

The Government
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SOCIALIST REPUBLIC OF VIETNAM
Independence--Freedom--Happiness

Hanoi, 15 September 1995

DECREE BY THE PRIME MINISTER

**Revising and Supplementing Decision No. 327/CT of
15 September, 1992 of the Chairman of the Council
of Ministers (now the Prime Minister)**

(Unofficial translation by the Strategy Project, Ministry of Forestry)

The **PRIME MINISTER**, in accordance with the Law on Organisation of the Government of the 30th September, 1992, in order to effect a more appropriate, feasible and efficient implementation of Program 327, upon reviewing the proposal of the Central Steering Committee of Program 327 with the Ministers of Forestry, Agriculture and Food Industries, Finance, Labour, Invalids and Social Issues, and Construction, and the Chairpersons of the State Planning Committee and the Committee for Ethnic Minorities and Mountainous Areas in meeting on the 13th June, 1995, **HEREBY DECREES** :

A. OBJECTIVES AND SCOPE OF PROGRAM 327

Article 1.

From 1996, Program 327 is to be known as the *National Program to Create and Protect Watershed Protection and Special Use Forests*. The program will be implemented through a series of mostly agroforestry projects in which households are to be the implementing agents and project management bodies the 'midwife' providing an intermediary service to households. The program aims to develop the capacity of the nation to ensure ecological sustainability, environmental protection and prevention of natural disasters, national security, appropriate land use and to improve standards of living and link household benefits to national development.

- Bare hills are re-greened by the specific planting of *watershed protection and special use forests*. Forest restoration through natural regeneration only occurs in optimal conditions - concentrated planting is essential to create contiguous forest areas.
- Protection activities are mainly applicable to *special use forests*; *watershed protection forest* only needs protecting when and where it is being cleared for swidden farming. In

general, the Ministry of Forestry and the Provincial People's Committees are empowered to employ the Forest Inspectorate and other resources to protect existing forest.

The planting of production forest and scattered trees are not Program 327 activities.

- The re-greening of bare hills by coverage with commercial crops, fruit trees or fodder for the husbandry of large livestock are not Program 327 activities. Those agricultural and forest industry projects in which the area of *watershed protection forest* is about 30% and the area covered by commercial crops and fruit trees forming a forest-tree type of canopy is 50% or more of the project area, are entitled to continued funding from Program 327.
- Fixed Cultivation and Sedentarization (FCS) projects do not fall under Program 327 and separate funding is available for these activities. From 1996 on, all FCS projects currently receiving Program 327 funding will be removed from the Program.

Those ethnic minority households practising shifting cultivation, involving slash and burn activities, within the areas of existing agroforestry projects inside special use or *watershed protection forests*, are

hereby included in these projects and subject to the same regulations as other Program 327 projects.

B. SCALE, STRUCTURE AND POLICY REGARDING WATERSHED AND SPECIAL USE FOREST

Article 2.

The Ministry of Forestry, in collaboration with provincial People's Committees, will define areas of *watershed protection* and *special use forest* in all provinces throughout the country as follows:

- Of the total area of 8 million hectares of *watershed protection forest*, which includes some 4.5 million hectares of natural forest, emphasis will be placed upon the watershed forests of big rivers, national scale hydro-electric and irrigation schemes, crucial coastal forests (apart from that covered by Decision No.773/TTg) and certain concentrated areas of bare hills which hold ecological importance for lowland environments.
- Most of the total area of 1-1.2 million hectares of *special use forest* is natural forest and includes national parks and nature conservation areas and major historical conservation sites and areas.

Every effort will be made in the years from 1996 to 2010 to re-green most of the bare hills designated as *watershed protection* and *special use forest*. An annual average of 250,000 ha is to be planted and regenerated. Essential policies for the protection of existing *watershed protection* and *special use forest* will be simultaneously implemented.

Article 3.

Tree species and planting densities for *watershed protection forest* can be determined according to mixed planting principles featuring multi-storey forests including indigenous and precious timber species. Seedlings are mostly collected from primary forest and planted at an average density of 1600 trees per hectare. Forty percent of these trees should be indigenous forest species supplemented by a range of other plants including those of commercial crops, fruit trees and specialty product perennials such as longan, jackfruit, mango, anise and others.

Or species composition and densities could be determined according to inter-cropping principles where bands of forest trees are planted alternately with bands of commercial crops, fruit trees, mixed tree/plant crops or grass. Planting densities are higher for coastal wetlands protection or mangrove forest but unit price is lower. For certain *special use forest* projects planting must be done in accordance with approved technical and economic feasibility studies.

Regarding respective benefits to the State and contracted farmers, the Ministry of Forestry will provide the Government with policies concerning the protection and creation of *watershed protection forest* and *special use forest* as follows:

- Planting new forest - All indigenous species remain the property of the State while the produce of one third of all supplementary trees/plants at the time of extraction also belongs to the State. The remaining two-thirds of these products belong to the contracted farmer. However, extraction of all supplementary trees and their products must follow approved technical procedures.
- Protection and restoration through natural regeneration - The forest contracted is entitled to a reasonable proportion of the growth value of the forest in exchange for his or her tending and protecting the forest.
- In addition, individuals contracted to protect or restore through protection and regeneration, or to plant forest are entitled to retain all the products from crops or trees inter-planted under the forest canopy and all fruit and flowers of forest trees (where applicable).

