

Hanoi, 9 June 1993

CIRCULAR

Guidelines by the Ministry of Forestry Concerning
Implementation of Decision 327-CT

The Ministry of Forestry hereby issues guidelines for selected issues in the forestry sector related to the implementation of Decision 327-CT dated 15 September 1992 by the Chairman of the Council of Ministers (now Prime Minister) about policies for the use of bare land and degraded hills, forests, coastal alluvial flats, and water bodies, as follows:

A. PREPARATION OF A GENERAL FORESTRY PROGRAMME

Forestry-agriculture-industry projects are to be established in different localities and provinces. All provinces should prepare an outline for a Provincial General Forestry Programme, with contents according to guidelines by the Ministry of Forestry in document 1559/KH dated 15 August 1992. The documentation for the Provincial General Forestry Programmes is of key importance for the Ministry of Forestry for its preparation of the National General Forestry Programme.

Important Points

- As definitions for different kinds of land are not the same between the Ministry of Forestry and the Ministry of Agriculture and Food Industry, the data on such land need to be harmonised. The area of bare forest land needs to be defined. The part of that area which needs a vegetation cover should also be defined. The vegetation to be established could consist of forest trees, different kinds of industrial crops, or fruit trees, as long as they are able to form a closed canopy.
- A list should be prepared of forestry-agriculture-industry projects, divided between the three different kinds of forest. The list should be made in order of priority.
- Draft plans should be made for centres for processing of forest products in provinces and localities as a part of the general programme for the province. This work needs to be finished during June 1993.

B. PREPARATION OF PROJECTS IN FORESTRY-AGRICULTURE-INDUSTRY

1. Develop the Four Kinds of Projects Listed in Decision 327-CT

The following four kinds of project are foreseen to be executed according to Decision 327-CT:

- * Forestry-agriculture-industry projects;

- * Agriculture-forestry-industry projects;
- * Marine production combined with agriculture; and
- * Fixed cultivation and sedentarisation.

The Ministry of Forestry is the leading agency for management of the forestry sector. Consequently, it will assume primary responsibility for appraisal and approval of the forestry-agriculture-industry projects in the list above.

The forestry-agriculture-industry projects are to be carried out on forest land, both forested and unforested, for example on bare land, hills, and mountains. The level of investment for forestry occupy an important share (60-70%) of the total State grants covering different activities such as natural regeneration, enrichment of forests, and planting of new forests. The role of agriculture in these projects should be to cultivate areas of the land defied as forest land which still have a potential for agriculture, such as newly formed alluvial flats along rivers and the coast and to use water bodies (if there are any). Agriculture-forestry-fishery business should if possible be combined, in order to produce a variety of commodities. A network of agroforestry production units needs to be built up, well suited to the scope and kind of goods produced in the area of the project.

The project proposals should follow directives and guidelines regarding their format as provided in document 1559/KH dated 15 August 1992 by the Ministry of Forestry.

2. Additional Guidelines for Selected Issues

2.1. Projects for which pre-feasibility studies have already been approved or for which technical-economic plans were made before the issuance of Decision 327-CT

2.1.1. Special-use forests

Implement investment according to technical-economic plans already approved. The projects within forestry-agriculture-industry components in buffer zones should now be complemented according to Decision 327-CT.

2.1.2. Watershed forests

Projects in watershed forests approved before the issuance of Decision 327-CT which are concerned with regional planning or pre-feasibility studies may now need to be supplemented so as to turn them into forestry-agriculture-industry projects with a suitable scope. In concrete terms, this means:

- * For watersheds extending into several provinces (for example the watershed of the Hoa Binh dam, of the Tri An hydropower lake, and so on) projects should be developed for the area concerned in each province. Each project should have a suitable scope, but they should not overlap areas of

existing regional watershed projects.

* In areas where there are State Forest Enterprises, those should be turned into forestry-agriculture-industry projects. The Directors of the enterprises would then become Project Directors, to be nominated by the leading agency for the projects (the Ministry of Forestry).

* In areas where there are no State Forest Enterprises, new projects on a scale of one or a few communes or a district should be developed. A small and effective management committee for the project should be created.

2.1.3. State Forest Enterprises with approved technical-economic plans for new projects.

Such enterprises should now compare their project plans with Decision 327-CT. The new projects should be of a suitable scope. All project items should be checked for which investments have already been made. The project might then need to be supplemented with new items in order to turn it into an effective forestry-agriculture-industry structure of the locality.

