

## CHAPTER 4: POLICY SUPPORT FOR AFFORESTATION AND THE WOOD PROCESSING INDUSTRY

*This chapter will try to analyze policies at macro level which are relevant to Afforestation, The wood processing industry and Agro-forestry.*

### ***4.1 Policies for Afforestation***

#### **4.1.1 Roles of the Government**

The Vietnamese Government has the following key organizations to maintain and to promote afforestation of the country;

**Table 4.1: Major roles of the government organization**

<b>Organization</b>	
Ministry of Agriculture and Rural Development (MARD)	
	State management of afforestation, forest resource development, forest product harvest and processing, forest species, forest resources protection...
Department of Forestry (DoF)	
	Forestry sector management nation-wide, state management for forestry planning and afforestation projects. Establishment of technical and economic procedures and standards for afforestation, natural regeneration and forest enrichment.
Department of Forestry Protection (FPD)	
	State management of forest resource protection; forest law enforcement, and management of forest products in the whole country
Provincial Department of Agriculture and Rural Development (DARD)	
	Afforestation, forest species seedling production, protection against pests, diseases and forest fire, protection of watershed forest at the provincial level...
Forestry Science Institute of Vietnam (FSIV)	
	Technical support for afforestation, natural regeneration and forest enrichment
Forest Inventory and Planning Institute (FIPI)	
	Technical support for forest planning at the national and provincial level.
Vietnam Forestry Corporation (VINAFOR)	
	Afforestation of material forest to supply wood materials for affiliated factories under the Corporation.

Vietnam Paper Corporation (VINAPACO)	
	Afforestation of material forest to supply pulp, paper, and materials for man-made board factory under the Corporation.

Source: MARD

Vietnam has the following main forestry policies;

**Table 4.2: Main forestry policies**

<b>Decree No.01/CP Dated January 4, 1995</b>	
	Contracting land for agriculture, forestry and aquaculture uses for state enterprises;
Decree No. 163/1999/ND-CP dated November 16, 1999	
	Land allocation and land lease to organizations, households and individuals for long-term and stable use for forestry purposes.;
Decision No. 178/2001/QD-TTg dated November 12, 2001	
	Benefit sharing and responsibilities of households and individuals getting forest and forestry land allocation, lease and contract;
Decision No. 661/QD-TTg dated July 29, 1998	
	Afforestation promotion policy under 5 Million Ha Afforestation Program.
Government Decision no. 46/2001/QD-TTg dated 4 April, 2001	
	Goods import - export management for the period 2001 – 2005.

Photo No. 4.1: Afforestation of Larch,  
Nagano, Japan

#### **4.1.2 Basic Afforestation Program**

The most important afforestation program in Vietnam is the **FIVE (5) Million Ha REFORESTATION PROGRAM (SMHRP)**, which has the following aims;



- (1) To increase the forest cover in the country to a level of 43%;
- (2) To contribute to environmental security;
- (3) Reduction of natural disaster impact; increase the water preservation capacity;
- (4) and conservation of genetic sources and bio-diversity.

The Program also targets effective utilization of bare land, job creation, poverty alleviation, permanent settlement and cultivation, income improvement for rural and mountainous people, stabilization of politic, social, and national security situations, especially in the border areas.

Other objectives of the 5 Million Ha Reforestation Program are to provide materials for production of paper and man-made board; and satisfy the needs timber, firewood and other forest products for local consumption and export. With the development of timber processing industries, forestry is targeted to be an important economic sector contributing to the socio-economic development of mountainous areas.

Photo No. 4.2: Eucalyptus plantation in Yen Bai, December 2005

When 5MHRP was initiated, MARD had conducted a forestry Inventory Survey in 1999 and had the following Data;



**Table 4.3: Vietnam forest area and stock/inventory volume in 1999**

Source: MARD 2000. The data was prepared when 5MHRP project started.

With reference to the data in Chapter 2, and latest Data from MARD, including Vietnam's forest Cover.

	Forest types	Area (Ha.)	Stock/Inventory	
			Wood (M <sup>3</sup> )	Bamboo (1,000Stems)
	Forested forestry land	10,915,592	751,468,487	8,400,767
A	Natural Forest	9,444,198	720,890,315	8,304,693
1	Timber forest	7,779,647	666,163,948	0
2	Bamboo forest	789,221	0	5,863,091
3	Mixed forest between Bamboo and timber	702,871	51,379,062	2,441,602
4	Wetland forest	71,020	560,155	0
5	Rock mountain forest	101,439	2,787,150	0
B	Plantation forest	1,471,394	30,578,172	96,047
1	Stocking forest	618,664	30,130,912	0
2	Non-stocking forest	705,147	0	0
3	Bamboo forest	73,516	0	96,047
4	Forest for NTFPs	74,067	447,260	0

Vietnam had achieved plantation forest Area of 2,333,526 Ha. wood Stock (Inventory) of 811,687,483 M<sup>3</sup>, Bamboo forest Stock (Inventory) of 9,007,584 thousand Stems and a forest Cover of 37% in 2005.

