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Selected Government Decisions on Forestry during
1992, 1993 and 1994

Compiled by the Project 'Renovation of strategies for
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Ministry of Forestry

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INTERMINISTERIAL CIRCULAR BY:

- State planning committee
- State bank of Vietnam
- Ministry of Finance
- Ministry of Forestry

SOCIALIST REPUBLIC OF VIETNAM
Independence-Freedom--Happiness

No. 11-TT/LB

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CIRCULAR ON IMPLEMENTATION OF DECISION No. 264-CT DATED JULY
22ND 1992 OF THE CHAIRMAN OF THE COUNCIL OF MINISTERS (NOW
PRIME MINISTER)

INCENTIVES FOR INVESTMENT IN FORESTRY DEVELOPMENT

Pursuant to Decision No. 264-CT dated July 22nd, 1992 of the
chairman of the Council of Ministers (now Prime Minister) on
investment in forestry development, the State Planning
Committee, The State Bank of Vietnam, the Ministry of
Finance, and the Ministry of Forestry, concur to issue the
following.

PART ONE: GENERAL GUIDELINES

1. The State will provide grants from the National budget
for the establishment of key protection forests, of
special-use forests, of national seed stands, and of quality
timber forest with rotation of above 20 years. It will also
provide grants for investments in forest maintenance and
plantation by individual households living in Mountainous
areas, in areas of open land and denuded hills, and in
settlements established in fixed cultivation and
sedentarisation projects.

2. The State will provide credits on favourable terms for
the creation of raw material areas for large-scale
industries such as paper mills, mining industries,
wood-based panel industries, and for pine resin processing.

3. Investments in forestry development are to be based upon
adequate economic and technical documentation (for example
feasibility studies). The documentation is to be submitted
to the competent authority for approval of the investment
and to the authority responsible for allocation of forest

maintenance and protection and for forest-based business development.

Decisions about investment for forestry development are made annually by the State for enterprises operating in the forestry sector whether run by central or provincial authorities.

PART TWO: OBJECTIVES FOR INVESTMENT IN FORESTRY DEVELOPMENT

A. Investors Are Organisations and Individuals who have been registered as Production and Business units in the Forestry Sector.

1. State enterprises

State enterprises are owned by State units and include state-owned forest enterprises, units for protection forests and special-use forests, forest research centres, state farms, units belonging to defence and security forces, and educational and training institutions which engage in forest-based business and forest development.

2. Non-state units

Non-state units, such as forest cooperatives, agricultural cooperatives, production teams, individual households, and entrepreneurs involved in forest production and processing of forest products are also considered as forest investors.

3. Investors should present economic and technical data (or feasibility studies or project documents) following the format established by the State.

Different units of forest should be managed so that they can fulfil the specific functions assigned to them. In particular, production forests should be integrated with agriculture, product processing and marketing so as to develop an area of diversified commodity production, create stable living conditions, and attract labour.

- The demands on the economic and technical documentation (feasibility studies) should be adapted to the scope of the project (See Interministry Order No.155-TTLB dated October 29th, 1988 of the Infrastructure construction Committee and the Ministry of Forestry).

- Works and components of work presented in the economic and technical documents should be designed and described as determined by competent authorities.

B. Investment for Forestry Development:

1. Grants for forestry development obtained from the National Budget.

1.1. Protection forest

* The objective is to establish protection forests in critical areas which meet criteria and requirements for such forests as defined by the Ministry of Forestry. These

forests should be managed on a long-term basis.

* The investment is to be divided into two components: one for the establishment of the protection forest through planting up to the time the tree canopy closes; the other for long-term protection and maintenance.

- Establishment of new forests.

+ On sites where the vegetation is able to regenerate naturally, funds are provided for protection and support to natural regeneration until the forests close their canopy.

+ On other sites, funds are provided for seedling production, site clearing, soil preparation, tree planting, tending, and management, until the plantations close their canopy.

