

**EASRD**  
RURAL DEVELOPMENT &  
NATURAL RESOURCES  
EAST ASIA & PACIFIC REGION



*Technical Note*

# **State Forest Enterprise Reform in Vietnam**

*Review of Policy and Implementation  
Framework for Decree 200*

*November 2005*



The World Bank

*This Technical Note was prepared for on-going dialogue on State Forest Enterprise Reform in Vietnam. Technical notes are prepared as part of World Bank work. The contents do not necessarily represent the official Bank view, nor have been formally reviewed with the government.*



**CURRENCY EQUIVALENTS**  
(Exchange Rate Effective November 1, 2005)

Currency Unit     =     Dong (VND)  
VND 15,903       =     US\$1

FISCAL YEAR  
January 1         -     December 31

**ACRONYMS**

DARD	Department of Agriculture and Rural Development
DCRD	Department of Cooperatives and Rural Development
DPC	District Peoples Committee
DPI	Department of Planning and Investment
FAO	Food and Agriculture Organisation
FDsD	Forestry Development sub-Department
FIPI	Forestry Inventory and Planning Institute
FPD	Forest Protection Department
FSDP	Forest Sector Development Project
FSSP	Forestry Sector Support Program
GoV	Government of Vietnam
MARD	Ministry of Agriculture and Rural Development
WFP	World Food Programme
PFMB	Protection Forest Management Board
PPC	Provincial Peoples Committee
RB	Red book certificate for land use
SFE	State Forest Enterprise
SNV	Netherlands Development Organisation
SOE	State-Owned Enterprise
TT Hue	Thua Thien Hue
USD	US Dollar
VBARD	Vietnam Bank of Agriculture and Rural Development
VND	Vietnamese Dong
WB	World Bank

## PREFACE

This review was prepared under the umbrella of the Forest Sector Support Program (FSSP) framework, which has State Forest Enterprise (SFE) reform as a priority area requiring attention and assistance. The World Bank and Netherlands Development Organization SNV provided funding and guidance in collaboration with the Ministry of Agriculture and Rural Development (MARD).

The consultants who undertook the review were Alan Ogle and Dr. Nguyen Ngoc Lung. MARD's Department of Cooperatives and Rural Development (DCRD) provided two senior staff members—Mr. Nguyen Van Tien (Head of SFE/SAEs) and Mr. Bui Huy Nho (Senior SFE Specialist)—to work with the review team in May 2005.

The review included national-level dialogue plus fieldwork in five provinces in the central coastal region of Vietnam (Nghe An, Thua Thien Hue, Quang Nam, Quang Ngai, and Binh Dinh). It included strong national-level participation and inclusion of national-level perspectives in the recommendations. The assessment, although based on the detailed fieldwork in five provinces in one region, could be extrapolated as relevant to the situation for the majority of SFEs in all provinces with SFEs.<sup>1</sup>

Of necessity, a short review of this nature relied heavily on a series of brief interviews<sup>2</sup> and access to a selection of early reports and other documentation. The findings from the evaluation therefore should be read in the context of an attempt to identify and develop the main strategic issues that are critical for an understanding of the impact of SFE reform and its future direction after approval of Decree 200, rather than as a detailed study of linked policy issues or an analysis of all SFEs visited and their particular situations. In particular, time constraints prevented an in-depth analysis of the underlying issues in linked policy areas such as land allocation and forest reclassification.

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<sup>1</sup> The SFEs in the five provinces cover 10 percent of total SFEs in Vietnam and 15 percent of total forestland or 13 percent of production forestland controlled by SFEs nationally (1999 statistics).

<sup>2</sup> The approximate number of persons interviewed was 74 (12 at central level; 32 at five provincial provinces; and 30 at 12 SFEs visited).

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## EXECUTIVE SUMMARY

State forest enterprises (SFEs)<sup>3</sup> control about 40 percent of forestland in Vietnam and play an important role in the forestry sector and in the livelihoods of millions of Vietnamese living in their areas of control. Over the last 10 years, a series of restructuring steps have taken place. Despite several attempts by government—such as the issuance of the Decision 187/TTg in 1999—the overall progress of reform on separating public and private functions and transforming the remaining SFEs into autonomous, commercially viable businesses based on sustainable forest management has been slow and incomplete.

As an important step forward, the government issued Decree 200 in December 2004 to accelerate the reform of SFEs. The government aims to develop provincial SFE reform plans by mid-2005 and to have them implemented over two to three years. However, the GoV also recognizes that several implementation and policy issues remain. This review examines the overall policy framework of SFE reform in light of the promulgation of new regulations and existing implementation capacity. It highlights gaps to be bridged, with a view to maximizing positive impacts of the reform on growth, poverty reduction, and the environment.

### THE MAIN FINDINGS

Decree 200 has the following objectives: (a) use land and forest resources more efficiently and sustainably; (b) enhance the business and production efficiency of SFEs; and (c) improve economic and social opportunities in the locality of SFEs. It is based on the principle of separating public interest from business activities. Those SFEs that carry out mainly business and production activities should operate under the market system. Those SFEs that carry out mainly public interest activities should be shifted to Protection Forest Management Boards (PFMBs). In the future, the state will fund only the investment required for special-use and protection forests. SFEs that have had business losses for more than three years, or those that do not warrant being turned into service units, shall be dissolved.