2.1.4. Areas which have funds from abroad

Forestry-agriculture-industry projects are to be established also in areas which have access to funds from outside the country such as from the Swedish International Development Authority (SIDA) and the World Food Programme (WFP/PAM). If the foreign-funded projects include items which contribute to the establishment of projects according to Decision 327-CT, these items should be seen as belonging to the new projects so as to avoid overlapping use of funds.

2.1.5. State Forest Enterprises which carry out exploitation

These enterprises should apply the policy of setting prices for standing trees. Then all costs associated with exploitation and transport should be added. This would result in a price level for the sale of logs at the woodyard of the processing industry. If prices are established in this way, funds will be created for the subsequent regeneration of the forest. (The Ministry of Forestry has already issued specific guidelines in this respect.)

2.1.6. Specialised agencies involved in project formulation

The Forest Inventory and Planning Institute (FIPI) which belongs to the Ministry of Forestry and units under FIPI involved in inventory and planning in forestry on the provincial level, the Forest Science Institute of Vietnam, the Forestry College, are units which can be contracted for the formulation of projects within the General Programme of Forestry for the provinces and also for the formulation of forestry-agriculture-industry projects, and, finally, also for seed projects.

2.2. Formulation of new projects and temporary decision about level of grants for investments

The estimated costs for planting and maintenance of different tree species should be presented in project outlines. A distinction should be made between the total costs and the level of grants provided. The policy for investments for forestry development is well described in Decision 264 HDBT dated 22 July 1992. Further, the different ministries concerned have issued circulars with specific guidelines. Now, the following temporary instructions are given:

2.2.1. Total investment

This is the total cost for a full production cycle (for example, in the case of a planted forest, costs for production of the seeds, soil preparation, planting, maintenance, and protection until the stand has reached the age of final harvesting). The level of grants which can be obtained corresponds to a part of this total only. The distribution of the final production of the forest will be made in accordance with the shares in the total cost contributed from the State budget and from other sources.

2.2.2. Temporary decision about distribution of budget and level of investment grant

In each project, funds for investment should be distributed between the three kinds of forest (special-use, protection, and production). In forestry-agriculture-industry projects it is temporarily decided to allocate an average of 60% of the annual investment funds for the following purposes:

* Grants from the State budget can be used for protection, natural regeneration, and enrichment of protection forests and special-use forests, and also for forests producing large logs with a rotation of above 20 years. It is now temporarily decided to apply the following levels of such grants:

+ Protection and natural regeneration for poor forests: On average 20,000 to 50,000 dong per hectare per year. The grant is to cover all costs until the canopy has closed. For the first year, the grant is 40,000 to 70,000 dong per hectare because it will have to include the cost for design. The normal time until the canopy closes is 5 to 8 years.

+ 50,000 dong per hectare per year for essential watershed forests, for forests close to areas of forest destruction, for forests located close to where people are now changing from shifting cultivation to fixed cultivation and agroforestry, for special-use forests, and for buffer zones allocated to people for protection and natural regeneration.

+ 30,000-40,000 dong for forests along roads, for amenity forests close to inhabited areas, for watershed forests on islands, and for other forests in areas where people already have stable production but where there is a need to allocate forests to the people for protection and natural regeneration.

* For mountainous and sparsely populated areas with a low level of forest destruction and where there is a need to

allocate, forests to the people, the level should not be more than 20,000 dong per hectare and year.

* Enrichment of poor forests (by other methods than natural regeneration). The level of grant can be up to 400,000 dong per hectare for enrichment planting with a density of 300 seedlings per hectare. In addition, 20,000 dong per year may need to be spent for protection during 8 years so as to ensure survival rates of above 90%.

* For production forests with rotation below 20, years, credits will be provided according to Decision 264-CT (specific guidelines have also been issued).

* For forests where investments were made before the promulgation of Decision 327-CT, the project Directors concerned should prepare a list of all investments already made which serves purposes in accordance with that Decision. They are also to make plans for the future investments needed in order to continue the project in accordance with Decision 327-CT. In concrete terms, this means that future investments for forests with rotations above 20 years which were planted in 1992 can be made with grants from the State budget. For forests with rotations below 20 years, further investments will have to be financed with loans.

2.2.3. Bare lands and denuded hills

Natural regeneration

Land which does not bear forest but are covered by other kinds of vegetation (grass, bush) and are able to reforest themselves should be protected for natural regeneration. Investment needs are about 30,000 dong per hectare per year for a period of 5 to 8 years in order for the forest canopy to close. For the first year, the cost might be 50,000 dong, including the cost of design.