- Management: Funds are to be provided for maintenance and protection of established protection forests (including natural forests, plantations, and natural forests where regeneration was assisted).

Funds are to be provided so that the forest maintain their protective value.

* A list of protection forests of critical value shall be presented by the Ministry of Forestry to the Government for approval.

* Households living in critical protection forest areas are to be supplied with seedlings free of charge, so that they can establish "forest gardens".

1.2. Special-use forests.

* Investment are to be provided for National parks and other reserved forests, including forests of interest for cultural and social development and for research and experimentation.

* Grants will be provided in accordance with approved economic and technical documentation. No grants will however be provided for facilities for tourism. In such cases, loans from the State can instead be provided.

* Funds will be made available for activities concerning the time from planning until the protected areas involved become able to fulfil the role assigned to them in the approved economic and technical documents. For buffer zones, grants will be provided for forest plantation and establishment of infrastructure as needed for the plantation and in order to improve the living conditions of the local people.

* The Ministry of Forestry shall present a list of special-use forests to the Government for approval.

1.3. National seed stands:

* The objective is to establish a centrally managed network of national and regional seed stands of the most important commercial timber species as well as of other forest plants.

* National seed stands comprise:

- Plantations and natural forests converted into seed stands
- Seed orchards obtained through grafting and also provenance trials (including of exotic species).
- Seed stands established through planting.

* Investment duration: From the time of planning until the stands yield improved seeds for plantation, as defined in technical and economic documentation (or feasibility studies, project documents) duly approved by competent authorities.

* Prime timber forests: The State shall make investments to establish prime timber forests with production cycles above 20 years so as to create areas for production of large logs of valuable species. For each forest, economic and technical documentation (or feasibility studies) is to be prepared and duly approved.

* Investment duration: Funds from the State budget are to be provided for the entire production cycle for different tree species and different areas. These cycles are to be defined in the approved operation plans (see Appendix).

For collective units and individual households who use land allocated to them for production of large logs of species with production cycles above 20 years, the State provides support through the supply of seedlings, technical guidance and other services, such as sales of inputs and marketing of outputs. This assistance by the State is provided free of charge.

* Repayment of funds: When investors who have received funds from the State for production of large logs of high-value species harvest and sell the products (in accordance with operation plans) they have to pay back the funds advanced and also pay other duties and taxes as provided by law.

* Rare and precious wildlife: Investment for management and protection of rare and precious animal species is regulated by the provisions of Article 4 of Decision No 18/HDBT dated January 17th, 1993 of the Council of Ministers (now the Government). Use of State funds for those purposes is to follow to economic and technical documentation (or feasibility studies) as approved by competent authorities.

2. Low-interest Credits for Forestry Development

2.1. Objectives: The State provides low-interest credits for creation of raw materials for the paper and pulp industry, mining, wood-based panel industry, pine resin industry and for industries using non-wood forest products.

Based upon the demand for raw materials of the industries involved, the Ministry of Forestry shall periodically prepare lists of timber species, their rotations and the investment estimated to be required per area unit (as

described in official documents duly approved).

2.2. Investment duration: Low-interest credits are to be made available for the first production cycle, financing activities from planting (see Appendix) until the forest can yield products suitable for the industries involved. Different timber species will be used in different zones. Estimates of the costs involved are to be presented.

2.3. Interest rates: The preferential interest rates to be applied are set at 30-50 percent of the current normal interest rate (which is at present 0.7% per month).

The level of the preferential interest rate and the term for repayment shall be based upon:

- The length of investment span. The longer it is, the lower the rate of interest accorded.

- The extent of soil improvement brought by the tree species. Soil improving species are to be encouraged (for example: *Acacia auriculiformis* A. *Mangium*).