Other important provisions of Decree 200 include: (a) experimental equitization of selected SFEs; and (b) business SFEs, once they are converted to companies, are to have freedom to contract, form joint ventures, and operate processing and other related marketing and service activities

The consensus from the review regarding the impact and outcome of the Decree 200 was: (a) a large number of business SFEs will be given much greater autonomy as one-member companies; (b) a rapid reassessment of the land base of SFEs and relatively large-scale land redistribution of up to 1 million hectares is expected; (c) a resultant increase in land-use efficiency; (d) a much overdue reassessment of forest categories and a reduction in the areas (and indirectly the cost) of forest protection to GoV; and (e) the equitization of pilot SFEs into companies.

The main policy issues that impinge on a satisfactory outcome to the implementation of Decree 200 are: (a) forest categorization and the urgent need for the reassessment, as mentioned above, for clear and consistent forest management categories as a basis for GoV

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<sup>3</sup> There are no reliable, updated national statistics currently available on SFEs. The latest MARD figures indicate that some 362 SFEs remain. MARD expects that a reliable update will be possible after June 30, 2005, when provinces present their renovation proposals as required under Decree 200

funding for forest protection; (b) the policy provision in Decree 200 that allows business SFEs to continue to receive GoV subsidies through the management of up to 5000 ha of protection forest per SFE; and (c) the policy regarding future management of natural production forests, given the reluctance of some business SFEs to assume the responsibility for such forests because of the lack of income and economic incentive in provinces where logging bans are in place.

A survey with quantified results was conducted during this review to assess the main challenges likely to be involved in implementing Decree 200. Land demarcation and land allocation issues are seen as the greatest challenge to implementation of reform. This is followed, second, by the availability of government funds, and third by “unclear policy.”

An analysis of the progress being made on SFE reform was undertaken in the five provinces. The conclusions reached on progress were: (a) Nghe An and Quang Nam provinces have made the most progress in terms of land removed from SFEs in the past; (b) Nghe An province, however, has made the least progress on documenting its proposal for SFE reform; (c) all provinces had commenced the decision-making process on which SFEs should become companies, which should be PFMBs, which should be service agencies and which should be dissolved. However, after questioning individual SFEs and DARD/provincial officials further, it is clear their analysis is still at a preliminary stage and likely to change; (d) Thua Thien Hue Province has made the most progress on its provincial SFE Reform proposal; it was the first to be submitted to MARD for evaluation.

Four case study SFEs are documented in this report. They highlight some of the complexities involved in implementing Decree 200. The issue of trying to separate public interest and business activities is proving the most difficult.

## **RECOMMENDATIONS**

### **Recommendations for the Government of Vietnam:**

(a) ***Monitoring Implementation: (Section 8.4.1)***

One of the problems in the implementation of the previous Decision 187 was the limited monitoring and assistance role provided by MARD at the central level. It is recommended that MARD at the central level provide the resources to monitor progress, assist/ mentor provinces, and publish statistics on the implementation of reform.

(b) ***Forest Reclassification (Section 8.4.2)***

Clear and consistent classification of three types of forest is fundamental to the successful implementation of Decree 200. It is recommended that MARD give the highest possible priority to finalizing forest reclassification criteria and provide the resources to implement a rapid forest reclassification program.

(c) ***Interpretation of Policy and Guidelines for Allowing Business SFEs to Retain Protection Forest Areas (Section 8.4.3)***

The strong desire at the provincial level to continue channeling a substantial level of protection funding via business SFEs (up to the maximum 5000 hectares allowed under Decree 200) is going to weaken the ability to separate public

interests from business interests. It is recommended that MARD, in approving and recommending provincial SFE reform proposals, ensure that the retention of protection forests by business SFEs be carefully scrutinized.

(d) ***Review of Policy on the Funding and Protection of Natural Production Forests (Section 8.4.4)***

Decree 200 encourages business SFEs to remain the owners of natural production forests. However, because of logging bans in many provinces, some expressed reluctance to continue willingly to assume this role/responsibility because of the lack of income and economic incentive to do so. It is recommended that MARD undertake a policy review on the impact of the implementation of Decree 200 on the sustainable management of natural forests.

**Recommendations for Donor Support to SFE Reform**

(a) ***Forest Reclassification (Section 8.5.1)***

It is recommended that FSSP donors be approached to support the review and reclassification of the three forest types in Vietnam. Support could include both technical advice and funding support on forest classification and land allocation to highlight the technical issues/ solutions and mechanisms for speeding up reclassification, as part of the SFE reform and land allocation processes.

(b) ***Forest and Forestland Valuation Case Studies (Section 8.5.2)***

During the Review fieldwork, the valuation of forests and forestland was raised by MARD DCRD officials as being a major impediment to equitization. It is recommended that FSSP donors be approached to support the preparation case studies on the valuation of plantation forests and natural production forest, hold training workshop(s), and prepare draft guidelines.

(c) ***Equitization Pilot Case Studies (Section 8.5.3)***

Decree 200 makes provision for equitization on an experimental basis, for SFEs “that have fairly favorable conditions of production and are near economic centers...have few ethnic minorities.” Equitization is still seen a difficult step for SFEs because of the forestland and related asset valuation issues involved. It is recommended that FSSP donors be approached to support pilot case studies on the SFE equitization in accordance with the priorities listed in Decree 200, hold training workshop(s), and prepare draft guidelines. It would be preferable that equitization case studies be prepared in conjunction with the case studies on the valuation of plantation forests and natural production forest.

(d) ***Business Plan/ Strategic Management Training for SFEs (Section 8.5.4)***

The survey in the five provinces shows that there is a continuing wish to receive further appropriate business plan preparation and management training. It is recommended that FSSP donors be approached to support the delivery of a high-level strategic management/ business-planning course for SFE directors/ financial

management staff. The initial course(s) should then be used as a training of trainers course for further courses, both for high-level and for lower-level management staff.

