moreover, beneficiaries policy on protection forest regulated at decision 556/TTg (1995) and decision 661/TTg (1998) are different (according to decision 556/TTg, people who receive forest plantation contract are entitled to 70% of nurse trees whereas they are entitled to 100% as regulated by 661). Nevertheless, guiding documents are still not available.

- As prescribed at the Law on forest protection and development, chairman of district people’s committee is entrusted to allocate land to cooperatives, production groups, households and individuals whilst he is only entrusted to allocate land to households and individual as addressed at the land law.

- In practice, village and hamlet communities do a good job in protecting forest at many localities. However, they are not considered as juridical groups to receive land.

- The limitation of exploitation for natural forest closure is a right guideline, however, the undertaken measures are applied rigidly due to the lack of economic measures dealing with negative impacts caused by this guideline. As the consequence, part of forest resources is lost (with regard to trees of exploitation age, if exploitation is not taken place, these trees shall get old, hollow with low quality); and natural forest closure on the other hand make wood to be scarce so as not only push wood price getting higher and higher but as well create pressure to forest products market resulted in illegal logging, forest products trading.

- The natural resources tax did not raise the distinguish natural resources quality, exploitation conditions; tax level applicable to individual natural resources has not been linked with the accumulation generated via natural resources uses so as to strongly effect to the income of forest enterprises whose production conditions are extremely difficult.

- The protection of plantation forest wood via the distinguishing of products made out of wood from plantation forest with that of natural forest has increased the complexity to management activities and at the same time to create gap for negative activities in the process of identifying inputs’ origin of the export forest products. The application of export tax level decided upon inputs’ origin shall have to cope with economic integration requirement once Vietnam signs tariff and trade agreements with WTO members.

- For one-time harvesting perennial crops, it is inappropiate to apply the agricultural land use tax level of 4% out of the products sell value and it would negatively impacts to any stakeholders that plant forest under very unfavorable natural conditions.

- The decentralization of state management over forest and forest land is conducted while there is not any incentive policy and mechanism to facilitate and encourage local authorities especially at communal authority - local level with very crucial role - to protect and manage forest.

6.2.2 Lack of implementation of policies

- With regard to forest land use planning and plans: up to now, several agencies have not formulated land use planning and plans as regulated by land law but only addressed it under the land use orientation in agriculture, forestry planning, master plan on socio-economic development or sectoral development plans.

- Forest land use planning in may localities have not been completed or all the time need to be revised and adjusted. The incoherent criterion on forest and forest land classification resulted in land allocation progress. In addition, the loose cooperation between land allocation agencies and land use and management agencies also led to ineffective land allocation results as land recipients have no fund to develop production.

- Cultivation planning for mountainous people and spontaneous was conducted in an un-integrated manner resulting from loose workflow and collaboration with relevant agencies.

- The renovation in terms of SFE's organisation and managerial mechanism has been taken place but in feeble
progress so as unable to meet the set requirements

- Decentralization of state management over forest and forest land is slowly carried out, legal mandate of authorities at different levels has not been strengthened; the specialized state management structure has not been consolidated to be powerful and competent enough to consult local authority at different levels on state management over forest; functions and tasks of forestry related agencies have not been explicitly defined.

6.2.3 Environmental protection versus livelihoods

Some of policies are incline towards environmental protection target without having any proper measures to increase income, stabilize livelihood of people directly involved in forest management, protection and plantation thus unable to up-root deforestation causes

7. CHANGING FRAMEWORK CONDITIONS FOR THE FORESTRY SECTOR

Policy making must include thinking about the future environment, in which the amended or new policies should be effective. We need to consider at least those changes in the future that we know about, and try to see how they may affect the forestry sector.

7.1 Population

According to the results of population survey on 1/4/1999, Vietnam has about 76.3 million people of which rural people accounted to 58.4 million and covers 76.5% of the total proportion. Hence, number of people increased 11.9 million in comparison with the last survey data in 1/1/1989. This population growth of nearly 12 million has increased the population density from 195 people/km2 in 1989 to 231 people/km2 in 1999. Population density in Vietnam is ranked the 3rd largest countries in Southeast Asia (after Singapore and Philippines) and the 13th out of 42 countries in Pacific-Asia region. The highest density population areas are focussed on Red River and Mekong delta. The west highland and southeast areas are the main places to attract immigrant. Different with the migration picture in 1984-1989, for the last years, big cities have strongly attracted considerable number of people to earn their livings in cities. Within 5 years from 1994-1999, about 1.2 million rural people migrated into cities for living, the migration flow to urban area is 3 times larger than that to rural area. As predicted by Strategic Institution - MPI: population in Vietnam in now about 77.9 million people; in 2005: 83.3 million; in 2010: 88.6 million. Hence, after 10 years, when the 5 mil ha afforestation program phases out, total population may increase up to 10.7 million people. For prediction of domestic wood demand: in 2005 - around 8-9 mil.m3; in 2010 - around 11-12 mil.m3. Population growth is one of the factors that on one hand strongly effect the protection of existing forest resources and on the other hand raise issues in terms forest establishment, forest production processing and international integration within the 5MH program frame-work.

7.2 Water supply and water discharge patterns

Vital watershed services are provided from water catchment areas. With a good forest cover rain water is stored in the soil and then discharged over a longer time period than if the land is kept bare. Well-managed or primary forested areas contributes to better water storage for hydropower and irrigation dams, help reduce floods in lowland areas, provides drinking water, and helps halting salt intrusion. In the final analysis, the water supply function of upland forests may be the main reason for investments in forestation and preservation of forested areas. All other functions of the sector may in the long term be secondary to the water supply function.

Considering that the population will increase, there will be a stronger pressure on forest land to be used for agriculture production and a strong demand for higher productivity on available agriculture land. Basically, the annual agricultural yields must increase (in percent) as much as the population increases. The demand for water will increase proportionally. To support agriculture production the forests need to be dimensioned and managed to supply more water in the future, and do it in a steady flow over the seasons.

The full recognition of the important water function of forestry has strategy and policy implications. In principle, it affects all policies and institutional arrangements of the sector. Some examples:

- Today, the water services from the mountains are not paid for by the water user in the lowlands, mechanisms to do that could be introduced. In essence: return the benefits to the mountains.
- Watershed management and upland water resource management need be a strong component of all sector policies, land use planning, forest research, technology development and training curricula;
- On the silvicultural side it affects choice of species and preferred canopy closure (i.e. less than full closure to allow multistory forests)
- Depending on the local conditions there may be a need to limit the planting of some fast-growing but water demanding tree species (per produced ton wood), e.g. some Eucalyptus species.
This calls for a basic study to be made before determining the ultimate quantitative goals of the 661 Program. A macro land use plan (national and regional level) is proposed. The main purpose of the study would be to find a balance between needed agriculture and forest lands, say over a period of up to 50 years. This study would be dynamic over time and take into account existing agriculture and forest land, land status, production capacities, population increase, increase in agriculture yields, need for food and forest products, and the need for water from forest land to support agriculture, hydropower generation and other water uses. This study may determine if the 43% forest cover target of the 5 MHRP is sustainable and feasible.

Additional studies and research are needed to get necessary information for water resource management. Among others, we need to know more about the water supply and discharge pattern from different kind of forests, different forest treatments and other land uses, and find methods on how to use this knowledge to form strategies and policies e.g. for resettlement, land use planning and desired land use patterns.

7.3 Competition on raw material supply market

Commercial forest plantations for export will compete with wood from countries such as Indonesia, Australia and New Zealand. They are also selling and targeting sales of wood to Japan, Taiwan and Korea. Newly established plantations will provide substantial additional volumes to the market in the next 5 to 10 years. Since the forest industries are not built up to use all the additional wood within the country, the wood raw material market in the Pacific Rim may be flooded with low-priced wood within 5 years.

How does this effect the 2 million hectares targeted for commercial plantations in the 5 MHRP? What competitive edges or other demands or conditions does Vietnam have to justify such an investment?

Vietnamese plantations are generally located far away from main harbors, and the quality of the transport network to these areas is low. Available plantation areas generally have poor soils that do not permit tree growth on the levels that already are at hand in the competing countries. Normally, the quality and increments of the plantations are higher in the other countries. In addition, Vietnam is a full member of ASEAN, and tries to enter into the World Trade Organisation. The trade agreement between Vietnam and the United States has already been signed. The removal of trade barriers and import taxes will have consequences for the competitiveness of Vietnam forest processing industry and export opportunities. The removal of the import tax on paper from currently 30% would require in accordance with a study conducted through SID a 30% increase in efficiency of Bai Bang Papermill, which would be very unlikely to achieve.

Also for domestic markets the Vietnamese raw material production costs need be compatible with the international market prices. Else, Vietnamese products cannot compete with imported forest products that have a low-cost raw material situation.

What strategy and policy implications? Examples:

- To be able overcome the difficulties and compete, the yields per hectare must be much higher to reduce production costs. In essence, Vietnam needs to be among the best in the world on wood production from plantations in all aspects: seed supply and vegetative propagation, site-species matching, site preparation, quality nursery production, and plantation establishment and tending. We know and must plan for it taking long time to build up such necessary capacities.
- Plantations should only be established on competitive locations, close to main ports or existing or already decided forest industries.
- Fast-growing commercial plantations need and use water. They must be located carefully, not to worsen water supply to agriculture.
- Vietnam must to decide if the effort of establishing 2 million hectares of new commercial plantations is worth the sacrifice in land and water, and the likely financial losses of the plantation operations.

To determine future orientation, it is proposed that a national-level feasibility study is carried out that focuses on commercial forest plantations and forest industries. Basically the study should answer the following 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.

