



Brief Report
**Workshop “Strengthening Policies and Financing for
Sustainable Development of Longer Rotation Forest
Plantation in Vietnam”**

Da Nang, 23 June 2018

Key presentations and speakers

Identifying risks and opportunities for integrated, sustainable and meaningful forestry development for Vietnam

Jan Willem, IUCN Netherlands

Over view on Policies and Opportunities of Longer Rotation Forest Plantation in Vietnam

Dr. Bui Chinh Nghia, Department of Forestry Production Development

Large timber plantation – Experiences and Results

Tien Phong Forestry Company

Turning Short-term timber plantation forest into Longer Rotation Forest Plantation – Experiences from Agriculture Extension Projects and Recommendations

National Agriculture Extension Center

Longer Rotation Forest Plantation policies challenges in Vietnam

Finance Support – Forest restoration projects, forest plantation for saw log timber

Mrs. Le Thuy Anh – Project Coordinator KfW Hanoi Office

The Climate-Smart Credit System for Agri-Lenders

Obadiah Ngigi, Co-founder-F3 Life

The IKEA linkage model in Viet Nam: Actual situation and options to improve timber industry value chain

Mr. Nguyen Vinh Quang, Forest Trends in Vietnam

Workshop materials

Link [Vietnamese](#)

Link [English](#)

BRIEF REPORT

Some facts about longer rotation forest plantation in Vietnam

1. Overview of longer rotation forest plantation and timber in Vietnam.

According to Dr. Tran Dai Nghia, Institute of Policy and Strategy for Rural Development, Vietnam is ranked 4th in the world after furniture exports in China, Germany and Italy. Vietnam's main export markets are the US, Japan, China, Europe and Korea. Despite this, Vietnam is importing up to 80% of timber for export, mainly from Laos, the USA, Cambodia, China and Malaysia. In the future, the demand for planted timber will be increasing, domestic policy and neighboring countries of Laos and Cambodia will apply the closure of natural forests and Vietnam's major import markets, Europe) sets the requirements for quality and origin of wood products.

Data from the Forestry Development Department, Ministry of Agriculture and Rural Development (MARD) said that by June 2018, Vietnam had 6,765,936 ha of production forest (including 3,905,504 ha of natural forest and 2,860,432 ha of plantation) in total. 14,415,381 ha of forest land. The area of longer rotation forest plantation reaches 201,220 ha, of which 28,658 ha of forest for conversion, 172,562 ha of intensive forest. Total volume of raw material wood consumption in 2017 is estimated at 32 million m³, of which 18 million m³ are exploited from domestic plantations (56%), 7 million m³ of imported timber and 6 million m³ of rubber wood. and scattered trees.

Currently, Acacia is a plant species that is mainly planted in the production forest (39%), due to its short cycle, high productivity, wood and particle board processing, average growth rate 10-25 m³ / ha / year, which can fix carbon and nitrogen for the soil. Planting age is relatively low, 5-8 years, even shorter. FIPI recommends effective age of acacia for 10-15 years. Therefore, with the current practice, the extension of one-year plantation harvesting will result in a 57% increase in value, extending for a further five years by an additional 424%.

Ensuring the timber size is sufficiently large to meet the requirements of the certificate therefore growers have to prolong the production cycle. This is one of the main objectives of the industry.

Decision No. 886 / QĐ-TTg dated June 16, 2017 approving the program for sustainable forestry development for the period 2016-2020 has set out the objectives: i) Average plantation productivity is 20 m³ / ha / year, ii) export value of timber and forest products will reach USD 8.0-8.5 billion, iii) new plantation and reforestation after harvesting 200,000 ha of intensive forest plantation, iv) certification of sustainable forest management for 100,000 hectares of forest per year; v) conversion of plantation forest and small timber business into 90,000 hectares of longer rotation forest plantation.

Currently, the area of forest with FSC certificate is still low and some difficulties in applying certificate such as: high certification cost, lack of reliable information on the financial effect of planted forest certificate FSC

Sustainable development of forests in general and planted forests in particular have become indispensable. In 2014, Vietnam and 179 nations and international organizations signed the New York Declaration on Forests.

2. Policies and legal framework supporting the development of longer rotation forest plantation

- Decision No. 147 of Decision No. 147/2007 / QĐ-TTg dated 10 September 2007 of TTg on some policies for development of production forest in the period 2007-2015
- Decision No. 66/2011 / QĐ-TTg dated 9/12/2011 adjusting and supplementing some articles of Decision No. 147
- Decision No. 38/2016 / QĐ-TTg dated September 14, 2016 of the TTg on a number of policies on forest protection and development and infrastructure support, assigning public tasks to companies Agriculture and Forestry
- Decision No. 886 / QĐ-TTg dated June 16, 2017 of TTg on approving the program for sustainable forest development for 2016-2020.
- Decision No. 1565 / QĐ-BNN-TCLN dated July 8, 2013 of the Minister of MARD approving the Forest Sector Restructuring Scheme
- Decision No. 774 / QĐ-BNN-TCLN dated 18 April 2014 by the Minister of Agriculture and Rural Development approving the action plan to improve the productivity, quality and value of production plantations for the period 2014-2020.