(e) ***Monitoring Implementation of SFE Reform (Section 8.5.5)***

One of the problems in the implementation of the previous Decision 187 was the limited monitoring and assistance role provided by MARD at central level. It is recommended that FSSP donors be approached to support the monitoring of reform under Decree 200. Initially this would involve the preparation of a detailed monitoring and evaluation plan, followed by financial assistance to monitor progress, assist/mentor provinces, and publish statistics on implementation of reform. This envisaged program should include a minimum of two provincial visits a year, further workshops, and comparing/publishing/monitoring the implementation plans for reform in each province

(f) ***Assessment of Community and Socio-economic Impacts (Section 8.5.6)***

Given that there will be substantial areas of land to be allocated from SFEs to households, (and possibly communities) there is a need to assess the social and economic impact of the reform process associated with Decree 200. This should ideally include a baseline study and follow-up assessment of SFE reorganization and the redistribution of assets, and include an assessment of both the impacts on communities and the mechanisms for providing for redundant staff. A study should be undertaken in four to six communities in different provinces covering different regions and differing ethnic/socioeconomic situations.

(g) ***Fire Control (Section 8.5.7)***

Fire remains one of the largest—if not the largest—risks facing SFEs with large contiguous areas of plantations. A recommended starting point is a “fire capability audit” in the Central Coastal Region, to assess in detail and provide an update on SFEs’ fire prevention and control capability. The recommended audit should include a detailed assessment of the condition and appropriateness of fire control equipment.

# 1. BACKGROUND

SFEs control about 40 percent of forestland in Vietnam. They play an important role in the forestry sector and the livelihood of millions of Vietnamese living in their areas of control. The market-oriented reforms called *Doi Moi* that took off in the early 1990s have greatly influenced SFEs. Over the last 10 years, a series of restructuring steps have taken place. The most dramatic was the decentralization of their management from central government to provincial authorities. This has been followed by ongoing downsizing. However, in most cases restructuring has not resulted in the expected and necessary changes in SFE mandates, either in terms of ownership structure or in more efficient managerial capacity. Despite several attempts by government—such as the issuance of the Decision 187/TTg in 1999—the overall progress of reform on separating public and private functions and transforming the remaining SFEs into autonomous, commercially viable businesses based on sustainable forest management has been slow and incomplete.

Vietnam's Forest Sector Development Project (FSDP), which was prepared during the 2002–04 period, focuses on four provinces in Central Vietnam. At that time, the World Bank, with support from the Dutch Government, prepared a policy brief<sup>4</sup> (2003) on restructuring and renovation of SFEs in Vietnam. The report reviewed progress on the SFE restructuring and highlighted key policy options to accelerate this process. As an important step forward, the government issued Decree 200—“Continuing the Restructuring, Renovation and Development of State-owned Forest Farms”—and its implementation circulars in late 2004 and the first half of 2005. The government aims to develop provincial SFE reform plans by mid-2005 and to have them implemented over two to three years. There are also other important initiatives, including the promulgation of the new forest protection and development law, the implementation of public administration reform, the new budget, and land laws. However, GoV also recognizes that several implementation and policy issues remain. There is thus a need to update the policy brief by reviewing the overall policy framework of SFE reform in light of the promulgation of new regulations and existing implementation capacity. The brief is intended to highlight gaps to be bridged, with a view to maximizing positive impacts of the reform on growth, poverty reduction, and the environment.

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<sup>4</sup>World Bank. 2003. “State Forest Enterprise reform in Vietnam: Unlocking the Potential for Commercial Wood Growing.” Washington, DC: World Bank.

## **2. POLICY, INSTITUTIONAL AND REGULATORY FRAMEWORK**

### **2.1 Background on State-Owned Enterprise Reform**

The transformation of state-owned enterprises (SOEs) has been taking place in Vietnam since 1997. The process has been accelerating since 2002, when guidelines were issued that clarified what was to be transformed and what was not. This resulted in the formulation of equalization plans by all 64 provinces in Vietnam. These plans were approved over an extended period from the latter part of 2002 to well into 2003. Since the beginning of 2003, SOEs have been equitized at the rate of more than one per day.

State Forest Enterprises (SFEs) were generally not included in these 64 plans, since it was found that deciding upon the future of these entities was too difficult. Two-hundred provincially owned SFEs fell into this category. Despite some limited activity, only four out of forty SFE transformation cases have set up a joint stock company or a single member limited liability company as the objective. The one example of a completed transformation was where the SFE was assigned to the employees. Most activity, which is largely restricted to six provinces, has been in mergers and liquidations.

### **2.2 Background on State Forest Enterprise Reform**

SFE reform is accepted by the GoV and international partners to the FSSP as one of the key issues for forestry reform in Vietnam. The World Bank and SNV have been prominent among the international partners to the FSSP in providing continuous direct assistance to the GoV on SFE reform over the past four years. They have provided both assistance in the reform process at a provincial level and comment/input at the central level.

In May 2003, the policy brief on SFEs prepared by the World Bank in 2003 contained an in-depth analysis of the history and reforms that have taken place in the SFEs since the mid-1990s. The September 2002 statistics presented in that policy brief are still the most reliable available. In summary, it reported a total of 370 SFEs under the auspices of the MARD.<sup>5</sup> Of these, the report proposed that 248 be converted into business SFEs, 114 into Protection Forest Management Boards (PFMBs), six be liquidated, and 27 be converted into public utility enterprises.