Plantation

Grants from the State budget can be provided for watershed forests, including forests producing large logs, soil improving species, fruit trees, and industrial crops which are cultivated in areas where a vegetation cover is needed for watershed protection. The level of State grants is about 1.9 million dong per hectare to be spent over a period of 3 years. 1,500 seedlings per hectare should be planted, of which 50% should be of local species. The remaining 50% should consist of fast-growing species, soil-improving species, and fruit trees.

For forests protecting arable land against moving sand in coastal areas, the grant may be up to 1.2 million dong, depending on the zone and the kind of tree structure created. After 3 years, the plantations will be inspected. If the result is acceptable, then an additional amount of 20,000 dong per hectare will be given annually for 5 years for protection purposes.

For special-use forests, State grants will be provided according to economic and technical plans made. In the

buffer zone, the rules will be the same as for watershed forests given above.

For production forests with rotations below 20 years, the policies about credits for investments according to Decision 264-CT will be applied. (Specific guidelines have been issued.)

2.2.4. Seeds and nurseries

The Ministry of Forestry will continue to manage and make the necessary investments in the system of nurseries and national seed stands. The Ministry will also make plans for the supply of seeds needed for the implementation of the National General Forestry Programme.

Based on the Provincial General Forestry Programmes and the needs of the entire country, each province should propose a provincial seed project to be submitted to the Ministry of Forestry for approval. It should cover the following points:

- * Selection of natural forests and planted forests to be transformed into seed stands, seed forests, and seed forests with new species.

- * Establishment of a system of nurseries in order to meet the need for seedlings for different projects.

- * A plan for seed supply, particularly for supply of seeds of important and new tree species. The seeds must be clearly registered and must be tested by the Ministry of Forestry.

Each provincial forest seed project is to be appraised and approved by the Ministry of Forestry. The People's Committee of the province will be the leading agency for the projects. Files about the annual progress of the projects are to be kept by the province and by the Ministry of Forestry.

For nurseries belonging to forestry-agriculture-industry projects, the following rules apply:

- * State grants will be provided for the establishment of a part of the infrastructure of the nurseries. Such costs will be regarded as a part of the investment of the projects. The costs of production of seedlings are instead regarded as a part of the cost of plantation.

- * Establishment of nurseries with a production capacity above 500,000 seedlings per year is to be based on adequate economical and technical studies. Smaller nurseries need to prepare economic and technical reports.

2.3. Allocation of forests and forest land

Forestry and agricultural production in the forestry-agriculture-industry projects will be performed by households on a contractual basis. For this reason, it is necessary to continue the process of allocating forests and forest land in accordance with official document 300/CV-RD dated 8 May 1993 by the General Department for Land management.

2.4. Agricultural production

A sum corresponding to 20% of the total State fund for the projects will temporarily be used for development of agricultural crops and animal husbandry in order to create a viable forestry-agriculture-industry structure in projects. The money will be allocated in the form of an interest-free loan.

2.4.1. Industrial crops

In forestry-agriculture-industry projects, industrial long-term crops such as coffee, tea, and mulberry and short-term industrial crops should be cultivated in certain areas. These crops can be grown under an open forest canopy or in a forest plantation until its canopy has closed.

State funds in the form of interest-free loans can be provided to households, of workers and farmers who have been allocated land for their long-term use to be used for the creation of tree formations suitable for the area.

In the area of the project, there may be a large-scale plantation of long-term industrial crops established in accordance with a programme for industrial crops of the agricultural sector, like rubber, tea, and so on. Such plantation can become incorporated into the new projects as a special component. Credits for activities related to such plantations will have to be arranged in accordance with the programme for industrial crops of the Ministry of Agriculture and Food Industry.

2.4.2. Food crops

The areas in the projects to be used for food crop cultivation must be clearly defined. Irrigated paddy must be cultivated only in suitable areas. Small water conservancy structures may be built in order to supply water for two or even three crops. For dry-land cultivation of food crops, attention should be paid to the following issues:

- Forest should be planted along the contour lines. Create forest strips along the contour where there is soil erosion.
- Practise crop rotation and use soil-improving tree species.
- Select rice seeds which give high yield.

2.4.3. Garden economy

The home garden is an important resource for the households and is a key component for long-term stability of the economic situation of the households. For that reason, priority should be given to that issue when assistance is provided to newly established home gardens. Demonstration models should be created showing techniques for seed selection, soil preparation, intensive cultivation, and so on.

State grants can be used in support of garden economy in certain cases, such as for people participating in fixed cultivation and sedentarisation projects, for people settling in new economic zones, and for people moving to project areas. The grants can be used for clearing and preparation of land, seedlings of fruit trees, forest trees producing logs, and soil-improving trees. Depending on the site, the amount can be 300,000 dong per household if they need to open new land and 500,000 if they need to perform that work. The total area per household would be 0.3 to 0.5 hectares, depending on the site.