7.4 Private sector and market economy
The role of the State and the private sector is going to change in the future. The State will be much less involved in productive activities and the private sector will evolve. The issuance of the Law on Enterprises in 1999 demarcated a further step in the way to a market-based economy. In the forestry sector the State is still playing a predominant role and the private sector has not yet developed as in the agricultural sector. Due to financial constraints and the streamlining of the organizational structures, many of the services the Central and Provincial Levels still consider as their functions will be gradually taken over in the coming years by the private sector, e.g. input supply in forms of seedlings, extension services, and other services. The State Forest Enterprises proposed to change into business units will sooner or later be registered under the Law on Enterprises or even equitised and some of the state-owned processing will be privatized or dissolved. National Target Programs like the 1 Billion US $ Wood Export Program will not be any more under the responsibility of Government agencies. If the Government wants to achieve a similar development like in the agricultural sector, then they have to provide the necessary framework conditions, reduce Government’s productive activities and leave enough room and freedom for the private sector to develop. The ownership of the 5 Million Hectares Program sub-project still remains with the State. If the State does not hand over a considerable part of the project activities fully in the hand of the private sector its ambitious goals will not be reached.

7.5 Social democratization

Social democratization has been one of the strategic tasks during reform process in Vietnam since 1986 to present. Democracy is taken place in daily life in every aspect as politics, economics, culture etc. and at every institution and level. The State laws and policies directly impacts to democratic implementation in society. Number of activities have been conducted to bring farmers’ rights and equality such as: good implementation of policies on land, forest, agro-forestry-aquaculture development, agro-forest products consumption, job provision, poverty alleviation and last but not least gradually undertake social equity. On 11.5.1998, the Government issued Decree Nr.29/CP promulgating regulation on democracy implementation at communal level; The Prime Minister issued Instruction Nr.24/CT (1998) on elaboration and implementation of village, hamlet convention. In addition, MARD also stipulated Circular Nr.56/TT (1999) guiding the elaboration of forest protection and development convention in communities, hamlets, villages. They are very important legal documents that create legal framework to encourage local people and communities to participate in forest protection and management. This convention was developed and implemented by local people themselves. This convention clearly identified rights and obligations of every community member in forest protection, management, development and use as: local people are entitled to participate in formulation process of community development plan; land use plan; mobilizing people to tend, breed and develop forest areas owned by village, hamlet communities and other issues related to helping each other in the filed of forest protection; organisation of production services; products consumption etc. Up to 1999, the State has allocated nearly 2 million ha of forest land to over 800,000 households, individuals for long term uses in forestry purposes. Once allocated forest land forest land, they became land owners who are entitled to make their own decision on production measures and to enjoy the fruits generated by themselves. Additionally, local people and communities were also contracted to protect, regenerate and plant forest by economic institutions and they are entitled to part of the entire benefit from forest. In short, the ongoing democratization process really has great impacts to the mobilization of internal sources for the implementation of the 5MHRP.

8. PROPOSED VISION AND DISCUSSION ON STRATEGY OPTIONS

Currently, forest in Vietnam is confronted with various challenges. If the annual loss of natural forest in the period of 1976-1990 is 190,000 ha, that in the period of 1991-1998 is on the other hand 36,000 ha. The natural forest logging quota approved has decreased from 1 million m$^3$/year to 500,000 m$^3$/year, and now 300,000m$^3$. Although many measures have been taken to limit the causes of deforestation, to date, it can be judged that the policies and solutions for forest protection implemented have brought about the initial outcomes, but are not effective enough to stop deforestation.

- The fast population growth has created fast growth rate of food, food-stuff and wood demand; the existing situation as hunger, shifting cultivation, slash and burn are main causes of deforestation for many years. This situation results in serious consequence that threatens sustainable economic development and negatively impacts livelihood of tens of millions of people in forest area and at river-downstream area especially big rivers so as to damage as well bio-diversity and may lead to numerous of other disasters. At present, about 20 million people live in and near forest, 2 other million live on food produced by shifting cultivation.
- In many areas, forest have not specific while the framework to implement forestry laws is still loose, the farmers do not have economic incentives to actively participate in management, protection and development of forest. The SFEs have not yet become real state enterprises.
- The effectiveness of state management on forestry is not high enough.
- There has not been any mechanism to encourage the application of innovative technology in plant species selection, forest protection, forest management, forest products processing, particularly, in reforestation both to increase the productivity and to conserve the bio-diversity and soil fertility.
- The globalization and international economic integration have been creating relations and mutual dependence between the economies of multiple nations, including Vietnam.
8.1 Forest vision

- Strengthen national protection capacity by protecting and enriching the existing forest area, new plantation of 5 mil. ha to increase forest coverage up to over 40%, combination with the development of perennial agricultural trees plantation in an attempt to increase forest and perennial trees coverage to 50%.
- Contribute to create jobs, increase income, improve livelihood of over 20 million people living in forest area via land and forest land allocation, attracting local people to be engaged in forest protection and development so as to increase income and eliminate poverty especially in mountainous areas.
- Provide wood, fire-wood and other forest products to meet domestic demand. In parallel, develop forest resources to meet increase demand in the future and for export.

8.2 Forest development orientation in the coming time

- Forest development in close combination with comprehensive mountainous-rural social-economics development. Forest careers socialization is considered a crucial strategic guideline that is carried out via forest, forest land allocation to households, organisations. Every forest area should have its owner and labourers have the rights to benefit production outputs so as to create attractive motivation to mobilize people's sources invested in forest protection and development.
- Shifting from forest exploitation towards forest protection and development where silviculture can be seen as basic activities to gradually manage forest in compliant with sustainable principles.
- Shifting forest economic structure towards the direction that eliminates mono-forest production and combines forest specialization with comprehensive development to diversity careers and activities and at the same time to strengthen comparative advantages in order to best exploit strengths available at central and highland areas. It is necessary to apply advanced scientific progress, pay due attention to technological investment and top priority should be paid to develop artificial board, paper production industry so as on one hand to efficiently exploit and use plantation forest inputs and on the other hand to improve products quality. In parallel with that, conduct human resources training to timely access advanced scientific achievements and technology in forestry sector.
- Formulating national stands planning for 3 forest types: special-use, protection and production. Subsequently perfect - on this basis - managerial organisation mechanism and policies applicable to each forest type and to make the best use of integrated potentials of the 3 forest types. It is a must to build up an integrated measures system that can create favorable environment to encourage economic sectors to invest in forest production, protection and development particularly households, organisations and individuals who allocated forest and forest land.
- Continue to renovate SFE's organisation and managerial mechanism and develop different forest economic modes (households, farming, private economic mode etc.) that are suitable with forest development requirement in the coming time.
- Decentralize state management over forest and forest land, Chairman of people’s committee at various levels are directly responsible for forest protection and development at his locality.
- Strengthen the role of social-political organisations to enable them best exploit and invest their sources in forest protection and development.

8.3 Proposed Main Forestry Sector Strategies for the Future

For forest development orientation from now to 2010, it is necessary to invest in these issues:

8.3.1 Formulation of a forest development strategy

Formulation of forestry master plans, national forest stands has to be clearly demarcated in sites. Planning and distributing 3 forest types have to conducted on the basis of strengthening advantages of each region so as to ensure biological security and sustainable forest development and at the same time to meet industrialization and modernization requirements.

- With regard to special-use forest: It is needed to revise, supplement or eliminate in attempt to affirm that special use forest system has to be established and conserved in line with requirements on protection of ecological system in Vietnam. Due attention should be paid not only to classify important level of special use forests for proper allocation of investment fund to individual periods but also to discover mangrove and coastal ecological preservation forests and at the same time to preserve indigenous forests, valuable and rare gene sources as well as to strengthen tourism potentials in special-use forests.
- With regard to protection forest: It is necessary to formulate comprehensive planning to stabilize protection forest in the whole country and at the same time to demarcate explicitly between protection and special-use
forests on sites.

- With regard to production forest: to divide key forest production zone and combine the establishment of industrial inputs forests with that of forest products processing industry in locality.

8.3.2 Strengthening forest and forest land allocation activities to ensure specific owners for every single land and forest plot.

The forestland allocation and very critical forest contractual protection should be implemented step by step with focus identified. Priority should be given to the very sensitive areas with the risk of encroachment or dispute. The allocation should be attached with land use planning, credit investment policies, forest extension policies, market policies and others to make the land allocation and utilization practically efficient.

8.3.3 Uniformly undertake guideline on multi economic sectors development in forestry sector. It is worthwhile to encourage the development of households, farming, private capitalist economics.

8.3.4 Apply market mechanism to create motivation and encourage farmers to develop forest products production and at the same time to constrain natural forest devastation.

- With regard to natural forest: It is necessary to constantly apply measures to control natural forest exploitation. In addition, apply high taxation rate on wood and rare forest products to restrict exploitation and use.
- With regard to production forest: create favourable for commodity circulation, processing and consumption in order to increase benefit entitled by forest planters.

In initial years, exploitation volume from natural forest shall reduce meanwhile products from plantation forests have not yet increased fast. It is important therefore to allow the import of sufficient inputs wood to satisfy wood requirements for industrialization and modernisation process so as to facilitate processing and handicraft industries to develop.

8.3.5 Focus state investment in public activities, encourage internal and external economic sectors to invest in forest production development.