There are no reliable, updated national statistics currently available on SFEs. MARD has, however, maintained a database (updated by MARD in a piecemeal manner, where data has been received from provinces). This indicates that as of May 2005, some 362 SFEs remain. MARD expects that a reliable update will be possible after June 30, 2005, when provinces present their renovation proposals as required under Decree 200.

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<sup>5</sup> There is a network of wood processing/ wood-related trading companies and processing enterprises that are under provincial authorities, general corporations, and other ministries. This review only covers the SFEs with forestland that come under Decree 200.

### **2.3 Slow Progress on Implementing SFE Reform**

Initiatives to restructure government state-owned enterprises (SOEs) started in April 1995 with the promulgation of the Law of State-Owned Enterprise. This was followed in 1998 by Decree 50 on Reformation of SOEs. Then in 1999, the government issued Decision 187/QD-TTg on the renovation of SFEs. In October 2002, MARD and the Ministry of Finance issued Joint Circular 109 to implement Decision 187.

Decision 187 was intended by the government to reform SFEs through a clearer separation of the government's "public good" and business activities. The implementation of the decision was initially expected to result in a major release of land to households. Instead, in most provinces SFEs continue to use land inefficiently, locking it under their control. The reforms associated with this decision were slow. This was due to a number of factors, including:

- Difficulties at the provincial level on how to separate business and public sector functions. Decision 187 was a compromised piece of legislation and ambiguous in a number of places, making understanding and implementation difficult.
- The unclear boundaries between and definitions of "protection" and "production" forest. The definitions have changed greatly over the past 10 years as the funding rules have changed. There are still many areas of production forest that have been funded as "protection forests," and provinces are not always clear on what should be done with these. This, in turn, has delayed decisions on what land should be retained by PFMBs and SFEs, and what land should be reserved for allocation to households.
- A lack of clarification/ certainty in future financial policies and the government's ability to fund SFEs that could or should convert to PFMBs.
- The Program 661 protection forest contracts and administration fees provided a continuing source of government cash-flow to SFEs that have protection forests, and delayed the need for hard decisions on their future viability as stand-alone business enterprises.

### **2.4 What Has Changed with Decree 200?**

Decree 200/ND-CP, entitled "Decree of the Government on the Arrangement, Reform and Development of State Forestry Enterprises," was issued in December 2004.

During the Review, GoV officials at the central level and in each province were asked to comment on what they viewed as the most important changes coming from Decree 200. The consensus of opinion received was that Decree 200:

- Contains much clearer objectives and provisions in terms of using land more efficiently; separating public interests from business interests; promoting the need for business SFEs to operate more efficiently with greater autonomy to react to market signals; and providing clearer rights for forest owners.
- Is seen as more comprehensive, providing a more complete solution to reform. In particular, its link to current land law, forest development/ protection law, and enterprise law is seen as more far-reaching.

- Contains clearer provisions for separation and renovation of business SFEs into one-member companies.
- Contains clearer directives on what land should remain with business SFEs (companies).
- Provides encouragement toward equitization on a pilot basis.
- Comes after six years of generally beneficial land and forest allocation experiences for households under Decision 187.
- Is clearly being taken more seriously in all five provinces—because a “decree” is at a higher level than Decision 187.

Decision 187 has been a catalyst for considerable change in SFE management, land, and functions over the past six years, although the change has been uneven. Some provinces (for example, TT Hue and Binh Dinh) have made considerable progress, while others have been less progressive in their approach to SFE reform.

## **2.5 Summary of the Main Provisions of Decree 200 and Its Implementation Circular**

The following section presents a summary of the most important provisions and changes contained in Decree 200 and “Circular Number 10/2005/TT-BNN: Issued 4 March 2005: Guidance on formulation and implementation of the proposal on the restructure, reform and development of State Owned Agricultural & Forestry Enterprises.”

### **Decree 200**

- Its objectives are to (a) utilize land and forest resources more efficiently and sustainably; (b) enhance the business and production efficiency of SFEs; and (c) improve economic and social opportunities in the locality of SFEs
- It is based on the principle of separating public interest from business activities. Those SFEs that carry out mainly business and production activities should operate under the market system. Those SFEs that carry out mainly public interest activities should be shifted to PFMBs.
- In the future, the state will fund only the investment required for special-use and protection forests. Other production natural forests will be assigned to business SFEs, households, and individuals.
- All business SFEs shall become one-member limited liability companies.
- SFEs that are managing more than 5,000 ha of protection forest and/or special-use forests of more than 1,000 ha shall become PFMBs with the capacity to generate income as non-production units.
- SFEs that are currently managing less than 1,000 ha that is adjoining agricultural land shall be converted to non-production service units involved in seedling production and technology transfer.
- For SFEs with poor production forests, small protection, small special-use forests, and other land, the land shall be withdrawn and vested in local authorities, to be assigned according to land and forest protection laws.
- SFEs that have had business losses for more than three years, or those that do not warrant being turned into service units, shall be dissolved
- Experimental equitization of selected SFEs that are operating satisfactorily and are near economic centers is encouraged. Equitization should be carried out according to the provisions in Decree No.64/2002/ND-CP.