C. FUNDING STRUCTURES AND ALLOCATION SYSTEM

Article 4.

The State utilizes such sources of funding as the national budget, official development assistance (ODA) and foreign loans (where available) for Program 327 and allocates these funds appropriately throughout various sectors and locations. Provinces already receiving ODA for forestry will receive less or no funding from Program 327. The funding of related programs must not be included in this program. National sources of funding available for *watershed protection* and *special use forest* programs include funds for investments, loans, resettlement, management and agricultural and forestry extension. All these are governed by one integrated body which allocates funds through the State Treasury. All funding for Program 327 projects in various sectors, including national security, internal affairs, youth union and others, are transferred through the Province, with the exception of certain critical projects under ministerial control.

Whether the Chairman of the Provincial People's Committee or the relevant Minister is responsible for specific appropriate project plans is dependent on adherence to the following principles:

Investment funds for forests and funds for direct lending to households as assistance for the development of agro-forestry production constitutes 74% of all funding available in the program. Of this, 60% is available for contracts for protection, restoration through

regeneration, tending, planting of protection and *special use forest*, about 1.5 to 2.0% is available for temporary measurement of land for forest land allocation procedures, follow-up land-use planning and checking and confirming land for planting; the remainder, about 12%, is for interest-free loans to households for the planting of commercial crops and fruit trees, home gardens and large livestock raising.

In addition to funds from the State, households in the project areas are to utilize their own capital and labour resources for the development of the household economy.

Preparation of seedlings, especially of indigenous species, is crucial to planting forests. Therefore, the State accords annual investment priority to seed and seedling production, establishment of seed stands from primary forest sources and supervision of good quality seed production. The State will provide funds in advance for the preparation of the seedlings for the first year. For subsequent years the project management body must utilize seedling funds for each year on the preparation of seedlings for the following year.

- Investment funding as assistance for infrastructure construction and social welfare is, on average, 12% of the available funding for the program.
- Administrative funding for resettlement varies according to the specific conditions of each project, but ranges around 6% of the available funding for the program.
- Management funding amounts to 8% of program funding including 0.8% for central level management, 1.2% for steering institutions at the provincial and district levels while project management bodies must not receive less than 6% of available program funding.

Article 5.

The responsible institution and the project management body are responsible for determining and setting annual per hectare investment levels for forest planting, tending, restoration through regeneration and protection of *watershed protection* and *special use forests*, and for making this information public down to the household level. Expenditure on planting, for inputs into seedling production, fertilizers and indigenous species must not exceed one third of the unit cost. Planting and tending during the first year is contracted to households using the remaining two thirds of the unit cost. The project manager must facilitate the provision of seedlings and fertilizer to households to ensure that households receive the entire unit value. The expenses for the 3 items - measuring, planning and checking before confirmation - are separate and not to be included in the per unit planting costs. The senior level management body is responsible for the planning, approvals of estimates and supervision of implementation and for authorizing the project management body to utilize technical staff in planting design and restoration and regeneration in accordance with required field procedures.

Article 6.

The Ministry of Finance and all levels of the State Treasury are responsible for making available all funds, and for making monthly allocations of funds for the regeneration, tending and protection, and extension costs. They are also responsible for allocating and providing credit funds in a timely manner, according to appropriate seasonal requirements as requested by the project management body including money for seedling preparation and planting, as well as credit to households for development of commercial crops, homegardens and livestock raising.

Article 7.

The National Program for Watershed Protection and Special Use Forests is to provide credit directly to the household level. Therefore, the regulations pertaining to management and infrastructure construction attached to Decree No. 177/CP are not entirely applicable. The following separate regulations must be observed:

For investment in forest tree and commercial crop planting: the project management body shall prepare a draft estimate of costs according to the approved project, annual plan and unit price. After approval from its immediately senior management body, the project management body will contract implementation to households according to this estimate, of which the State Treasury will immediately advance approximately 70%. The remaining 30% will be provided immediately the results of the checking and confirmation procedures are available.

Costs for infrastructure and social welfare activities of projects with an investment capital of less than 150 million dong per activity, such as small roads, small-scale irrigation works, classrooms or dispensary, can be estimated by using accounting models in order to provide estimates for submission to the immediate senior body for approval. For these works at a larger scale requiring greater technical inputs and investment of more than 150 million dong, the regulations attached to Decree No. 177/CP will apply.

The Ministry of Finance and all levels of the State Treasury must strictly observe Article 10 of Decision No. 327 in which no subtraction of savings occurs and repayment of loans must be made in line with the production cycle (of the tree or animal when it produces a commodity). A use-plan must exist for the capital repayments made during the year and the fund must be re-invested into the credit program.

D. ORGANISATION OF IMPLEMENTATION

Article 8.