- Fund mobilization: It is proposed to increase investment level/GDP in forestry sector to be higher than that of the average rate of entire economic sector (currently, the investment proportion for the former covers about 15% whereas, it is around 21% for the latter. Hence, state investment fund for this program shall be increased; It is necessary to develop not only regulation in which processing enterprises have to abstract certain proportion out of products value to invest in inputs forest plantation but as well policies to regulate any organisation directly use environmental benefit has to make financial contribution.
- Diversify investment in forest plantation via different ways as: joint-stock; or the state re-buys forest invested by private sector including foreign investors; joint-venture etc.
- Gradually reduce the existing subsidy on forest protection contract fee, as a replacement, people who allocated or contracted forest, forest land are entitled to forest products generated on their responsible area. In addition, indirect investment policy applicable to land recipients is also applied to facilitate them in forest production.
- Develop policy to attract foreign direct investment towards investment liberalization, to expand foreign investment form (100%) and to apply more preferential mechanism in terms of taxation, land lease fee. In parallel, create favourable conditions related to foreign currency and credit support ect.
- Incentive policies should be developed to encourage organisations and enterprises to lease tourism potential oriented forests (special-use, protection forests) for exploitation of tourism potential and for re-investment in forest plantation, protection and tending.
- It is necessary to avoid the situation where great investment is poured into protection whist neglecting production forest. The subsidy mechanism applicable to protection forest only shall create transference trend from the latter to the former even several forest do not have watershed protection function.

8.3.6 Science and technology development

- High investment should be placed on aspects of seedlings, identification of plantation pattern adaptable with site conditions; perfection of procedures and sequences on afforestation, regeneration and use of individual forest types at individual areas.
- Study specific silvicultural technique for each type of trees (ecology, site, technique) to have basis for identification of plantation pattern particularly for protection forest.
- Study to improve forest quality (improvement of trees with high economic value and protection efficiency, improvement of highland area and rich potential forest etc.) in order to create stable forest resources.
- Develop plantation forest wood processing industry, make use of cast-off in agriculture.

8.3.7 Forest managerial system intensification

- Strengthen the legal basis: the Government has provided a legal framework for forest management, protection and establishment by issuing many important legal documents. However, some documents have proved to be
inappropriate during their application and have not encouraged people to participate. They therefore need revising, supplemented and formulated.

- Strengthen the state management capacity on forestry: clarify the responsibility for management of forest and forest land at all levels, at the same time, facilitate the authorities at all levels to implement the assignments. The authorities at all levels should also be supplemented.

8.3.8 Intensify legal basis and state management capacity in forestry sector.

8.3.9 Forest development has to be conduced in parallel with poverty alleviation, to stop shifting cultivation not via administrative measures but applying alternative measures to stabilize livelihood and ensure food security to mountainous people.

8.4 Proposal of specific policies

8.4.1 Land use planning and forest classification.

- It is necessary to review the efficiency of activities related to land use planning and plan developed by various agencies and levels. On the basis of the review results, promulgate decree on land use planning and plan. This decree shall address the following issues: contents of plans; planning; formulation procedures and approach appraisal; approval of land use planning, plans; monitor, supervising the implementation of land use planning.
- Re-consider land classification system
- Revise, re-define land availability planned for 3 forest types on the basis of scientific and ecological conditions. Formulate stable cultivation area planning. Besides, strictly manage the transference of forest land in accordance with regulation stated in land law and law on forest protection and development.
- Clearly and specifically distinguish criterion on classification of watershed protection forest, production forest (similar to special-use forest classification criterion) and at the same time to eliminate crucial level in watershed protection forest; integrate social-economic factor into forest classification criterion; develop concrete standards that widely applicable in the whole country for classification of watershed protection and production forests.
- Demarcate forests on maps and sites on the basis of forest classification criterion and standards.
- It should be considered in forest classification that the area of protection forest be reduced. The Government only allocates fund for management of very critical protection forests. Screen to convert part of the protection forests (less critical) to production cum protection forests and allocate them to the farmers for agro-forestry.

8.4.2 Forest, land allocation

- Settle conflicts on forest land allocation
- Allocate natural forest adjacent to inhabitants and under scattered production purpose to households, individuals for long-term and stable use.
- In terms of forest land allocation area: due to practical conditions in our country: dense population and narrow land, it should be better not to fix or regulate the allocated forest land area up to 30ha/household. Instead, average land area should be remained from 3-10ha/household. This land standards is mainly applicable to poor people with insufficient land area, local inhabitants or village, hamlet communities in localities. The remaining forest land area should be divided into 2 categories: lease land via tendering; remain part of land area and assign to charitable social organisation for management.
- In land insufficient area, it is needed to call for re-buying land from urban people or people who possess large area to re-allocate to poor people who possess small area but have agro-forestry production capacity so as to stabilize their livelihood. It is vitally necessary to revoke unused land managed by SFE and communal people's committee.
- It is proposed to supplement fund invested in infrastructure construction, particularly roads for areas where forest is allocated or contracted. Select the most effective plantation pattern and agro-forestry mode that are adaptable with cultivation customs, land conditions as well as socio-economic conditions in locality so as to assist farmers to develop production. A part from preferential credit policy, the State should further invest in forestry extension mode to create market and assist households to consume their products.

8.4.2 Investment and credit policy

- Investment structure: Within the total fund invested in the program, certain proportion should be left aside as regulated in decision 327 to invest in new technology research, especially on seeds, seedlings, forest products processing technology and forestry extension that directly serve the program (according to decision 661, this part is exclusive from the investment fund of the program). It is necessary to invest only in protection forest of national importance and to avoid low efficiency caused by spreading fund of a little for here and there.
- Promulgate policies regulating that: wood processing and use institutions should add 3-5% of the production cost into products price for further investment in forest plantation fund.
- Investors (insiders and outsiders) whose projects invest in production forest plantation, plantation forest wood processing are entitled to maximum preferential conditions as prescribed at the revised law on encouragement of domestic investment (1998) and law on foreign investment in Vietnam - revised (2000).
In order to develop stable inputs zones for processing industry, the State should adjust preferential loan interest rate applicable to inputs forest plantation of 30-50% in comparison with that of long-term preferential credit loan under Decree Nr. 43/Cp (1999). A part from that, forest planters are entitled to get loan directly from investment bank. Loan tenure for forest plantation, tending and protection lasts for at least 10 years.

In area where barren land and denuded hills are dominant, investment in forest plantation should be conducted under farming mode with due attention to private enterprises.

Encourage to integrate high efficient oriented trees or trees with soil improvement function into forest plantation program. It is allowed to adjust investment level in case high efficient trees are at high price (not necessary to fix that seedling cost should not exceed 30% of the investment level as regulated in 661).

Households engaged in forest activities in remote protection area are entitled to non-interest loan or soft loan in case they invest in development of production, plantation of fruit or industrial trees. Forest owners as organisations, households, individuals are entitled to mortgage their forest land use right to ask for bank loan.

**Wood processing:** diversity investment forms in an attempt to access different sources for further development of wood processing industry as: asking foreign loan to procure equipment, technology and return loan in terms of cash and products later; leasing equipment and return in products; making joint-venture with foreign companies; 100% foreign investment fund; placing priority to products-export institutions (responsible for forest plantation investment); encouraging internal enterprises, collectives and private individual to invest via buying share; concentrating investment in processing and consuming products generated from plantation forest.

Study policy on leasing protection, special use forest aiming at absorbing investment fund including external investors.

**Establishment of forest development support fund:** This fund was set up from voluntary contribution made by internal and external organisations, individuals; from obliged contribution (from 1-5% inputs cost integrated into products price) of enterprises use forest products for commercial production; from public labor of every citizen at working age; collection fee from tourism etc.; from exploitation of special-use forest exploitation; part of the fee collected from water resources exploitation by hydro-electric and hydraulic structures.

### 8.4.4 Taxation policy

**Policy on land use fee:** Continue to apply land use fee exemption for all the cases where land was already allocated. It is suggested to apply the minimum land use fee rate for external investors invested in forest projects or even projects on inputs forest plantation attached to paper industry or investment in wood processing sectors that are operated under land lease. In addition, further decentralize for local level to adjust land lease fee reduction; increase exemption level of land tax to 90-95% and reaching the aim that the collection of land use fee is just for symbolic meaning that contributes to better land management but without aiming at regulating investors.

A part from cases on preferential and exemption of land use tax as regulated in law on land use tax; law on encouragement on foreign investment, it is proposal to revise the tax level applicable to perennial fruit trees plantation on the annual plantation land so as on one hand to encourage producers’ activeness in land utilization and on the other hand to create favorable conditions for investor to invest in fruit tree plantation and to develop processing units taking into account the combination with inputs zone. It is proposed to reduce 50% of the obliged tax level applicable to forest plantation or 1-time harvesting perennial crops (4% of the export-value).

It is needed as well to re-consider land lease fee for forest plantation. Currently, the lowest fee level is 50vnd/m2/year. Hence, people have to contribute 3.5 million VND if they plant a 7-year rotation trees. If we calculate adequately and properly, people who lease land for forest plantation get no benefit at all.

**Continue to use natural resources tax, export-import tax in regulating and managing forest products.** There is distinction on export tax and on this basis, wood and forest products originated from plantation forest should be at low export-tax level; it is suggested to increase export-tax level applicable to any products originated from natural forest wood. Besides, it is a need on one hand to protect forest product market, protect outputs market for the coming years and on the other hand to regulate and apply high tax level for import-wood and timber products. In an attempt to accelerate the processing and consumption of plantation forest wood and timber products, the State is proposed to issue tax exemption policy for export of refined products and artificial boards as: laminated board, compressed board, ply board; and to apply export tax of 5% as maximum for other products pre-processed from plantation forest wood. In parallel, reduce import tax applicable to equipment and machines imported to serve plantation forest wood utilization.

With regard to enterprises’ income tax: it is proposed to submit to the Government for consideration and exemption of income tax (Article 20 of Ordinance on income tax) for people implement forest plantation oriented project.