- Business SFEs, once they are converted to companies, are to have freedom to contract, form joint ventures, operate processing and other related marketing and service activities.
- PFMBs shall operate under their respective PPCs, in accordance with Decree No.10/2002/ND-CP.
- PPCs are expected to resolve all land issues relating to the reform of SFEs. This can include future leasing with land-use fees, of land retained by SFEs converted to companies, and use of land by redundant staff of SFEs
- PPCs are also entrusted with supervision of the preparation of land, forest, and other asset handover plans.
- The Ministry of Finance shall provide guidelines on the valuation and handover of assets.
- Specific guidance is included on resolving labour redundancy issues according to other state-issued laws.
- MARD shall have the primary role in coordinating the SFE reform process and in submitting overall plans to the prime minister for approval by March 31, 2005.
- Plans for reform of SFEs under general corporations that are not under MARD shall be the responsibility of the supervising ministry of each corporation and similarly should be submitted to the prime minister for approval by March 31, 2005.<sup>6</sup>

#### **Guidance Circular of 4 March 2005**

- Provincial proposals to reform SFEs should be based on (a) Decree 200; (b) guiding documents by other ministries; (c) socioeconomic development, land use, and forestry development plans for the area; (d) size of land; (e) profitability for the previous three years of SFEs; and (f) the business plan for business SFEs for future years.
- Any SFEs that are subsidiaries of a parent company or SFE should also be harmonized and restructured in accordance with the plan for the parent entity.
- PPCs are given flexibility in special cases regarding the >5,000 ha rule for PFMB and >1,000 ha for special-use PFMBs.
- To supervise the reform process, there shall be “steering committees” established at central MARD, PPC, and state-owned corporation levels by June 30, 2005.
- Proposals for reform of SFEs should contain five main plans, including (a) a land management and implementation plan; (b) a labor plan; (c) a financial and debt settlement plan; (d) a forest regulation plan; and (e) a business plan.

<sup>6</sup>Later extended by the Guidance Circular of March 4, 2005, to June 30, 2005.

### **3. EXPECTED BENEFITS AND CHALLENGES IN IMPLEMENTING DECREE 200**

#### **3.1 Perceived Benefits of Decree 200**

The fieldwork questioning included questions to stakeholders on the perceived benefits of Decree 200. The most important responses were (a) clarity and certainty on what the governments wants; and (b) stronger signals supporting household and community management of forests.

For the current and prospective business SFEs, many welcomed (a) the greater autonomy to improve their efficiency; (b) the ability to make decisions/contracts on their own, particularly freedom to harvest plantation wood; and (c) a much clearer single-business focus.

#### **3.2 Prediction of the Impact and Overall Outcome of Decree 200**

The consensus regarding the impact and outcome of the Decree 200 was:

- A large number of business SFEs will be given much greater autonomy as one-member companies.
- A rapid reassessment of the land base of SFEs and relatively large-scale land redistribution.
- An increase in land that is managed directly by households (and possibly communities) under district level administration, rather than SFEs controlled from and reporting principally to provincial level
- A resultant increase in land-use efficiency.
- A much overdue reassessment of forest categories and a reduction in the areas (and indirectly the cost) of forest protection to GoV .
- The equitization of pilot SFEs into companies.

One of the most important longer objectives of Decree 200, which is stated as one of its three objectives, is the rural livelihood improvement expectation, or “to improve economic and social opportunities in the locality of SFEs.” It was not possible in this relatively brief review to undertake an objective community assessment to obtain their perspectives and expectations on the changes proposed under the decree. However, social assessments undertaken in 2003 as part of the FSDP preparation indicate a high level of household willingness to receive production forestland from SFEs to plant new plantations as a means of increasing household incomes. As part of the recommended monitoring and evaluation of the implementation of Decree 200, (see section 8.4.1), we recommend sample surveys and case studies on the impact of reform on affected communities.

#### **3.3 Perceived Challenges in Implementation of Decree 200**

During fieldwork interviews, 36 stakeholders were provided with a simple questionnaire asking them to rank perceived difficulties in the implementation of Decree 200. The results of

this consultation process are shown in Tables 3.1 to 3.3. These tables provide separate analysis for the responses by government stakeholders, SFE stakeholders, and by province.

**Table 3.1: Ranking of the Main Challenges for Implementing Decree 200: Summary of Responses by All Stakeholders**

	<i>Average of All Stakeholders: Score*</i>	<i>Rank- ing</i>
Land demarcation / allocation	3.6	1
Availability of GoV funds to do renovation	3.1	2
Unclear policy	2.7	3
Availability of loan finance for business SFEs	2.6	4
Forest classification / categorization	2.5	5
Staff redundancy	1.8	6
Past profitability	1.7	7
Future profitability	1.7	7

*\*(5=Most difficult; 1=least difficult)*

Land demarcation and land allocation issues are seen as the first ranking or greatest challenge to implementation of reform. This is followed by the availability of government funds, and third by “unclear policy.”

**Table 3.2: Ranking of the Main Challenges for Implementing Decree 200: Summary of Responses Separated for Government and SFE Stakeholders**

	<i>Average of Government Stakeholders: Score*</i>	<i>Rank- ing</i>	<i>Average of SFE Stakeholders: Score*</i>	<i>Rank- ing</i>
Land demarcation / allocation	3.4	1	3.8	1
Availability of GoV funds to do renovation	3.0	2	3.2	2
Unclear policy	2.7	4	2.8	3
Availability of loan finance for business SFEs	2.8	3	2.4	4
Forest classification / categorization	2.6	5	2.3	5
Staff redundancy	2.4	6	1.2	7
Past profitability	1.7	7	1.8	6
Future profitability	1.7	7	1.8	6

*\*(5=Most difficult; 1=least difficult)*

Table 3.2, with separate analysis for government and SFE stakeholders, confirms that land demarcation and land allocation issues and the availability of government funds remain as the first and second ranking challenges to implementation of reform.