2.4.4. Animal Husbandry

In forestry-agriculture-industry projects, initial attention should be focused on large domestic animals, such as buffaloes, cows and oxen, deer, and goats. About one hectare per household needs to be set aside for pasture for the animals. The households can get interest-free loans for the initial purchase of female animals. Poor households which have no funds can get up to 1.5 million dong in the form of grant for purchase of two female animals.

2.5. Establishment of infrastructure and public welfare

About 20% of the total State funds for forestry-agriculture-industry projects can be provided in the form of grants for the following purposes:

- Preparation of fields for small-scale irrigated paddy cultivation in places where this is the best use of the land.
- Creation of small water conservancy structures in forestry-agriculture-industry projects, suitable for household use of land prepared for irrigated paddy, industrial crops, and homegardens. The structures should whenever possible be combined with other structures. For example, an irrigation dam can also serve as a road.
- Certain kinds of minor transport infrastructure can be included in forestry-agriculture-industry projects, such as forest roads, rural roads connecting communes and villages to be used for pedestrians, bicycles, and animal-pulled carts. Funds can also be used for small bridges. Major roads will have to be financed from other sources.
- forestry-agriculture-industry projects can include small hydroelectric power stations for household supply of electricity. The capacity would be about 5-30 kW. Such stations will only be established in remote areas outside the national electricity grid.
- Basic welfare facilities should be established within forestry-agriculture-industry projects. Examples are the construction of primary schools (grades 1-4), clinics, water supply in areas of water shortage. The size of the facilities must be suitable for the population in the area; they should be small but serve their function for long.

2.6. Non-commercial economic units

Investment funds for non-commercial economic units within forestry projects consist of funds for fixed cultivation and sedentarisation to be used to help households establish fixed cultivation and to settle, for households invited to migrate and settle in project areas. The amount of grant for each household will be set according to the policy of the Ministry of Labour, War Invalids, and Social Affairs, the State Planning Committee, and the Ministry of Finance. These funds can also be used for extension in forestry and agriculture.

2.7. Appraisal and approval of projects

Appraisal and approval of projects is to be made according to guidelines by the State Planning Committee. Forestry-agriculture-industry projects managed by units outside the forestry sector, such as the army, police, and youth volunteer groups, need certificate from provincial People's Committee and approval from the Ministry of Forestry before they submit the project proposal for approval.

Forestry-agriculture industry projects, forest seed projects, botanical gardens (or arboretum) need to submit only to the Ministry of Forestry. The Ministry will appraise forestry-agriculture-industry projects with an investment level (grants and interest-free loans) up to 11 billion dong for subsequent approval by provincial People's Committees (except seed projects which also will be approved by the Ministry). After the provincial authorities have approved the projects, copies of the project documentation should be sent to the Ministry of Forestry, to the State Planning Committee, and the Ministry of Finance. Projects over 11 billion Dong are to be appraised by the sub-committee on project appraisal of the State Planning Committee which subsequently submits the project to the Prime Minister for approval.

C. MANAGEMENT AND IMPLEMENTATION OF PROJECTS

1. Project implementing agency

Forestry-agriculture industry projects carried out on land belonging to the three kinds of forest (special-use, protection, production) will be of the following kinds:

- Projects creating watershed forests, coastal forests, or forests for environmental purposes.
- Projects creating special-use forests and buffer zones.
- Projects creating production forests.
- Projects on botanical gardens or arboreta.
- Forest seed projects.

Except for projects on botanical gardens and forest seeds, the project implementation agency should be the following:

- Wherever there are State forest enterprises, those will be the project implementation agencies.

- In areas where there are no state forest enterprises, the project implementation agency will be the following:

* In watershed projects under the management of a Management Board, the Head of the Board will carry out the functions of project implementing agency.

* In projects in special-use forests under the management of a Director, the Director will carry out the functions of project implementing agency.

Project implementing agencies may at the same time be directly responsible for the use of the funds. In other cases, for example when a project has several sub-projects, the project implementation agency will appoint some units to be directly responsible for the utilisation of the funds (be fund management units). The functions and duties of the project implementation agency and the fund management units are defined in Regulation 385-HDBT (now the Government). For forestry-agriculture-industry projects, the project implementation agencies must note that the households constitute independent economic units. They can sign contracts for forest work and also often have land for long-term cultivation of industrial crops, V.A.C. economy, and animal husbandry. All these assets are used in order to create a stable basis for the household economy. The project implementation agency has the duty to organise supply of production inputs and marketing of outputs from the households. The project implementation agency is a state enterprise or a non-commercial economic unit. State management agencies (such as the State Planning Committee) cannot be nominated as project implementation agencies.