**VAT:** VAT should be exempted for any plantation forest products that planted and processed by forest owners themselves (current rate is 10%).

### 8.4.5 Silviculture

Forest enterprises should participate in sustainable forest management process till being granted certification in accordance with the draft principles on forest management and protection standards developed by the National FSC and are tested via 3 mock-assessment times provided with 1 additional 1 mock-assessment conducted by the accredited regional certification organisation - Smartwood.

Allocate forest land and provide land use right license to create legal basis for the implementation of forest
protection and management activities: Land law (1993) and the revised land law (1998) regulated that state enterprises are provided land use right license for commerce whereas, in practice, number of enterprises have not been provided this certification (red-book). Large forest farms or households with several hundreds or 1000 ha of forest such as Mr. Nguyen (Nghe An), Mr. Thap (Yen Bai), Mr. Phuc (Dong Nai) have not been considered. Red book is seen as the first legal basis to protect, manage forest and propose for forest certification.

Further studies should be conducted to supplement silvicultural technique norms applicable to bamboo and timber production forest (QPN 14-92): with regard to silvicultural technique sequence on wood exploitation and quota, the Government allow to cut on the cubic meter basis of log rather than on stems so as to permit exploitation company to over-cut in order to have high quality log, meanwhile -in practice- the larger proportion of stems to be used, the more benefit it brings.

It is necessary to study and renovate financial mechanism of SFE: currently, SFE's financial mechanism is not operated on the self-financing basis resulted in the so poor and deteriorated infrastructure, transportation road, equipment, facilities and timber loading site that can not ensure basic conditions for forest protection and management. Activities related to road construction and maintenance are not decided by SFE's director but taken over by the exploitation company that wins the bidding or in most of the cases appointed by provincial level. Hence, they just upgrade the road in a very temporary manner to have wood transported in the cheapest way and the next appointed exploitation company shall take over the follow up. This mechanism has been applied since subsidy regime when SFE operated in accordance to instruction from higher authority level so as resulted in such deteriorated and over-exhausted road system. The average from 2-6m/ha of forest is far below the minimum regulated average of 10m/ha leading to the situation that in forest area adjacent to traffic road, forest is over-exploited whereas potential forest far from traffic road was left un-exploitation. This situation is totally contrast to guideline on forest closure at the most exhausted natural forest till 2010.

Policy on exploitation and price: the existing policy on market price has separated forest owners and consumers without any linkage or incentive mechanism for development. SFE produces timber, but rarely involves in processing and consuming to increase income for workers and local communities. Timber is sold to other company appointed in most of the cases by higher authority level rather than via bidding as regulated by the province. These two reasons discourage forest owners to marketing their products. If forest is well protected and managed, it will be granted with certification, timber products shall be labeled and internationally circulated and then products price shall considerably increased. However, benefit shall again belong to higher management agencies and exploitation company, not at all belong to SFE and local people.

8.4.6 Forest exploitation, utilization and forest products market:

- With regard to forest exploitation and use: develop a system on monitoring of forest resources progress in the whole country (land availability, area, quality, capacity, manager and user).
- On the basis of clear identification on forest land availability, develop proper measures on forest exploitation and use management towards the direction where exploitation capacity and intensity are gradually increased to meet practical demand. Forest to be exploited including rich and medium potential production forest, forest area shifted from protection into production forest (via inventory, review), rehabilitated poor forest, potential forest under natural forest closure (via inventory, review) and the existing plantation forest.
- Strengthen checking up, inspecting oriented activities conducted by state management institutions and law enforcement agencies on forest commercial and production activities and special attention should be paid to forest exploitation, utilization and forest land transference.
- For the last time, the forest product market policy which mainly controls forest products transportation, consumption and prohibits log and sawed wood has had positive impacts in restricting commerce resulted in low forest products price at forest exploitation and plantation area so as to significantly reduce natural forest exploitation and at the same time negatively reduce forest plantation motivation. For this reason, it is necessary to harmonize between administrative and economic measures in order to effectively protect natural forest while steadily ensure rights and benefits of people involved in forest plantation. With regard to natural forest, it is important to remain strict control measures on forest production transportation, to impose high tax level applicable to wood and rare forest products so as to restrict exploitation and use. Plantation forest is possessed by the people who invest their own means and organise plantation. Forest owners have the right to decide exploitation period and measures. In the first coming years, while plantation forest products do not increase much and natural forest exploitation products tends to reduce, it is necessary to provide permission to import sufficient wood materials to meet domestic demand. However, it is suggested to apply appropriate measures to enhance wood and forest product supply capacity via number of indirect policies such as: fostering forest and forest land allocation to organisations and households; job creating; agro-forest farming economics development; support investment to forest planters via projects in addition to other demand increase measures as: prior investment in establishing wood processing units in combination with inputs zone, diversification of timber products etc. When plantation forest exploitation capacity increases, it will encourage export to remain domestic price that is favorable to farmers.

8.4.7 Forest research

a. Silviculture:
Study criterion on sustainable forest management for forest types in Vietnam; regulation on sustainable forest management of the existing forests.

Policies need further study and revision: inter-circular Nr.28 (1999) guiding the implementation of decision 661 need to be supplemented with concrete guidance on plantation pattern for forest plantation; Decree 07/CP and Circular 02 (MARD) on plantation seeds still lack of appropriate regulations on forest seedlings management; Norms 14-92 on silvicultural technique measures for bamboo and wood production forest.

Policies need to be developed: regulation on forest seedlings management; policy on encouraging applying advanced technology in selecting seeds, improvement of forest seedlings; national standards on plantation seedlings management; forest plantation sequence for indigenous species.

b. Forest resources exploitation and use

Study to develop proper forest resources utilization strategy to 2010 and 2020 as: strategy on development of artificial board production industry; timber products for domestic demand and export; non-timber forest products utilization; study to revise and supplement regulation on management of the 3 forest types; regulation on wood and forest products exploitation issued along with decision 02/1999/QD-BNN-PTLN on 5/1/1999 of MARD;

Study for development and new promulgation: policy on encouragement of forest products processing investment in remote areas; new technology application; policy on encouragement of non-timber forest products development and processing; policies on forest plantation development for fire-wood provision, use of energy to replace fire-wood; develop and promulgate indicators to ratify and provide COC certification (Chain of Custody) to forest products processing units.

8.4.8 Forestry extension policy

a. Organisational structure: select one of the 2 following options:

- Separate forest-extension section to be attached to forest development department (FDD) in order to link with the instruction of the 5MHRP implementation. Similarly, at provincial level, forestry extension tasks are supposed to be integrated into forest development sub-department.
- Transfer state management function currently taken over by Agro-forestry extension department into other departments or set up a new department, Agro-forestry extension dept. only involves in instructing agro-forestry extension activities and hence, a synchronous system is set up from Central down to district level.
- It is necessary to have clear but uniform guidance and policy on the establishment of agriculture extension staff at communal level. At village and hamlet level, due attention should be focused on establishment of people's agricultural extension group, especially voluntary agro-extension group.

b. Contents of forestry extension activities: forest extension activities are not only transferring technique to farmers but also concentrating on land use planning for individual households, dealing with production capital, outputs market and timely providing information to farmers.

c. Forestry extension approach: The State's forest extension system need to be tested and to apply different approaching methodology aiming at satisfying farmers' requirements.

d. Agro-extension policy:

- Set up agro-extension staff network at communal level. These staff are paid under contract regime of 200,000d/person with retirement insurance as other communal officers. Each commune in general has 1 agro-extension staff, but 2 staff (1 for forestry extension) for every mountainous commune.
- It is necessary to have -in mountainous provinces- official forestry extension staff attached to state agro-forestry extension system from Central to district level.
- Policy applicable to state agro-extension staff: it is proposed to increase subsidy level to 10,000d/day for ordinary area and 20,000d/day for mountainous areas. This part should be abstracted from the regular fund.
- Financial distribution in agro-extension: It is supposed to assist farmers in terms of seedlings only (100%) whereas farmers-themselves shall invest in other materials as (fertilizer, pesticide, veterinary medicine, etc.) (according to the existing policy, farmers are supported 60% in seedlings and 40% in materials.)
- It is important to develop benefit sharing policy between forestry-extension services providers and forestry-extension oriented beneficiaries. Set up non-government forestry extension associations with the view to consider technical science as a kind of commodity, mobilize sources from research agencies, institutes, colleges and centers to forestry extension activities.
- Furthermore, it needs as well policy to encourage women to participate in forestry extension activities.

8.4.9 Institution and human resource development:

8.4.9.1 With regard to forest administration institutions in vertical line

Base on the view of forest specialized state management: i.e. managing the implementation of the regulated legal institutions that related to sectoral specialized technique management.
Advanced scientific progress in the next 10 years allow to apply modern management measures with neat personnel and clear-cutting responsibilities.

Develop a coherent functions and tasks system for individual institutions and agencies from central down to local level so as to eliminate overlaps. In addition, it is needed to identify proper structural organisation adaptable with different areas to better serve forest development;

State management structure over forest can be organised under the 2 following directions (see annex 2)

- Amalgamate 2 institutions into the only 1 forest institution, this option allows to streamline organisation clues to be suitable with administration reform tendency. Besides, this amalgamation shall eliminate duplication and shall be operated efficiently.
- Re-identify function, tasks responsible by 2 forest related institutions: forest protection only involves in law enforcement, to be shifted into forest police. While waiting for the revised law to undertake this option, it is needed to take into account specific activities conducted by these two institutions at district level.
- It should be clarified whether it needs number of forest state management institutions attached to people's committee as currently or only DARD with proper organisation is needed.
- At district level, the forest protection station is under section of agriculture and rural development (SARD), it is proposed to strengthen forest specialized staff working under SARD.
- Set up forest board in commune that covers over 1000 ha to 2000 ha of forest land.
- Under the cited view, the state administration management system on forestry sector should be as follows: at Central level, FDD is agency to consult MARD's Minister to manage and instruct forest related activities and forest development organisation system shall be set up down to communal level.