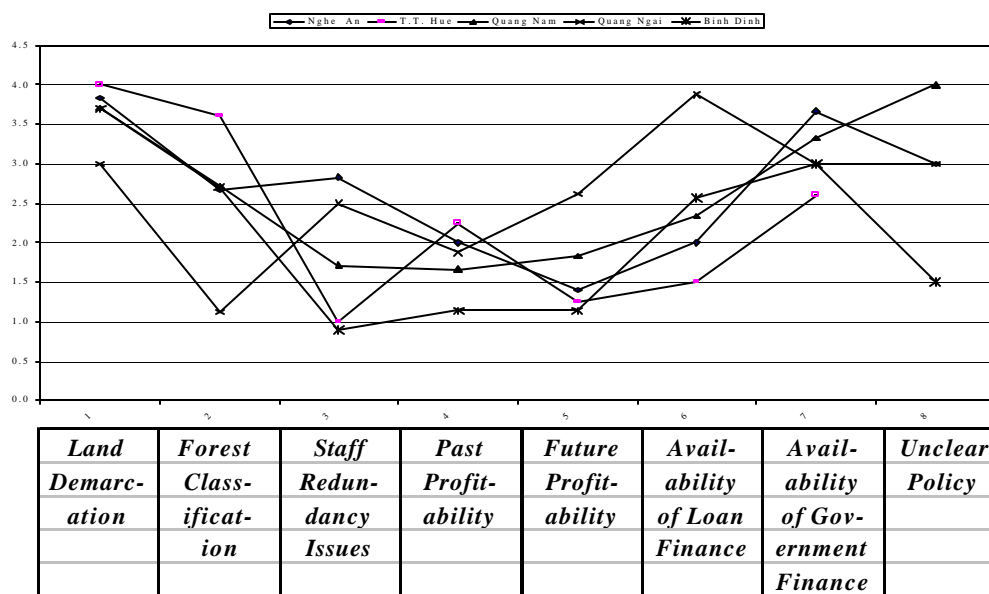
**Table 3.3: Ranking of the Main Challenges for Implementing Decree 200: Summary of Responses Separated By Province**

Rankings By Province	Average of All Stakeholders: Score*				
	<i>Nghe An</i>	<i>T.T. Hue</i>	<i>Quang Nam</i>	<i>Quang Ngai</i>	<i>Binh Dinh</i>
Land demarcation/ allocation	3.8	4.0	3.7	3.0	3.7
Availability of GoV funds to do renovation	3.7	2.6	3.3	3.0	3.0
Unclear policy	3.0		4.0	3.0	1.5
Availability of loan finance for business SFEs	2.0	1.5	2.3	3.9	2.6
Forest classification/ categorization	2.7	3.6	2.7	1.1	2.7
Staff redundancy	2.8	1.0	1.7	2.5	0.9
Past profitability	2.0	2.3	1.7	1.9	1.1
Future profitability	1.4	1.3	1.8	2.6	1.1

\*(5=Most difficult; 1=Least difficult)

Table 3.3 ranks land demarcation and land allocation as the most important issue in four of the five provinces. The variation between provinces is shown graphically in Figure 3.1.

**Figure 3.1: Ranking of the Main Challenges for Implementing Decree 200: Summary of Responses Separated By Province**



Conclusions that can be drawn from the Figure 3.1 are:

- On the issues of land demarcation, past profitability (for business SFEs), and availability of government finance, there is relatively close agreement on the importance of each issue.
- On the issues of forest classification, staff redundancy, availability of loan finance and unclear policy, there is greater divergence of views over the five provinces.

## **4. PROGRESS BEING MADE WITH SFE REFORM IN THE FIVE PROVINCES**

### **4.1 Comparison of Progress at Provincial Level**

An analysis of the progress being made on SFE reform was undertaken in the five provinces.

Table 4.1 contains a summary of this analysis. The conclusions reached on progress were:

- Nghe An and Quang Nam provinces have made the most progress in terms of land removed from SFEs in the past.<sup>7</sup>
- However, Nghe An Province has made the least progress on documenting its proposal for SFE reform, and was not able to estimate the area of additional land that is likely to be released through the implementation of Decree 200.
- All provinces had commenced the decision-making process on which SFEs should become companies, which should be PFMBs, which should be service agencies, and which should be dissolved. However, after questioning individual SFEs and DARD/provincial officials further, it is clear their analysis is still at a preliminary stage and likely to change.
- Thua Thien Hue Province has made the most progress on its provincial SFE Reform proposal. The proposal was finalized in April 2005, and was the first to be submitted to MARD for evaluation.
- In May 2005, the other four provinces were all part way through preparing their proposals. Three were waiting for circulars from other ministries before finalizing their proposals.

### **4.2 Comparison of Progress at Individual SFE Level**

An analysis of the progress being made on SFE reform was undertaken for the 14 SFEs visited in the five central coastal region provinces.

Table 4.2 contains a summary of this analysis. The conclusions reached were:

- Twelve of the 14 SFEs were having difficulties with land allocation issues. Most of the difficulties related to forest classification boundaries, poor past demarcation of boundaries, and existing encroachment by households.
- Forest classification was cited as a major difficulty by half the SFEs visited.
- The approach being taken to separate business activities from public interest activities is generally sound. However, in two cases the review team found problems with the preliminary decisions being made by provincial authorities.
- For SFEs that were planning to become business companies, their financial strength and progress on preparation of business plans were assessed. Of the ten SFEs that were likely to become companies, only five were assessed as being financially “strong.” One was assessed as “moderate” and four were assessed as “weak.”