Photo No.4.3: Products of Bamboo at Ha Tay Province



### 4.1.3 Afforestation Projects

(1) The Government of Vietnam (GOV) has issued various decisions to encourage afforestation in order successfully to implement 5MHRP. The following are examples of benefit sharing policies issued by GOV that have been implemented through approved projects;

**Table 4.4(1): Benefit sharing policies reflected in the decision**

<b>Decision</b>	<b>Decision No.661/QD-TTg by Prime Minister, dated 29 July 1998</b>
Objectives	Conduct afforestation in 5 Million Ha and Protection of 9.3 million Ha of existing forests
Indicator /Target	Year 1998 – 2000 New Planting 700,000 Ha. Year 2001 – 2005 New Planting 1,300,000 Ha Year 2006 – 2010 New Planting 2,000,000 Ha
Benefit Sharing Policy	Production forest Owner (Investor) is entitled. Own decision for harvesting period and method. Free access to the market. Encourage the processing and export of forest products.
Result(s)	Contracted for forest Protection; 2,260,000 Ha. Natural regeneration; 720,000 Ha. Afforestation 1,400,000 Ha. Budget invested; (Estimated); VND. 5,811 billion

Source: MARD / FIPI

**Table 4.4(2): Benefit sharing policies reflected in the decision**

<b>Decision</b>	<b>Decision No.160/1998/QD-TTg by Prime Minister, dated 4 September 1998</b>
Objectives	Afforestation of paper material forest
Indicator /Target	Protect 174,000 Ha of existing plantation forest Afforestation of 476,000 Ha (by 2010)
Benefit Sharing Policy	(According to the Decision) State Budget is used for construction of material transport roads; scientific studies on afforestation for materials. Loans for afforestation of material forest with preferential interest rate (approximately 30-50% lower interest rate of commercial banks).
Result(s)	Invested budget is approximately USD 32 million

Source: MARD/FIPI



**Table 4.4(3): Benefit sharing policies reflected in the decision**

<b>Decision</b>	<b>Decision No.178/2001/QD-TTg by Prime Minister, dated 12 November 2001</b>
Objectives	Benefit Sharing and Responsibilities of households and individuals receiving forest and forestry land allocation, lease and contract.
Indicator /Target	Households and individuals receiving allocation and lease of forestry land. Households and individuals receiving contract for forest protection, natural regeneration and afforestation.
Benefit Sharing Policy	Households and individuals receiving state financed plantation forest are entitled to harvest when the forest reaches the maturity. Households and individuals are entitled to receive 75-85% after-Tax value of forest products. If forest owners finance themselves for afforestation, they are entitled to decide objectives and method for afforestation, harvest and use of forest products. All forest products harvested are entitled for sale and free distribution in the market.
Result(s)	5.4 million Ha of forestry land has been allocated by 2004. (2.6 million Ha for Households and individuals ) (2.8 million Ha for State Organizations )

Source: MARD / FIPI

(2) Details of projects approved and financed by the GOV.

The following are typical projects, approved and financed by the GOV for afforestation;



**Table 4.4(4) Afforestation projects approved and financed by GOV**

Project	Investment project for material forest afforestation for Bai Bang paper factory
Duration	2003–2010
Location	5 provinces (Ha Giang, Tuyen Quang, Phu Tho, Vinh Phu, Yen Bai)
Species	Acacia, Eucalyptus, Styrax tonkinensis, Manglietia glauca, Pinus
Benefit	A road for transporting materials was constructed with state budget. Loan for afforestation of material forest with preferential annual interest rate (30 – 50% lower commercial rate) is applied.

Source; FIPI

**Table 4.4(5) Afforestation projects approved and financed by GOV**

Project	Feasibility Study for establishment of paper material zone in Kon Tum.
Duration	2000–2010
Location	8 districts and town in Kon Tum Province, including Dak Lei, Ngoc Hoi, Dak To, Dak Ha, Kon Plong, Kon Ray, Sa Thay, Kon Tum Town)
Species	Kesiya Pine, Acasia, Eucalyptus
Benefit	State budget is used for construction of material transport roads and scientific studies on afforestation for materials. 100% Credit and Tax exemption for afforestation of material forest.