8.4.9.2 Future functions and tasks to implement 5MHMP

a. Under option 2 with the existence of forest police system, the forest development organisational system from Ministry (Government) - Department (provincial people's committee) - Section (district people's committee) to forest board (commune) is operated under both instruction of authority agencies at various levels and of vertical line (Ministry-department-section)

- Forest development sub-department under DARD takes over DARD's tasks on state management over forest and be responsible to DARD's director on forest management issues in provincial area.
- Forestry section under SARD takes over SARD's tasks on state management over forest and be responsible to SARD's director on forest management issues in district area.
- Communal forestry board takes over the entire state management task over forest in commune and be responsible to Chairman of Communal people's committee on forest management issues in commune area. Communal authority is the one that on behalf of the state to take responsibilities over forest within perspective management area.

b. Favorable conditions should be developed to facilitate village, hamlet leaders to participate in forest management in village and hamlet area.

8.4.9.3 Workflow relation and collaboration with other institutions

It is necessary to re-structure SFE system that operating under self-financing mechanism.

a. Strengthen state management responsibility over forest on territory basis (province, district, commune)
b. Cadastral and forest related institutions conduct forest, forest land allocation
c. According to regulation stated at decision 245 (1998), forest-forest land allocation shall be taken over by Cadastral agency whereas forest institutions are responsible for management of the allocated forest and forest land
d. To avoid duplication of functions and tasks responsible by various institutions, forest police shall exercise functions and tasks regulated by the State and at the same time to closely coordinate with forest development institutions at different levels to undertake forest protection and management activities. Forest police does not directly involve in the implementation of specific technical measures on silviculture such as: pest prevention, forest development planning but supervises law enforcement carried out by forest related institutions.

- It is advisable to conduct in-depth analysis for the identification of functions and tasks so as to avoid left pending and duplication (see annex 3)
- It is proposed to nominate adequate staff working under specialized department in MARD, particularly foresters in DARD, SARD and other forest institutions in locality.

8.4.9.4 With regard to special use and protection forest management boards

a. Special-use forest management board: special-use forest is divided in to 3 categories: national park; nature conservation area; historical and tourism area. Management board shall be set up in any national park and nature conservation area that cover from 1000 ha upwards. These management board operate under administrative
mechanism with income. Tourism activities are conducted under commercial mechanism and benefit generated from these activities is to be contributed to state budget. Management boards are forest owners to be allocated land, forest land and granted land use right certification. These management boards are responsible for management, protection and development of the allocated forests to reach the set targets. Each national park or nature conservation area management board has certain number of official staff working under the 2 following sections:

- Management section: at least 3 people:
  - director: university qualification
  - vice-director: forest university qualification
  - chief accountant: Finance-Accounting university qualification.
- Forest protection section: constituted by several members of technicians specialized in forest protection. 1 official staff is nominated for every 500 ha of forest. This section is directly managed by 1 vice-director.
- Management board is not set up in any nature conservation area of less than 1000 ha. Forest in this area is allocated to organisations or individuals for management, protection and establishment in compliant with regulation stated in law. Communal people's committee is responsible on one hand to manage and protect unallocated area and on the other hand to develop and submit proposal to competent agencies for allocation of land to appropriate organisations, individuals.
- MARD authorises DFF directly to monitor and instruct the management of national parks and nature conservation areas that share territory of several provinces or have great value in terms of bio-diversity or protection and endemic species.
- People's Committee at provinces and Central cities authorizes DARD to directly monitor, instruct and manage the remaining national parks and nature conservation areas.

8.4.9.5 With regard to protection forest management boards

- Management board shall be set up at any protection forest (set up in accordance with Decision issued by the Prime Minister and Chairman of provincial people's committee) that covers from 5000 ha of very crucial and crucial areas upwards. This management board operates under administrative mechanism with income. Income generated from tourism service activities and forest products exploitation (if any) is contributed to management board' budget for compensation to other activities.
- Protection forest management boards are forest owners who received forest land allocated. They are responsible for forest establishment, protection and management and at the same time acting as owners of projects investing in establishment, protection and management of such forest.
- Each protection forest management board has certain number of official staff working under the 2 following sections:
  - Management section: at least 3 people:
    - director: forest university qualification
    - vice-director: forest university qualification (forest protection and management specialization)
    - chief accountant: Finance-Accounting university qualification
  - Forest protection section: constituted by several members of technicians specialized in forest protection. 1 official staff is nominated for every 1000 ha of forest. This section is directly managed by 1 vice-director.
- If one protection forest that shares territories of several provinces, separate management board shall be set up in individual forest areas of perspective provinces. Attached to to provincial people's committee, these protection forest management boards are instructed, supervised and managed by DARD within entrusted authorization.
- Respective communal people's committee is responsible for management, protection of unallocated forest, forest land area to prevent deforestation.

8.4.10 Human resources development

- Adjust training structure at various levels, it is proposed to increase training structure of technician workers - high school - university and post-university to 20-3-1 to replace the existing structure of: 3-2-1
  - In terms of careers structure: It is necessary to increase training criterion for careers that serve main production of the sector such as: silviculture, afforestation etc. MARD should additionally assign training institutions to train under recruitment form.
- A part from the official and intensive system, training institutions are encouraged to apply other training system at locality such as vocational training, on-the-job training, short-term refreshment; thematic oriented training. Within the annual vocational training structure, short-term vocational training covers large proportion of over 80%.
- It is needed to intensify investment in technical materials for training institutions, especially for the key ones.

8.4.11 Measures encouraging private sector to invest in forest plantation

- Complete procedures on land use right provision to investors allocated, leased land so as they can feel assured to invest their own mean in intensive forest plantation.
- In our country, most of the arable land areas are used for agriculture purposes while, land for afforestation is characterized as barren, denuded hills, exhausted and degraded areas. It is proposed therefore to exempt land lease fee and land use tax once forest land is used for afforestation purpose.
• State budget should invest in infrastructure at intensive inputs (materials) zone (as transportation road, vast logging sites) whilst investors are supposed to construct road within their responsible forest areas in addition to small logging sites and fire-belt system in forest.

• Provide interest support to forest planters when getting loan from commercial banks or development support fund with interest rate of 5%/year without compound interest. Both the loan amount and interest shall be returned after the main exploitation is taken place (similar to regulations prescribed at decision 264).

• Eliminate every complicated and unnecessary procedures related to check up or control and at the same time to create favorable conditions for forest owners to freely exploit, circulate and export their plantation forest products.

• Provide market information to forest owners timely.

• Set up plantation forest commercial associations to accelerate the collaboration among commercial strategies, inter-protection and at the meantime to prevent unfair competition, market monopolization, price pressure.

8.4.12 Social and relevant policies

8.4.12.1 Resettlement and new economic zone policy (2001-2010)

a. Objectives:

• In terms of resettlement: stop the on-going shifting cultivation situation for 26,000 households; stabilize production and livelihood for already settled 250,000 households with still shifting cultivation; total investment capital for this resettlement program is over 5000 billion VND.

b. Policies and measures:

• Investment policies:
  o In terms of resettlement: prior investment in infrastructure construction to set up stable production area especially for food production; In addition, provide production development support to shifting cultivation oriented households for resettlement.
  o In terms of new economic zone project: the State publicize planning and encourage every economic sector, household to contribute capital to invest in exploitation of unused area (inclusive of water surface) for agro-forestry-aquaculture production in accordance with the elaborated planning.

• Policy on exploitation of unused land: local authorities in coordination with competent institutions revise unused land. Base on the land availability and level regulated in land law, firstly-provide land to local households whose land are insufficient to conduct agro-forestry production and subsequently receive internal and external immigration households.

• Investment policy in communities: focus on land reclamation; internal region traffic road; internal irrigation system, markets, seeds supply centers etc.

• Households oriented support policies: Minority people of shifting cultivation are supported for migration and subsidized food for 6 months with the maximum level of 3 million VND/household, and maximum of about 3 million VND/household for house construction. Already settled households with shifting cultivation are supported not only capital for reclamation of 0.5 ha for agricultural production but also seeds for the first cultivation crop etc. Households migrate in accordance with the set plan shall be supported in terms of finance, food for 6 months and temporary house with the maximum level of 6 million VND/household. With regard to spontaneous immigration, local authority should facilitate them to settle and stabilize their lives and integrate them into planning areas. Priority should be place on the use of financial source from socio-economic development program to support and facilitate people to stabilize their livelihood in areas where settled people are confronted with numerous difficulties.

8.4.12.2 Social policy

• Education, training and vocational training policy: study to complete learners distribution policy, develop recruitment policy with prior in forest oriented careers; develop policy on investment encouragement, tax, scholarship subsidy; social subsidy to vocational training institutions; encourage lecturers and learners in mountainous rural areas; develop regulation on forestry specialized technical standards, grades.

• Job provision policy: policy on encouragement of households economics development, farming economics to create in-house jobs and attract off-farm laborers in rural areas; encourage spontaneous working changes in compliant with regulation addressed in law. In addition, to combine voluntary youth in conducting economic activities with the implementation of the tasks on greening barren land and denuded hills.

• Study to supplement and perfect the social insurance policy applicable to laborers working in agro-forestry enterprises.