3. Early results from longer rotation forest plantation demonstrations

There are currently two major forms of forest development: new plantations and plantation forest conversion. There are already many models tested or deployed. Some have made good progress and learned lessons.

The National Center for Agricultural Extension said that since 2016, a pilot project on converting small timber forests into big timber forests has been carried out in 10 mountainous provinces in the North and North Central of Vietnam. the total area of 1000 hectares and 540 households involved. On average, each household owns 2 ha of plantation forest. The initial deployment is not easy, to find the forest 3-4 years old and persuade the people to transition to 15-16 very difficult. There are only pilot households on a very small area. Assessing a 16-year cycle is not easy. The project has also guided people to thin thinning forests suitable, contributing to improving the immediate life, taking short-term raising. After the third year of implementation, the long-term benefits of forest conversion have been recognized and 100% of households have committed to implement it.

Information from Department of Forestry Development and Production shows that new hybrid acacia plantation models in Ca Mau, Thanh Hoa (intensive cultivation) also showed higher growth, height and diameter than conventional planting -31%, acacia mangrove forest conversion model in Bac Giang, Quang Ninh, using silvicultural measures such as nursing and thinning (the remaining density of 600 trees / ha), 115 m³ / ha equivalent to conventional plantations. These models are more economical: wood prices are twice as high and harvested from thinning products. All models show that prolonging the harvesting of planted forests will increase economic value.

4. Large-scale timber plantation associated with people's livelihoods and immediate needs

One of the concerns at the workshop was the issue of ensuring people's livelihoods associated with the planting of longer rotation forest plantations, especially short-term household livelihoods during the period of unlogged logging. For companies, it is of interest to "take short-term farming". Several models are shared at the workshop.

- **"Financial support" model of KfW** aims to plant forest restoration and develop longer rotation forest plantation. The program was implemented in 1995 through 11 KfW forestry projects implemented in 20 northern and central provinces through partners from MARD, PPCs and NGOs. The highlight of this model is that the project provides financial support to people planting and tending forests through a bank deposit account, valid for 5-8 years. After the acceptance test, if the planted forest of the households is recognized as satisfactory, they will receive the corresponding support from the account book. So far, the program has planted and rehabilitated 130,000 ha of forest, a survival rate of over 90%, and contributed to the improvement of thousands of households. There are good quality forest areas that are capable of meeting international forest certification standards, such as those planted in Quang Tri in the KfW2 project.

- **Large forest plantation model of State-owned Tien Phong Forestry Company:** From 2012 to now, the company manages 4,900 ha of forest, of which 2,700 ha of production forest. The major crops are acacia (tissue culture), pine and native trees. The company designs trees in the proportion of 3 to 7 acacia, with the goal of recovering Acacia that will help fund the investment in native trees. The company's results are so good, the business situation is better, the company is more active and more active in terms of price. Forest quality is better and forest value is higher, land is not degraded. At present, the company has 3,100ha of forest certified for FSC. Diversification of revenue sources is one of the options for companies to reduce dependence on forest exploitation, contributing to successful outcomes, along with equally important factors such as the determination of the leader, having a clear strategy and a big enough land fund.

- **The IKEA value chain:** IKEA is a well-known brand for furniture, especially furniture. However, IKEA does not directly produce wood products. Generate resources through a network of suppliers. The Group supports suppliers by providing loans or advances, while helping them build high quality corporate governance, placing long-term orders (3-5 years). On the other hand, the company also sets strict quality standards in accordance with IWAY and FM / CoC FSC standards, suppliers must supply 100% of products from FSC certified wood. These supply companies, therefore, are bound to link closely with the afforestation households. Similarly, they also provide financial and technical assistance to growers, producers and consumers, and require technically compliant households to ensure that the timber is certified and prolonged the crop cycle. Through its quality standards and supportive policies, IKEA has helped companies make big and stable contracts (though not very profitable), helping them to be comfortable. When investing, developing material areas. At the same time, IKEA indirectly helps the afforestation households have a stable source of livelihood, as well as a care center for investment.

In fact, it is only when firms commit to buy certified timber at the price of at least 7% higher than non-certified timber products, then income for households can be maintained.