Source; FIPI



**Table 4.4(6) Afforestation projects approved and financed by GOV**

<b>Project</b>	<b>Feasibility Study for affrestation in Thanh Hoa pulp and paper factory</b>
Duration	2002–2010
Location	7 districts in North-west of Thanh Hoa Province, including Ba Thuoc, Cam Thuy, Lan Chanh, Muong Lat, Ngoc Lac, Quan Hoa, Quan Son.
Species	Bamboo (Debdrocalamus, Barbatus)
Benefit	State budget is used for construction of material transport roads. Loans for afforestation of material forest with preferential annual interest rate (30 – 50% lower than commercial rate) is applied. Tax exemption for afforestation of material forest in the first production cycle.

Source: FIPI

**Table 4.4(7) Afforestation projects approved and financed by GOV**

<b>Project</b>	<b>Investment project for establishment of material zone for forest product processing industries in Bac Can Province.</b>
Duration	2002–2010
Location	7 districts and town in Bac Can Province, including Bach Thong, Cho Moi, Na Ri, Cho Don, Ngan Son and Ba Be.
Species	Acacia, Pine, Dendrocalmus, Barbatus, Styra tonkinensis
Benefit	State budget was used for construction of material transport roads. Loans for afforestation of material forest with preferential annual interest rate (30 – 50% lower than commercial rate) is applied. Tax exemption for afforestation of material forest in the first production cycle and 50% tax reduction for the following cycle.

Source; FIPI

**Table 4.5: Major preferential policies of Government decision**

<b>Decision</b>	<b>Decision no. 46/2001/QD-TTg dated 4<sup>th</sup> April 2001 of the Prime Minister</b>
Objectives	Management of goods import and export
Period	2001 – 2005
Specific regulation on import and export of timber and woody products	All wood products are subject to be exported (except unmilled logs, sawn timber from domestic natural forest); imported timber could be used to produce many products for export; export tax is not levied on products made from imported timber.

Source; FIPI



Photo No 4.4: Teak afforestation in Sri Lanka (4 years old)



#### ***4.2 Policies for wood processing industry***

The development of the wood processing industry is mainly led by Vietnam paper Corporation (VINAPACO) and Vietnam forest Corporation (VINAFOR). They are 100% government owned organizations and are also financed by the government.

As the leaders in the wood processing industry, VINAPACO and VINAFOR have been actively investing in the country and are the leading producers of pulp, paper and wood products.

The following will provide a general overview of the corporations;

- 1) Vietnam paper Corporation (VINAPACO)

VINAPACO was established as a 100% government owned organization by merging Vietnam paper Import & Export Corporation (VINAPIMEX) and Bai Bang paper Co.(BAPACO) on July 1, 2005.

Through VINAPACO, the government controls the main pulp & paper Mills in Vietnam, including Bai bang pulp & paper Integrated Mill, Tan Mai paper Joint Stock Co, Dong Nai paper Joint Stock Co, as well as wood process & Export Co, 16 forest Enterprises. The VINAPACO group has been producing about 108,000 M/t/Year of pulp and importing over 100,000 M/t/Year to cover the need of Vietnamese people.

VINAPACO is currently undertaking the construction of new pulp Mill of 250,000 M/t/Year in Phu Tho to supply material for local paper producing companies.

According to the home page of the Ministry of Industry, Vietnam needs VND95.6 trillion (Approximately US\$6 billion) of investment to develop its paper industry up to the year 2020.

Further, the industry is aiming to produce 600,000 M/t/Year of pulp and 1.4 million M/t/Year of paper by the year 2010. But the domestic pulp supply can only cover only about 35% of the local demand.

The Ministry of Industry estimates paper consumption may increase at the rate of 10 – 11%/year during 2006–2010 reaching 20–23 kgs/person by 2010 and 50–51 kgs/person by 2020.

Vietnam needs to develop both pulp & paper production facilities and forestry to support these facilities.

## 2) Vietnam forest Corporation (VINAFOR)

VINAFOR was established on October 4, 1995 under MARD, specializing in forest products,. It has been actively diversifying its activities to include;

20 Wood furniture factories with the capacity of exporting 350 40' containers monthly

2 Factories producing furniture from particle board, MDF, plywood and Laminated boards

1 MDF factory with a capacity of 60,000M<sup>3</sup>/year

2 Particle board factories with a capacity of 25,000M<sup>3</sup>/year

1 High Density Fiberboard factory with a capacity of 10,000M<sup>3</sup>/year

2 plywood factories with a capacity of 10,000M<sup>3</sup>/year

3 Wood chip mills with a capacity of 300,000 Bmt/year, both Eucalyptus and Acasia

The Corporation also owns Total forestry land of 138,600 Ha, including natural forest of 25,700 Ha and planted forest of 37,200 Ha. The Corporation has diversified its activities to include hotels, tourism, motor bikes, construction, labor export as well as general trading.