• Combine various socio-economic policies as: policy on resettlement; bordering; islands, policies on land reclamation, sea encroachment; forest regeneration, protection and utilization as well as local infrastructure construction in an attempt to make the best use of and intensify the availability in terms of land, labour and materials so as to set up production units to develop commodity production.
9. PROPOSE ACTIVITIES TO IMPLEMENT THE PROPOSED STRATEGIES AND POLICIES

9.1 Short-term proposed measures

- The State is proposed to promulgate Decree on land use plans, planning
- Concentrate to settle conflicts related to land, forest land encroachment via regulation and law
- Revoke land that has not been used, illegal used or ineffectively used by organisations, institutions, individuals including land currently being managed by communal people's committee.
- Develop framework on institution, organisation and administrative management on forest, forest land allocation and at the same time to strengthen forest management capacity at various levels especially communal one.
- Adjust, supplement and revise Regulation on management of 3 forest types, it is worthwhile to uniform forest classification criterion of which due attention should be paid on technical, socio-economic factors provided with the practical status in every site.
- At communal level: revise, adjust, supplement forest types on maps and sites especially in the areas with dense population, inexplicit demarcation or existing land conflicts with other sectors; demarcate on map, site and legally formalize this demarcation for long-term stability; It is also needed on one hand to clearly define responsibilities and role of various levels to participate in this activity and on the other hand to regulate specific approach on forest demarcation on site.
- Develop general regulation on contents of forest land use planning, plans formulation together with that of appraisal, ratifying and state management of various levels over this activity.
- The State should issue decision on land availability for different forest types in the whole country.
- Train, improve technical professional for foresters working at province, district and especially grass-root levels.
- It is suggested to take into account as well female and minority staff in remote areas (around 6000 people).
- Complete plantation of 240,000 ha of protection forest and 320,000 ha of production forest during this period.
- Study to revise, supplement decision 661/TTg (1998) to provide basis for continuous implementation of this program.
- Well prepare inventory and survey activities to concretely identify fund distribution to sub-projects in accordance with different forest types and territories.
- Study to develop regulation on silvicultural basic construction investment to be basis for the changes of distribution-appraisal and return mechanism applicable to forest plantation fund.
- Study to develop forest oriented beneficiaries policy
- Study forest plantation investment efficiency to have basis for imposing interest rate for forest plantation loan.
- Adjust project managerial organisation system, identify explicitly mandate and responsibilities of investors and particularly projects on plantation and protection of special-use, protection forest.
- Study to develop policy- on the basis of the law on encouragement of domestic investment and law on forest investment in Vietnam- to encourage and attract different economic sectors to invest in forestry sector from initial steps in setting up material zone, connecting with processing units to the final one as outputs consumption market.
- Promptly promulgate policy to encourage and guide using wood properly especially for rare and valuable wood. It is encouraged to use artificial board and other products instead of wood.
- Strengthen, renovate state management institutions over forest and forest land from Central to local level.
- Re-arrange SFE system, management boards of protection forest, nature conservation areas.
- Study to experiment pilot equitization of forest products processing enterprise.
- Strengthen and renovate forest protection system
- Study to establish and develop forest towards farming mode
- Study to identify program's objectives so as to properly use forest resources.
- Develop material zone for main products;
- Identify appropriate plantation species to provide inputs to main products;
- Study to revise and supplement Decree 07 (Government) and Circular 02 (MARD) on plantation seedlings; silviculture norms QPN 14-92 applicable to wood and bamboo production forest; Regulation 02(1999) of MARD;
- MARD is proposed to develop in-house vocational training proposal for agro-forestry laborers. Initially, it is necessary to consolidate, improve agro-forestry extension centers and center on technical transference support to rural youth. In mountainous where vocational training and technical high schools are absence, it is needed to upgrade several job services centers who will provide technical and short-term vocational training for forest development. In addition, develop and forward a list of forest careers that need prior training to Government for approval.
- Promulgate legal document guiding the implementation of social insurance regime applicable to laborers working in agro-forest enterprises.
- Study forest production protection policy
- With regard to resettlement: Provinces with large unused area can receive immigration; while resettlement, migration and new economic zone development master plan should be developed in shifting cultivation area; On the basis of the ratified mater plan, to develop specific projects: resettlement project on stabilization of livelihood for minority people with shifting cultivation; new economic zone project on receiving immigrated households as planned; publicize over mass media all the addresses and information of these projects etc.

9.2 Medium measures
- Develop 1 set of forest land map with the proportion of 1:10,000 for about 7 million ha of which priority should be placed on the mapping of crucial protection forest area under the on-going implemented projects 661.
- Develop beneficiaries policies applicable to stakeholders involve in afforestation including: regulation on land allocation and provision of land use right license, rights and obligations of target groups allocated, contracted forest land. In addition to other support policies as: preferential credit, forestry extension, infrastructure investment; forest product processing, consumption and market etc.
- Complete the decentralization, forest classification, master plan on land use planning for 661 program; forest and forest land allocation, forest land use right license provision and particularly identification of stable national forest stands.
- Complete the plantation of 480,000 ha of protection forest, 640,000 ha of production forest. It is necessary to take into account that during this period, 30% of forest area shall be certified and 30% of processed forest products are labeled.
- Develop investment managerial policy from establishing silvicultural project to designing forest plantation, tending, protection and regeneration etc. In parallel, adjust silvicultural investment level, indirect cost and other managerial expense raised during silvicultural investment period.
- Study to develop regulation on leasing special-use, protection forest to provide eco-tourism, landscape commercial services; leasing production forest.
- Study to experiment pilot equitization SFE in intensive materials zone.
- Synthesize pilot ecological labeled modes, provide certification for timber products.
- Study regulation on forest plantation seedlings management; policy on encouraging advanced technology application in selecting and improving seedlings, policy on forest bio-diversity preservation and development; encouraging forest products processing investment in remote areas; new technology application to ensure environmental sanitary and other policies encouraging plantation forest timber products utilization for production to meet domestic use and export.

9.3 Long-term measures

- Complete a set of forest land maps of the country-wide with the total area of 18 million ha: proportion: 1:10,000
- Complete the plantation of 480,000 ha of protection forest and 640,000 ha of production forest (of which perennial industrial and fruit trees plantation area is accounted to 1/3). Hence, forest coverage shall reach over 43% by 2010 with 14.3 million ha of forest.
- Ensure 100% forest area is granted with forest certification and at the same time to have 100% of processed forest products labeled for circulating in domestic market or export.
- Perfect the organisation and executive mechanism of forest related target programs.
- Strengthen capacity serving the 5MHRP and forest strategic targets comprising:
  - Improve quality of forest seedlings and plantation pattern system
  - Strengthen capacity of forest technical science staff from central to local level
  - Equip and complete information net, especially the connection of Internet from Central to communal level so as to enable the management of the entire forest activities (equip each commune with computer, measurement machine and other facilities).

9.4 Financial support aiming at implementing land use planning and land allocation activities

1. Including expenses for mapping, communal staff training, investment in land allocation, land use planning, development of support policy system etc. A part from that, to consider as well credit loan for development of household economics model, establishment of processing units etc. specifically as follows:

   a). State's budget: 700 billion

   of which

   - Mapping of 14 mil. ha (1/10.000) 140 bil.
   - Training and refreshing 6000 communal forest management staff: 30 bil.
   - Forest land use planning: (incl. 34 provinces, 455 districts and over 6000 communes) 300 bil.
   - Development of policy system and forest allocation, use models: 20 bil
   - Land allocation, land use right certification provision: 120 bil.
   - Equipment for communes (each commune: 1 computer, 1 measurement + other facilities): 90 bil.

   b). Credit loan: 6,200 billion

   of which:

   - Credit loan for 1 million households to develop forest garden (1ha forest garden/household): 6,000 bil
   - Credit loan to establish processing units: (500 units) 200 bil.
ANNEXES:
- Annex 2: Draft proposal on forest organisational chart under option 1 and 2
- Annex 3: Table on functions and tasks of forestry sector in Vietnam

Annex 1: Organisational relation of FDD and FPD, Agro-forest extension and resettlement departments (10/2000)
Annex 2: Draft proposed forest organisational chart under options 1 and 2

Annex 3: Assignment of functions and tasks responsible by various forest related institutions in Vietnam
### Annex 4: Draft Terms of References for the Task Force II on Forest Strategy, Policy, and Institutions

#### 1. Background

The tenth National Assembly in July 1998 approved a Resolution of a new forestry program, which seeks to reforest and rehabilitate 5 million hectares of forest land such that by 2010 the total forest area will reach 14.3 million hectares (equivalent to 43% forest cover). The 5 Million Hectare Reforestation Program is a challenging program on environmental protection as well as rural development and poverty alleviation. It also shows the commitment and the priority given by the Government to the forestry sector for the coming years and responds to the "Rio Declaration" (UNCED) and Agenda 21.

The Ministry of Agriculture and Rural Development (MARD) and the provinces are challenged to proceed as soon as possible with a large-scale implementation of the program. The program will require considerable investment in technology development, capacity building and institutional development. Although details remain to be worked out, it is clear that the program will draw heavily on the State Budget as well as external donor support and loans. The total

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#### Table: Draft Terms of References for the Task Force II on Forest Strategy, Policy, and Institutions

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<tr>
<td>specialized managerial</td>
<td>Social cultural related project and programs acceleration</td>
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The Ministry of Agriculture and Rural Development (MARD) and the provinces are challenged to proceed as soon as possible with a large-scale implementation of the program. The program will require considerable investment in technology development, capacity building and institutional development. Although details remain to be worked out, it is clear that the program will draw heavily on the State Budget as well as external donor support and loans. The total
forecast investment at full labour cost is approx. US$ 2.5 billion.