2.3.1. For plantations supplying raw materials to industries (for paper-making, mining, wood-based panels etc) the following rates will apply:

Species	proportion of normal interest rates to apply
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a. North Middle zone, North East, North Central Vietnam, High plateaux:

<i>Eucalyptus camaldulensis</i>	30%
<i>Acacia auriculiformis</i> A. <i>Mangium</i>	40%
<i>Styrax tonkinensis</i>	30%
<i>Mangletia glauca</i>	30%
<i>Casuarina</i> spp.	30%
Bamboos of all kinds	40%
Pines	30%

b. South Central Vietnam:

<i>Eucalyptus</i> and <i>Acacia</i> species	50%
<i>Casuarina</i> spp.	40%

c. East South Vietnam, Mekong Delta:

<i>Eucalyptus</i>	50%
<i>Casuarina</i> , <i>Acacia</i>	40%

2.3.2. Development of plantations for the production of pine resin and non-wood forest products.

Species	proportion of normal interest rates to apply
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a. North West, North East, North Middle Zone.

Host plants for lac cultivation, bamboos	40%
Resinous pines, cinnamons	30%

b. North Central Vietnam, High Plateaux
Resinous pines, cinnamons 30%
Cashew 50%

c. South Central Vietnam, East South Vietnam
Resinous pines, cinnamons 30%
Cashew 50%

d. South Central Vietnam, East South Vietnam
Cashew 50%
Palm leaves, cinnamons 40%

2.4. Interest rates to be applied for mountain areas and islands.

- The interest rates for credits to be used in mountain areas and on island shall be announced by the General Manager of the Central Bank of Vietnam to be valid for different periods of time. At present, the interest rate for these areas is reduced by 15% compared to the rate elsewhere.

- Credits with reduced interest as presented above shall be provided to households in highlands and on islands for industrial forest plantations (2nd and later rotations), other industrial crops, fruit trees, and for agroforestry practices designed to improve family economy.

2.5. Additional incentives are provided for households in difficult areas, for example protection forests, and in fixed cultivation and sedentarisation zones. Besides obtaining certain grants from the State, households in such areas can apply for interest-free loans in case they need resources to establish industrial crops or fruit orchards.

2.6. Use of funds for activities already initiated.

* Works and work components already under investment, receiving funds from the State budgets for the purpose of forest products development, but not having completed their investment duration can be rewritten to be funded by credits on favourable terms if so required and approved by the State.

* For activities already initiated, using credits with current rates of interest for raw materials supply to industries:

- For activities with have reached the end of their investment period, but where the main products cannot be harvested yet, the debts incurred (principal and interests) shall be paid back in one instalment when the products are harvested and sold as set out in approved technical procedures. Only simple interest is to be paid).

- For activities where the investment is not yet completed, funds can be received through the same mode of investment as- before until the forest products reach their 'technological' maturity (as defined in Section B above).

2.7. Time for repayment of principals and interests

When making loans, forest managers shall undertake to pay them back to the State with the following terms:

* For plantations developed for raw material supply to industries: When the main products are harvested and sold following accepted technical procedures, the debts incurred (principal and simple interest) shall be repaid to the State in one instalment.

* For plantations established for the production of pine resin and non-wood forest products: When the main products are harvested following accepted technical procedures and are sold, the debts incurred (principal and interest) shall be repaid to the State in one instalment only simple interest; but the term for repayment shall not exceed five (5) years.

Loans for activities which have already yielded their main product but where the debt and interest have not been shall be considered as overdue debts by the State Bank.

PART III: FINAL PROVISIONS FOR EXECUTION

1. This Interministerial Circular takes effect from January 1st, 1993. Any provisions contrary to this Circular are hereby abrogated.

2. Any problems arising in execution of this Order must be reported to the Ministry of Forestry for discussion with relevant agencies for their timely resolution.

For Head of State
Vietnam Central Bank
Deputy Head
Chu Van Nguyen

For Minister of Finance
Vice Minister
Pham Van Trong

For General Manager
Planning Committee
Vice General Manager
Tran Khai

For Minister of Forestry
Vice Minister
Tran Son Thuy

ANNEX

Stages in Plantation Development

Stage 1: Planting 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 year-s, 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).