The project implementing agency receives the grants from the Government and are responsible for use of those funds. It also receives the funds for credit purposes and re-lend these funds to households for their production. The project implementation agency also is responsible for the repayment of the credit funds to the State, for verification that credit funds are used for the intended purpose, and for the overall socio-economic results of the project.

Rights of the project implementing agency

The project implementation agency has the right to take certain steps in relation to households within the project if they deviate from agreements made. Thus, if households do not follow contracts made for forest work or do not use land allocated in accordance with plans made, then the project implementation agency has the right to solve the matter in one of the following ways:

- Request the household to fulfil the obligations in the agreements;

- Reduce the payment for the work in comparison with the original agreement;

- Retrieve the area covered by the contract;
- Stop payments of loans or require the loan-paying agency to stop such payments;
- Request retrieval of land area already allocated.

Both the project implementing agency and members of the project management committee are entitled to receive payments from the management fund of the projects.

Rights and duties of households

The households have the following rights:

- Sign contracts for forestry work according to labour available in the household;
- Sign contracts for management of a piece of land within the area of a state forest enterprise;
- Receive a land area for long-term use outside a state forest enterprise, to be used for cultivation of industrial crops, food crops, garden, animal husbandry, etc. The size of the area will be determined on the basis of land available;
- Receive payment directly from the State for forest work according to contracts signed;
- Enjoy the benefits from State investments in infrastructure and public welfare;
- Benefit from services provided by the project implementation agency related to provision of production inputs and marketing of outputs.

The households have the following duties:

- Carry out agricultural and forestry activities according to plans;
- Use the land in an effective way and increase the fertility of the soil;
- Follow regulations in the laws applicable;
- Pay taxes to the State in accordance with the law.

2. Leading agencies for the projects

The leading agencies for the projects need to engage other state units in order to carry out their state management functions. One of them is the sub-committee on project appraisal of the State Planning Committee mentioned under B.2.7. above. They will also need a special unit under the provincial department of forestry of agriculture and forestry. This unit would assist the leading agency for the projects with the following duties:

- Assist and provide guidelines for the formulation of

forestry-agriculture-industry projects;

- Assemble annual investment plans in accordance with Decision 327;

- Monitor use of funds in the projects, monitor progress in the projects, follow the activities of outside units which assist the project in solving problems.

3. Costs for formulation and implementation of projects

The Government will annually provide funds for the following duties (in accordance with Guidelines No.32 TC/DT dated 7 April 1993 by the Ministry of Finance):

- Formulation, appraisal, and approval of projects;

- Provide supplementary funds for allocation of land and forest in the project according to Guideline 300/CV-RD dated 8 May 1993.

- Give support to extension in forestry and agriculture, to transfer of technology and management skills, including propaganda and training, holding of seminars and workshops.

The project implementation agency will assemble annual plans for the use of those funds and submit them to the State Planning Committee for approval. The amount is not to surpass 5-6% of the total grant from the State budget.

4. Annual project inspection

The project implementing agency and the provincial board set up to implement Decision 327 should regularly monitor the progress of the projects and annually report to the Central Board for implementation of Decision 327 and to the Ministry of Forestry.

The project implementing agency and the provincial 327 board should analyse the progress of each major component of the projects. Only after they have all been approved can the progress of the entire project be approved.

This circular will come into effect on the day it is distributed. If there appear problems in the implementation of Decision 327, the local units responsible should immediately report to the Ministry of Forestry and to the Central 327 Board so that the problem could rapidly be solved.

Minister of Forestry

Signed: Nguyen Quang Ha

ANNEX

Stages in Plantation Development

Stage 1: Planning and tending until the canopy closes.
Duration: 3-5 years, divided into 2 phases:

Phase 1: Planting, including: seedling production, soil preparation, tree planting proper, replacement of failures, tree tending, soil conservation and protection activities. Duration at least 12 months;

Phase 2: Maintenance and protection until the plantation closes its canopy or is firmly established, including further replacement of failures, maintenance operations, soil dressing, pest and disease control, prevention of encroachment.

Stage 2: Maintenance and protection of established plantation until the stands reach their biological or economic maturity. Duration 5 - 40 years, divided into 2 phases:

Phase 1: First thinning (giving no commercial products) + maintenance + protection. Duration 2-5 years

Phase 2: Intermediate thinning + stand improvement + protection. (If the tree species are short-rotation ones, they might never enter this phase).