During the Consultative Group meeting in Paris in December 1998 it was agreed between the donor community and the representatives of the Vietnamese Government that a Partnership Group would be established to support to the 5 Million Hectare Reforestation Program.

In December 1999 a Memorandum of Agreement was signed by the Minister of the Ministry of Agriculture and Rural Development on behalf of the Vietnamese Government and by representatives of 15 bi- and multilateral development and conservation agencies.

The objective of the Memorandum of Agreement is to reach agreement on a formal partnership between the Government of Vietnam and interested donors, including NGOs, which will lead the Government and Donors to a shared investment and support programme for effective and efficient implementation of the 5MHRP on the basis of agreed policies, strategies, priorities and principles of implementation.

In order to achieve a Partnership on a Sector Support Program underpinning the 5MHRP, three joint government/donor task forces are established by the Steering Committee to prepare the various elements of such a Partnership. Each task force includes key stakeholders and works on the following main topics:

- Task Force I: Clarification of the Five Million Hectare Program
- Task Force II: Forest Policy, Strategy and Institutions
- Task Force III: Forestry Sector Investment and Assistance Needs and Partnership Support Structures

2. Scope

The main output of the work of the Task Forces to be reached by the end of 2000 is a sector support program document for the 5MHRP containing jointly agreed:

- Objectives, output and activities of the 5 Million Hectares Program
- National Forest Sector Strategies and Policies supportive to the 5 MRHP, the role, functions and tasks of the institutions involved and the Human Resources required
- Investment Environment and Needs of the 5 MHRP
- Implementing mechanisms of the partnership to be envisaged

The guiding question of the work of all three Task Forces is going to be on which areas agreements need to be developed in order to draft a sector support program document.

The work of the Task Force II will focus on the overall strategic, policy and institutional aspects of the forestry sector supportive to the 5 Million Hectares Reforestation Program (5 MHRP). A close co-operation with the Task Forces I and III will be established in order to reach the overall objective of the Memorandum of Agreement.

3. Objectives

In accordance with the Memorandum of Understanding, the objective of the Task Force II is:

- To review and assess the strengths and weaknesses of the current national forestry strategy, policies and institutions serving the 5MHRP implementation,
- To develop proposals to revise the national forest strategy, policies and institutions serving the 5 MHRP and an outline for a program to implement the proposed policy and institutional changes in order to achieve the objectives of the 5MHRP and
- To contribute to the development of a long-term vision for the forestry sector in Vietnam.

4. Specific Tasks

The following tasks are divided in the following 3 major thematic fields and the necessary activities.

The first field is the analysis of the national forest sector strategy, policies and implementation plan with the following definition in the Vietnamese context:

- Strategy, determining the overall long-term goals and objectives for a given area or topic
- Policy, describing in detail the solutions in order to achieve the objectives of the strategy
- Plan to organise the implementation, defining how the strategy and policy will be put into practice, including the financial and human resource capacities

The second field is the institutional framework (e.g. roles, tasks and functions, relationships), the involvement of the institutions and the private sector in the implementation of these strategy, policies and implementation plans, and their
institutional capacity. Following the spirit of Decision 661, farmer households are considered as the driving force to implement the 5 MHRP. The Task Force will take this into consideration while reviewing the institutional and human resources framework.

The third field is the human resources being involved in the implementation of the strategies and policies as well as the 5MHRP.

4.1 Strategy, Policies and plans to organise the implementation

The task force will conduct the following activities:

1. Assessing the current strategies, policies and executive organisation plans ruling the forestry sector
   a. Identify major issues within the national forest strategy and each policy relevant for the 5 MHRP
   b. Identify existing committees, task forces or other relevant groups and international assisted projects already working on these issues and co-operate with them
   c. Review and analyse in general the current strengths and weaknesses of these strategies, policies and plans of implementation as well as their effectiveness
   d. Analyse the potentials and constraints of the strategies, policies and plans of implementation with regard to the implementation of the 5 Million Hectares Reforestation Program
   e. Identify missing elements or gaps in the strategies, policies and implementation plan necessary for creating a favorable environment for the implementation of the 5 MHRP

2. Developing recommendations on the adjustment, reorientation or completion of the existing strategies, policies and plans to organise the implementation.

The following strategies, policies and implementation plans are going to be analysed or considered:

- Agriculture and Forest Land Planning and Land Use (including e.g. the classification of forest land, the management guidelines and regulations for the management of the 3 types of forests and land use conflicts, such as between forestry and grazing)
- Land and forest allocation and lease policies and their impact
- Forest and Forest Land Contracting Policy
- Policies on investment, finance, credit (e.g. Land Use Tax, Natural Resource Tax, Guidelines for Basic Construction and Investment in Silviculture)
- Market policy (e.g. import and export regulations, transportation, trading, pricing)
- Policy on science and technology and research in the forestry sector
- Forest exploitation policy (e.g. procedures, licensing)
- Related policies affecting the forestry sector (e.g. Privatisation, Special assistance to remote/mountainous areas)
- Gender aspects
- Settlement and Migration Policies and their effects on the forestry sector
- Forestry extension policy
- Contributions and lessons-learnt by Official Development Assisted (ODA) Projects in the forestry sector

4.2. Institutions

The activities of the task force regarding the review and analysis of the institutional framework are the following:

1. Identify the public and private institutions, organisations and individuals (e.g. non-state sector: communes, communities, farmers organisations, households and co-operatives) involved in the forestry sector at all levels
2. Analyse their current roles, responsibilities and involvement as well as their performance and potential opportunities in the implementation of the national strategy and policies in the forestry sector
3. Analyse their monitoring, evaluation and enforcement capabilities
4. Analyse the relationship among these organisations, institutions and individuals
5. Identify organisations/forces which should be additionally involved in the forestry sector
6. Analyse institutional and organisational lessons-learnt from on-going and concluded ODA projects in the sector
7. Develop recommendations and proposals

The following aspects should be considered in the analysis:

- The institutions and individuals should be divided in the three categories: Institutions and Individuals involved in (1) State Management of the forest sector, or (2) Implementation of the strategy and policies (3) other related agencies
- The mobilisation of associations, co-operatives and mass organisations in forest sector development
- Measures to assure that rural populations are the main beneficiaries of the 5MHRP, the resulting improved forest situation and the services provided by the different implementing institutions.
4.3. Human Resources

The activities of the task force regarding the review and analysis of the human resources framework are the following:

- Analyse the human resources involved in the implementation of the 5 MHRP, considering quality (e.g. managerial skills, technical skills, etc.), quantity of the personnel and target rural populations.
- Analyse the income structure (e.g. salaries, incentives) provided to the state management and implementing agencies of the 5 MHRP.
- Identify the major training needs of the personnel at all levels.
- Details of proposed organisation chart and staffing needs for the next 5 years in order to develop and implement strategies, policies and plans of implementation in the forestry sector.
- Details of staff training requirements for the next 5 years based on the proposed future roles and responsibilities.
- Assess the quantity and quality of the training provided by different training institutions to the agencies involved in the 5 MHRP implementation.
- Analyse driving forces for rural populations to actively participate and benefit from the Program. Propose measures to enforce positive forces and weaken negative forces affecting the Program.
- Develop recommendations concerning human resources development.

5. Reporting System

1. A draft report in Vietnamese and English showing:
   - Strengths, weaknesses, efficiency and impact of each of the reviewed strategies, policies and implementation plans (full details to be put in the annexes), draft recommendations for adjustment, reorientation or completion of existing strategies, policies and implementation plans (full details to be put in the annexes).
   - Summary of the current and future roles and responsibilities of the stakeholders and of the current and future relationships and workflow (full details to be put in the annexes).
   - Summary of the human resource and organisational considerations (full details to be put in an annex).
   - Synthesis report of the assessment and the recommendations.

2. Organisation of a presentation workshop in order to discuss the preliminary findings and harmonise them with the results presented by the other Task Forces.

3. Final Report

A Final Report should be prepared after having integrated comments and ideas (a) during the presentation workshop from different stakeholders and (b) in written form.

6. Members of Task Force II on Forest Strategy, Policy and Institutions

The members of the Task Force II on Forest Strategy, Policy and Institutions are coming from the Vietnamese Government and the international donor agencies as signatory members of the Memorandum of Understanding. The Vietnamese Government Organisations and the international donor agencies have to appoint members from the following organisations to work in the Task Force II.

1. Ministry of Agriculture and Rural Development
   - Agriculture and Rural Development Policy Department
   - Department of Forest Development
   - Department of Forest Protection
   - Organisation and Personnel Department
   - Department of Science, Technology and Product Quality
   - Agro-forest Products Processing and Rural Employment Department
   - International Co-operation Department
   - Forest Institute of Planning and Inventory
   - Forest Science Institute

2. Organisation Department of the Government Committee of Organisation and Personnel

3. Agriculture and Rural Development Department of the Ministry of Planning and Investment

4. Representatives of the following international donor agencies:
   - Asian Development Bank (ADB)
7. Methodology and operating guidelines

The **Task Force II** on Forest Policy, Strategy and Institutions developed this Draft Terms of References beginning of February 2000. They will serve as a working document for the Task Force and will be adjusted in accordance with the work progress of the Task Force II and inputs provided by the other two Task Forces.

In the following we present the main **methodological elements** which are going to be applied in the work of the Task Force.