This paper does not call for any changes to the general direction of renovation of sectoral management and organization for existing projects. The functional Ministry and the provincial People's Committee are in charge of reviewing, checking and changing the arrangements of various *watershed protection* and *special use forests* taking the district as the basic planning unit. The scale of a protection forest project at the district level ranges from 10,000 to 50,000 hectares. Any district with protection forest areas of more than 50,000 hectares may establish 2 or 3 projects in particular cases. In the case that the total area of protection forest located in separate parcels in different districts is less than 10,000 hectares then a single project shall be set by either one district or the province.

After the above-mentioned re-arrangement of projects in the district is effected, all small-scale and disparate projects within the forestry or agriculture sectors or under the Ministry of defence, Ministry of Internal Affairs, the Youth Union or Farmers' Association which are funded by Program 327 shall be merged to form one district-level project.

The District People's Committee is in charge of the State management for all projects active in the district, including those projects at the provincial or central level, and for organising project implementation.

Agro-forestry or agro-forestry industries, *watershed protection forest* and *special use forest* projects are entitled to be run on a commercial basis. However, use of Program 327 funds for the following items is not permitted: depreciation of fixed assets, social insurance, health insurance or other spending not directly related to Program 327.

The project management board is to be consolidated into a streamlined body. Membership of the project management body is to be correctly selected. The extension staff must include young, qualified and committed persons. Funding and all necessary facilities are to be made available so that the project can be implemented at the household level.

Project models are to be assessed for improvement and expansion.

Article 9.

The forestry and agriculture sectors and the Land Office will supervise the allocation of land and contracting of forest land to householders in *watershed protection* and *special use forest* projects where the land is either forestry land (including any grass strips), land under industrial tree crops, or commercial gardens, in order that households can capitalize on their initial production investment.

Article 10.

The responsibilities and authority of the various sectors and levels within the *National Program for Watershed Protection and Special Use Forestry* are enhanced as follows:

The Forestry Sector shall, in cooperation with the agriculture sector, oversee the *National Program for Watershed Protection and Special Use Forest*. It is responsible to the Prime Minister and Chairpersons of the provincial People's Committees for planning, procedures, technical inputs, project evaluation and policy.

The Agriculture Sector shall, in cooperation with the forestry sector, be responsible to the Prime Minister and Chairpersons of the provincial People's Committees for planning, procedures, technical inputs, project evaluation and policy. It is also responsible for assessment of programs to regreen bare hills which include planting commercial crops, fruit trees, grasses and livestock raising within industrial agro-forestry projects. It is responsible for supervising the offices for labour recruitment under the relevant provincial departments, in planning resettlement of the population into project areas under Program 327.

All involved sectors, such as transport, irrigation, construction, energy, health, education and others, are requested to use State funds available to them and to prioritize the construction of necessary infrastructure and public amenities for which they are responsible.

The Planning Sector, in response to requests from the various sectors and the Steering Committee of Program 327, is to compile and submit annual and 5-year plans to the Government and provincial People's Committees. After approval, the State Planning Committee, at the request of the competent ministry, shall inform the various sectors and provinces and monitor implementation. The provincial Planning Committee, at the request of the department responsible for distributing funds to the different projects, shall compile and submit plans to the provincial People's Committees.

The Finance sector and the State Treasury at all levels act according to established norms of the State plan to regulate funding to Program 327 in a timely and sufficient manner. They will allocate funds for investment and credit to projects and households and ensure delivery to the correct individual and meeting seasonal requirements. They are also responsible for monitoring, evaluation, financial monitoring and repayment of loans as per **Articles 4, 5, 6 and 7** above.

The provincial People's Committee has the decisive role and overall responsibility to the Government for the management, recording and supervision of Program 327 and its coordination with relevant programs in the area. It is to use relevant departments, having their own authorities and functions, to enhance the professional capacity of personnel to facilitate more effective supervision by the province.

Article 11.

Program 327 Steering Committees at various levels shall function as facilitators and coordinators of the various sectors, as well as monitors and evaluators of the program.

The Program 327 Steering Committee at the central level is headed by the Vice Prime Minister. The membership of the committee remains unchanged although with the exclusion of 2 members: The Committee for Ethnic Minorities and Mountainous Areas and the Ministry of Labour, Invalids and Social Welfare.

A Government task force is to assist the Government and Prime Minister to monitor implementation of the program and supervising certain provinces and key projects.

The provincial Program 327 Steering Committees are headed by the Chairperson or Deputy Chairperson of the provincial People's Committees and membership is decided by the Chairperson of the province.

Article 12.

The State Planning Committee and the competent ministries shall provide guidelines for the timely implementation of this decision and the plan from 1996 onwards.

Article 13.

This decision comes into effect as of its date of promulgation. Other provisions of Decision No. 327 and related written texts which do not contradict the provisions of this decision are still in effect.

Article 14.

All Ministers, Heads of Ministerial-level offices, the Office of the Government and Chairpersons of the People's Committees of provinces and cities under central authority are responsible for the implementation of this decision.

On behalf of the Prime Minister

Vice Prime Minister

Tran Duc Luong