VINAFOR'S forestry production has to compete with imported wood/forest products as there will be a rush of imported products due to Vietnam's involvement in ASEAN and very soon the WTO.



Photo No. 4.5: VINAFOR HOTEL, Dalat, Lam Dong

#### ***4.3 Policies for Agro-forestry***

Similar to forest plantation and timber processing industry, the Vietnamese Government has many policies on agriculture and agro- forestry:

a) Government Decree no. 129 /2003/ND-CP dated on 3rd November 2003 regulating the implementation of the resolution 15/2003/QH11 dated 17 June, 2003 of the National Assembly regulated on tax reduction and tax exemption for agricultural land use.

b) Decision no. 148/1999/QD-TTG dated 7 July, 1999 on the revision of the decision no. 67/1999/QD-TTg dated 30 March, 1999 on bank policies toward agriculture and rural development.

c) Government Decision no. 225/1999/QD-TTg dated 10 October, 1999 on approving crop and animal variety and forestry seedlings for the period 2000–2005.

d) Government Decision no 80/2002/QD-TTg dated 24 June 2002 on promoting agricultural products sales through commercial contracts.

Many of the Government decrees relate to finance and economic development

**Table 4.5 (1): Major preferential policies of Government decisions**

<b>Decision</b>	<b>Government Decree no. 129/2003/ND-CP dated 3<sup>rd</sup> November 2003 regulating the implementation of Resolution no. 15/2003/QH11 dated 17<sup>th</sup> June 2003 by the National Assembly.</b>
Objectives	Tax reduction and tax exemption for agricultural land use
Period	2003 – 2010
Preferential policies	1- Tax exemption for agricultural land use without the limitation. 2- Reducing 50% of land use tax for those who are not subject to tax exemption.

Source; FIPI

**Table 4.5 (2): Major preferential policies of Government decisions**

<b>Decision</b>	<b>Decision no 148/1999/QD-TTG dated 7 July 1999 by the Prime Minister</b>
Objectives	Revision of decision no. 67/1999/QD-TTg dated 30 March 1999 on some bank policies on agricultural and rural development.
Period	1999 - 2010
Preferential policies	Households working on agriculture, forestry and fishery can access loans of up to 10 millions Vietnam Dong;

Source; FIPI

**Table 4.5 (3): Major preferential policies of Government decisions**

<b>Decision</b>	<b>Decision no. 225/1999/QD-TTg dated 10 January 1999 of the prime Minister</b>
Objective	Ensuring sufficient high quality seedlings for agricultural and forestry production.
Period	2000 - 2005
Investment and Credit policy	1- State budget for research on crop varieties, preserving good genes, creating original variety, support original variety. 2- Preferential credit for producing crop variety for sales.

Source; FIPI

**Table 4.5 (4): Major preferential policies of Government decisions**

Decision	Decision no. 80/2002/QĐ-TTg dated 24 <sup>th</sup> June 2002 of the Prime Minister
Objectives	To integrate production with processing and sales of agricultural products to develop sustainable and suitable production.
Period	2001 – 2010
Main agricultural products	1- Main products for export: rice, fish, tea, cafe, pepper, etc. 2- Main products for domestic use: cotton, sugar cane, timber materials for paper production and timber processing
	1- Regarding land, creating favorable conditions and reasonable prices. 2- Regarding investment and partial state budget support of constructing facilities for processing of produce. 3- Regarding credit; A development assistant und provides loans with a preferential interest rate of 3% annually applied to project of processing and sales of agricultural products. For projects which are implemented by state enterprise, 30% of liquid capital will be provided by the State. 4- Regarding the transfer of technology; The state will allocate a certain amount of financial support to enterprises and producers who have sales contracts for agricultural products, giving priority to implement and promote agricultural, forestry and fishery extension services 5- regarding market and sales plan, giving priority to take commercial contracts with Government and commercial promotion agencies

Source; FIPI

Policies on the allocation of forest land to households for long term use to have been developed to create great incentives for farmers to invest in their own land. Farmers can use their forest land, with a red book to mortgage, to inherit, and to transfer to other people. In addition, farmers can decide themselves on how to cultivate their allocated forest land.

Policies on markets and product distribution create a sustainable and stable environment for farming production.

Agricultural tax free policies help farmers improve their living standard, especially those who live in remote areas.

Credit policies help farmers mobilize capital for their business. Moreover, the government also can mobilize capital from various sources for infrastructure development as well as rural development.

In conclusion, the above policies play an important role in facilitating the development of agricultural and forest production as well as the development of agro forestry product markets.



Photo No. 4.6: Coffee plantation, Lam Dong