5. Insurance for longer rotation forest plantation

At the workshop, there were many concern on insurance for longer rotation forest plantation. Having long-term exploitation and large investments characteristics, forest investors have to deal with many risks of natural disasters, pests, forest fires, market price fluctuations, etc. However, up to now there has been no insurance mechanism for forest investors. Insurance companies have little interest and are not constrained by policies to growers. A representative of a forestry company in Dak Lak said that the enterprise only buys insurance for plantations in the first year, the following year the insurance company refused. According to the state support policy, if the forest investors suffer from 40-70% of the area due to natural disaster, they will receive support. The policy is there but the budget reality does not exist.

A representative of Military Insurance JVC (MIC) said that agricultural insurance in general and forest insurance in particular are still new in Vietnam, which is a voluntary agreement between buyers and sellers. MIC has implemented forest insurance services in all three regions. Insurance criteria are based on the market, mainly on disaster insurance. Coverage discussed by both parties. MIC does not insure the households plant forest because of too little money. The parties should jointly set up the scope, framework and insurance fee to submit the proposal to the Ministry of Finance - the insurance management agency.

Prof. Dang Hung Vo said that in order to promote forest and forestry insurance, it is necessary to consider forest valuation and land valuation associated with forests. This work is still weak. It is recommended that MoNRE promote land registration, asset registration on land and value of forest as the basis for mortgage and insurance.

Challenges for developing longer rotation forest plantation

Experiences from the pilot projects show that the awareness of the large timber business of the people is very limited. Households tend to favor smaller timber forests due to lower investment costs and less risk. and easy to consume in place. Meanwhile, afforestation has to deal with many risks and challenges, the monitoring of difficult plantation projects due to long cycle characteristics, management and development of support policies are many obstacles. confused Listed below are some facts and difficulties in the process of developing large-scale plantation forests in localities.

- Land: Many projects implemented in the area are not favorable on land. Households involved in longer rotation forest plantation are small, scattered and scattered, with an average of only 1-2 ha. Small scale means more vulnerability to disaster.
- Varieties and techniques: In the large timber plantation projects today, the type of wood is rather monotonous, mainly acacia. Lack of good seedlings, high yield enough to make large timber. The management of the breed also torn. Some new varieties have been recognized by MARD but have not been provided for large-scale production during the assay period. There is no technical guideline to transform small wood into big wood

- Capital, credit and market: Afforestation of large timber requires large investment, long cycle, slow turnover. While the procedures for bank loans are complex and high interest rates (if borrowed from commercial banks).

Predictions for long term timber demand and prices are difficult due to the large timber harvesting period. If there is no enterprise to spend the output, people do not want to grow large timber.

- Infrastructure: The forestry infrastructure system in service of intensive and afforestation forest areas is inadequate and degraded.

- Human resources: The human resources involved in afforestation are increasingly "aging", which directly affects the ability to acquire new knowledge, join the chain, comply with certification requirements. sustainable, market access ...

Recommendations

For MARD, MONRE, MOF:

1. It is necessary to clarify the concept of "large timber" for unified management.
2. To review the existing bare land and planted production forests in order to determine the area of transformable forests for trading in big timber, the vacant land areas capable of being put into new ones along the direction of intensive farming for forest business. big wood.
3. To elaborate a planning on big timber raw materials areas in association with processing establishments in order to realize the conversion of existing plantation forests and afforestation of big timber forests.
4. Review and develop a comprehensive policy team on land, capital, forestry, insurance, silvicultural investment.
5. Develop control measures to ensure equitable benefits for large timber growers.
6. Development of financial support mechanism, tax policy to support households participating in longer rotation forest plantation in association with sustainable management / forest certification.
7. Research and propose establishment of risk management fund for planted forests.
8. Promote the management and development of forest seedlings.
9. Promulgate technical guidelines, economic and technical norms for intensive forest plantation, supplying large timber materials, transforming small timber forest into longer rotation forest plantation.
10. Complete Disaster Map and extensive information for forest investors.
11. Promote forest valuation, land valuation associated with forests, land and property registration on forest land.

For local governments:

1. Create opportunities and expand access to land, especially for poor households, landless households. Exploited from the land fund managed by the CPC, from state forestry companies.
2. Create an institutional environment conducive to the establishment of value chain linkages to plantation forests, and mechanisms to create credibility for businesses.
3. Limiting direct intervention in the activities of the association, limiting the issuance of administrative orders.

For investors, non-state actors:

1. Expand the models of linking forest owners - forestry companies - afforestation households - wood processing companies.
2. Support setting up target groups for sustainable plantation of households with small area.
3. Research on payment for carbon sequestration services for long-term and large-scale plantations.
4. Have policies to support growers and share benefits from sustainable forest certification products.
5. Create value chain linking production - processing - marketing.