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<sup>7</sup>The exact reason for large area of previous land allocation in Nghe An is not clear, except that the Province is much larger in size than the other 4 provinces.

**Table 4.1 : Comparison of Progress Being Made on SFE Reform in the Central Coastal Region Five Provinces**

	<i>Nghe An</i>	<i>T.T. Hue</i>	<i>Quang Nam</i>	<i>Quang Ngai</i>	<i>Binh Dinh</i>
Approximate area of land taken from SFEs over period 2000 to 2004	70000 ha	27000 ha	Not available (144,000 ha since	Nil - claimed that no SFE land reallocated	35,000 ha
Extra land area likely to be released from SFEs to local authorities/ households as a result of Dec 200	Not yet estimated	30,000 ha	45,000 ha	32,000 ha	20,000 ha
Number of SFEs prior to Dec 187	19	9	12	4	8
Number of existing SFEs under DARD/PPC	10	9	8	2	4
Number likely to become business companies	6	4	4	2	3
Number likely to become FPMBs	3	4	3	0	1
Main difficulties perceived in completing their proposal by 30 June 2005	Lack of funding to prepare plus	Already submitted to MARD but some	Previous proposal prepared under	Waiting for circulars from other ministries	Waiting for circulars from

**Table 4.2: Comparison of Progress Being Made on SFE Reform by the 14 SFEs Visited in the Five Provinces**

<i>Name of Enterprise</i>	<i>Province</i>	<i>Likely Type of SFE In Future</i>	<i>Difficulties Perceived In Land Allocation To Local Auth./ Households</i>	<i>Difficulties Perceived In Forest Reclassification</i>	<i>Approach to Separate Public Interest From Business Activity</i>	<i>Financial Strength/ Business Plan Preparation</i>
Do Luong SFE	Nghe An	Company	High	High	Weak	Weak
Dai Hue SFE	Nghe An	PFMB	High	High	Moderate	Not relevant
Song Hieu SFE	Nghe An	Company	High	High	Moderate	Strong
Phu Loc SFE	TT Hue	Company	High	High	Weak	Weak
Huong Thuy SFE	TT Hue	PFMB	High	High	Strong	Not relevant
Phong Dien SFE	TT Hue	Company	High	High	Moderate	Weak
Tra My SFE	Quang Nam	Company	High	Moderate	Strong	Strong
Thu Bon FTC	Quang Nam	Company	High	Moderate	Strong	Strong
Phuoc Hiep	Quang Nam	PFMB	High	Moderate	Strong	Not relevant
Ca Dy SFE	Quang Nam	Company	Moderate	High	Strong	Moderate
Tra Tan SFE	Quang Ngai	Company	High	Low	Strong	Weak
Ba To SFE	Quang Ngai	Company	High	Low	Strong	Strong
Quy Nhon SFE	Binh Dinh	Company	High	Low	Strong	Strong
An Son SFE	Binh Dinh	PFMB	Moderate	Moderate	Moderate	Not relevant



## **5. CASE STUDIES OF FOUR SFEs**

### **5.1 Outline**

Four brief case studies are presented from the fieldwork in the central coastal region to try and highlight some of the real issues involved in the application of Decree 200. The SFEs are:

- Phu Loc SFE – Thua Thien Hue Province
- Tra My SFE – Quang Nam Province
- Tra Tan SFE – Quang Ngai Province
- Quy Nhon SFE – Binh Dinh Province

### **5.2 Phu Loc SFE– Thua Thien Hue Province**

#### **5.2.1 Background**

Phu Loc SFE is located in the Phu Loc District, on the coast just south of Hue City. It manages 4100 ha of production forest and 2730 ha of protection forest. Its main revenue sources have been from managing Program 661 activity, and a small amount of income from pine resin tapping and marketing. It revenue in 2002 was VND230 million, yielding an annual profit level of VND34 million. The SFE sees limited prospects for increasing its revenue over the next five years. It has a low level of capital (approximately VND400 million), all of which has been provided from state budgets in the past. It has 45 staff members.

#### **5.2.2 Provincial Proposal**

The provincial proposal is to reduce the land area from 5,258 to 1,307 ha. The majority of Phu Loc's better existing natural forest area of 1,100 ha is to be transferred to the Bach Ma National Park for the expansion of the park. Approximately 2,800 ha are planned for allocation to households. Of the remaining 1,300 ha, 966 ha are pine plantation forest. The PPC proposes that the activities of Phu Loc SFE continue as at present, namely, production and trading of pine resin plus a continued role as 661 program manager, under contract for the funding allocated to protection forestland and forests to households. It is expected that the SFE can maintain employment for 44 of its 45 staff.

#### **5.2.3 Views of Enterprise**

Phu Loc directors would prefer to be a PFMB. They feel the SFE capital and cash-flow is too low for a successful business. They perceive that, as a business SFE, they will be at high risk if forced to borrow to develop more plantation forests.

#### **5.2.4 Options/ Discussion**

This is clearly a marginal/low-profit business SFE. Program 661 administration fees are important and if removed could make the SFE uneconomic. Therefore, a full separation of public interest and business activities is difficult. All plantation forests have resulted from

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Program 327/661 protection plantings and therefore will continue to belong to the GoV. The SFE's management has been passive in recent years and has not wanted to borrow and plant its own plantations. If it is to succeed as a business SFE, it will need to adopt a more aggressive business approach.