- After approval of the Draft Terms of References the Task Force will develop a work plan and distribute the specific tasks among the members of the group.
- The Work Plan of Task Force will be harmonised with the work program of the other Task Forces.
- If necessary, sub-groups will be formed to distribute and share the work of the Task Force.
- Regular meetings of the Task Force will be held in order to report and feed-back the work progress of the sub-groups.
- Minutes of meetings about the major results of the meetings will be produced and distributed to the members of the Task Force and the Chairman and Co-Chairman of the other Task Forces as well as the Secretariat of the 5 MHRP Partnership.
- The chairman and co-chairman call for meetings and are responsible for information distribution.
- The chairman and co-chairman of each Task Force report quarterly to the Chairman and Vice-Chairman of the Partnership Steering Committee.
- The chairman and co-chairman of each Task Force inform the Secretariat of the Partnership and co-ordinate closely with other Task Forces.
- All members of the Task Force are requested to co-ordinate closely with existing Drafting Committees, Commissions, relevant Vietnamese institutions and existing relevant projects and programmes in order to fulfil in a efficient and effective way the work of the Task Force.
- On-going and planned donor supported technical assistance in the sector has to be made supportive to the Task Forces, where relevant. The members of the Task Forces and in particular the Chairman and Co-Chairman of the Task Force have to ensure input will be provided by those internationally assisted projects covering areas of the Task Force’s responsibilities. In particular, close co-ordination will be sought with the Technical Assistance “Study on the Policy and Institutional Framework for Forest Resource Management” provided by the Asian Development Bank and financed through the Japan Special Fund.
- If needed, after consideration of ongoing and planned activities of different projects, fielding of specialist international and national consultant teams to support the work of TF II

Necessary resources will be made available by the represented institutions concerning:

- The translation work
- Interpretation

Other resources necessary for the operations of the Task Force Work will be defined during the establishment of the Work Plan of the Task Force. In a first attempt, participating members of the Task Force II have to try to seek financing and assistance within their own institutions in order to fulfil the work of the Task Force, e.g. through providing contracts for sub-groups, seconding staff for certain tasks still to be defined or organising workshops and seminars. In case, the Task Force members and represented institutions cannot provide these resources, a request proposal has to be addressed to the Chairman and Co-Chairman of the Partnership Steering Committee and the Financial Committee of the Partnership Trust Fund.

8. Time Schedule

A detailed work program and time schedule is going to be developed after approval of the Draft Terms of References of the three Task Forces by the Partnership Steering Committee.

For each of the sub-groups formed individual work plans and schedules will be develop
**ANNEX 5: TABLES**

### Table 01: Gross domestic product by economic sectors (current price)

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<td>1. National Economy</td>
<td>76,707.0</td>
<td>228,892.0</td>
<td>272,036.0</td>
<td>313,623.0</td>
<td>361,016.0</td>
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<td>52,713.0</td>
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2. Structure (%)

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<td>- Agriculture</td>
<td>35.30</td>
<td>23.03</td>
<td>22.44</td>
<td>21.01</td>
<td>21.10</td>
<td>20.89</td>
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<td>- Forestry</td>
<td>2.20</td>
<td>1.24</td>
<td>1.73</td>
<td>1.53</td>
<td>1.47</td>
<td>1.43</td>
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</table>

**Unit: billion VND**

### Table 02: Gross domestic product by economic sectors (fixed price of 1994)

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<tbody>
<tr>
<td>1. National Economy</td>
<td>195,567.0</td>
<td>213,833.0</td>
<td>230,264.0</td>
<td>244,596.0</td>
<td>256,269.0</td>
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<td>- Agriculture</td>
<td>43,658.0</td>
<td>45,652.0</td>
<td>47,915.0</td>
<td>49,639.0</td>
<td>52,370.0</td>
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<td>- Forestry</td>
<td>2,399.0</td>
<td>2,448.0</td>
<td>2,450.0</td>
<td>2,459.0</td>
<td>2,536.0</td>
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<tr>
<td>- Wood and FP processing</td>
<td>3,305.0</td>
<td>3,198.5</td>
<td>3,145.7</td>
<td>2,956.3</td>
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2. GDP index (%)

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<tr>
<td>- Agriculture</td>
<td>104.4</td>
<td>104.6</td>
<td>105.0</td>
<td>103.6</td>
<td>105.5</td>
</tr>
<tr>
<td>- Forestry</td>
<td>105.4</td>
<td>102.0</td>
<td>100.1</td>
<td>100.4</td>
<td>103.1</td>
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<tr>
<td>- Wood and FP processing</td>
<td>96.8</td>
<td>98.4</td>
<td>94.0</td>
<td>95.5</td>
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**Source: Annual Statistics of 1999, 1996**

### Table 03: Basic construction capital for the whole agriculture sector (current price)

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<td>1. Total investment for the society</td>
<td>1,430</td>
<td>4,718.0</td>
<td>5,140.0</td>
<td>6,190.0</td>
<td>6,300.0</td>
<td>6,500.0</td>
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<td>Of which: state budget:</td>
<td>616</td>
<td>2,650.0</td>
<td>2,451.0</td>
<td>3,466.0</td>
<td>3,525.0</td>
<td>4,343.0</td>
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<td>2. Fund managed by MARD</td>
<td>1,278.0</td>
<td>1,942.7</td>
<td>1,690.5</td>
<td>3,043.5</td>
<td>2,128.2</td>
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<td>a. of which in forestry</td>
<td>88.0</td>
<td>77.1</td>
<td>120.1</td>
<td>211.4</td>
<td>222.5</td>
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<tr>
<td>- domestic capital</td>
<td>10.0</td>
<td>28.0</td>
<td>41.9</td>
<td>26.0</td>
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<td>- foreign capital</td>
<td>88.0</td>
<td>67.1</td>
<td>92.1</td>
<td>169.5</td>
<td>196.5</td>
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<tbody>
<tr>
<td>- investment in National parks, nature conservations</td>
<td>44.0</td>
<td>47.2</td>
<td>31.6</td>
<td>41.5</td>
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**Table 04: State capital for basic construction (current price)**

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<td>1. the whole national economy</td>
<td>25,320.1</td>
<td>26,047.0</td>
<td>35,894.0</td>
<td>52,536.0</td>
<td>64,000.0</td>
<td>203,797.1</td>
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<td>Of which: a. Agriculture</td>
<td>1,613.1</td>
<td>2,216.5</td>
<td>2,384.4</td>
<td>2,981.2</td>
<td>4,090.9</td>
<td>13,286.1</td>
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<td>b. Forestry</td>
<td>367.7</td>
<td>433.7</td>
<td>498.0</td>
<td>485.3</td>
<td>370.9</td>
<td>2,155.6</td>
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<td>c. Wood and FP processing</td>
<td>18.2</td>
<td>112.7</td>
<td>47.5</td>
<td>27.6</td>
<td>19.9</td>
<td>225.9</td>
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**Table 05: Investment capital for forestry basic construction**

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<tr>
<td>Total</td>
<td>289,188.0</td>
<td>337,846.0</td>
<td>588,955.0</td>
<td>1,402,722.0</td>
<td>1,526,650.0</td>
<td>4,145,361.0</td>
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<td>I. By source</td>
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<tr>
<td>1. Central State budget</td>
<td>155,124.0</td>
<td>158,223.0</td>
<td>358,234.0</td>
<td>899,390.0</td>
<td>909,010.0</td>
<td>2,479,981.0</td>
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<td>Of which: - 327 program</td>
<td>65,760.0</td>
<td>49,268.0</td>
<td>131,371.0</td>
<td>452,594.0</td>
<td>463,500.0</td>
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<td>- Decree 177</td>
<td>21,060.0</td>
<td>12,492.0</td>
<td>12,890.0</td>
<td>35,650.0</td>
<td>38,500.0</td>
<td>120,592.0</td>
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<tr>
<td>2. Local State budget</td>
<td>16,204.0</td>
<td>15,600.0</td>
<td>6,442.0</td>
<td>53,738.0</td>
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<td>3. Loan 264</td>
<td>20,100.0</td>
<td>16,271.0</td>
<td>42,052.0</td>
<td>23,444.0</td>
<td>28,000.0</td>
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<td>4. Aid</td>
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<td>124,922.0</td>
<td>23,500.0</td>
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<td>Of which: - PAM</td>
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<td>42,464.0</td>
<td>50,000.0</td>
<td>124,464.0</td>
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<td>- SIDA</td>
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<td>5. in joint venturei</td>
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<td>856.0</td>
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<td>I1. By use purpose</td>
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<td>1. for silviculture</td>
<td>134,064.0</td>
<td>179,623.0</td>
<td>230,721.0</td>
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<td>2. for industrial basic construction</td>
<td>81,646.0</td>
<td>133,863.0</td>
<td>181,021.0</td>
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<td>521,500.0</td>
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<td>3. For education</td>
<td>14,274.0</td>
<td>12,492.0</td>
<td>15,200.0</td>
<td>35,650.0</td>
<td>38,500.0</td>
<td>116,116.0</td>
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<tr>
<td>3. For education</td>
<td>38,144.0</td>
<td>33,268.0</td>
<td>34,500.0</td>
<td>35,500.0</td>
<td>57,640.0</td>
<td>199,052.0</td>
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**Annex 6: Composition of Task Force II**

**Chairman:** Mr. Pham Xuan Phuong, Policy Dept. MARD.
Co-Chairman: Mr. Martin Geiger - REFAS Project

<table>
<thead>
<tr>
<th>No</th>
<th>Name</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tran Van Hung</td>
<td>Forest Institute of Planning and Inventory</td>
</tr>
<tr>
<td>2</td>
<td>Ninh Van Lan</td>
<td>General Department of Land Administration</td>
</tr>
<tr>
<td>3</td>
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Members of Core group

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**Annex 7: References**

1. Documents of Party’s Congress VI, VII, VIII
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<td>A number of reports of MARD (1998, 1999).</td>
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