One option that was briefly discussed with the SFE directors was the possible harvesting of some of the low-income pine forests that have been planted on better soils, and replanting these areas with faster-growing/high-profit species. Phu Loc is less than 20 km from a woodchip export port. The idea met resistance from MARD, DARD, and SFE representatives present. The resistance to this avenue of expansion appears to be related to the sources of past funding; if trees have been planted out of GoV monies, all harvesting receipts go to the GoV with little incentive to the SFE. The SFE would also lose some its meager pine resin revenue until the new crop of trees has matured. Careful business planning and budgeting should assist in managing the transition.

### **5.3 Tra My SFE – Quang Nam Province**

#### **5.3.1 Background**

Tra My SFE is located in the inland Tra My District in the southwest of the Quang Nam Province, approximately 60 km from the provincial capital. It currently manages 10,100 ha of protection forest, as well as undertaking business activities (wood processing, contract roading, seedling production, and trading forest products). Ethnic minorities comprise 70 per cent of the population in this inland area.

The SFE's sales revenue in 2004 was VND4.4 billion. Its resulting profit was VND 200 million. Sixty per cent of this revenue came from its sawmill and furniture factory. In 2003, it commenced contract logging in Lao. In 2004, VND 46 million was received from Program 661 management fees. The SFE has 300 ha of plantation forests planted on leased land. The SFE has 78 employees, including 7 with university degrees and a further 8 with technical college certificates. It had net debt of VND1034 million at the end of 2004.

#### **5.3.2 Provincial Proposal**

The PPC supports the SFE becoming a business company with no "red book" or titled land of its own. A new PFMB will be set up to handle forest protection with the SFE losing all its forestland.

#### **5.3.3 Views of Enterprise**

The SFE is optimistic that revenue can be increased rapidly from existing activities. It also plans to plant forest plantations on leased land from the District People's Committee (DPC) and households. It has plans to plant 1,200 ha of new plantations over the next six years. In addition, it wants to increase seedling production, wood processing, infrastructure contracting, and its cattle-farming activities on leased land. It has prepared a business plan (quite brief) to support borrowing and business expansion. No staff redundancies are anticipated. Overall, it welcomes Decree 200 and the greater autonomy promised. It has no concerns about sourcing

loan funds to support its planned expansion. During discussions, concerns were expressed about the transfer of all its current land into protection forests. SFE management consider that some of the areas are suitable for reclassification to production forestland, as such areas are land with moderate slope and would support sustainable harvesting.

#### **5.3.4 Options/ Discussion**

This is clearly a well-managed and entrepreneurial SFE that, with the increased autonomy and flexibility promised under Decree 200, should be able to expand its business. It would be a possible candidate for early equitization once it becomes a company. The concerns expressed about the reclassification of forestry land highlight the need and challenge for the GoV to undertake a detailed and objective forest reclassification through the whole of Vietnam.

### **5.4 Tra Tan SFE – Quang Ngai Province**

#### **5.4.1 Background**

The Tra Tan SFE is located inland in the northwest of the province. It is a large SFE with 26,000 ha spread over two districts. The forestland area is roughly 16,000 ha of protection forest and 10,400 ha of production forest. The production forest area includes 400 ha of plantation forests planted by the SFE using revenue from previous natural forest logging. Logging of natural forests ceased in 2003. In 2004, the SFE had sales revenue of VND4 billion. This was mainly from contract planting under a Japanese-supported (JBIC) project, plus management fees on a VND1 billion Program 661 funding. The SFE has 36 staff, including 9 university graduates.

#### **5.4.2 Provincial Proposal**

The PPC supports the SFE becoming a business company with 4996 ha of protection forest, which would allow the SFE to continue receiving Program 661 funding. This is 4 ha less than the maximum allowed under Decree 200 before a PFMB should be created. The amount of production forestland (out of the 10,400 ha available) to remain with the SFE depends largely on its ability to borrow and fund large-scale plantations. Otherwise, the land will be allocated to the district authorities for later reallocation to households. The current provincial proposal shows that staff will be reduced by 10 persons.

#### **5.4.3 Views of Enterprise**

Currently the PPC and the SFE are discussing that the SFE will retain about 4,300 ha of production forestland for plantations and planting at approximately 400 ha/ year. They are planning to apply to the Development Assistance Fund for finance, but are having difficulty with the DAF requirement that require the SFE to provide 30 percent of the cash input requirement. They are planning to harvest 30 to 50 ha of plantation forest each year from 2005. The directors of the SFE see their main difficulty as a lack of capital and thus insufficient collateral for borrowing for plantation forestry. The SFE has prepared a brief business plan to plant 4,300 ha of plantation forest.

#### **5.4.4 Options/ Discussion**

The SFE appears to be overly optimistic in its plans to borrow and develop 4,300 ha of plantation forests, based on its existing plantation activity and capital base. More discussion is required on what is a realistic land base for the SFE, and what area could be better utilized by households. It is an example of a situation where the availability of low -interest loan funds to an SFE could undermine land allocation to households.

The 4996 ha area planned for Program 661 funding is within the legal parameters of Decree 200, but outside the objective of separation of public/business activities. Other options, such as combining it into a separate PFMB with protection forest areas in neighbouring districts, need further discussion.

### **5.5 Quy Nhon SFE – Binh Dinh Province**

#### **5.5.1 Background**

This SFE, located mainly on hills surrounding the City of Quy Nhon, has a total area of around 12,500 ha. It has protection forest area of 6,600 ha, divided into (a) 700 ha of natural forest, (b) 2,300 ha of planted forest, and (c) 3,600 ha of barren land. It has a production forest area of 5,800 ha, divided into (a) 3,500 ha of planted forest, and (b) 2,300 ha of barren land. Its current land is spread over two districts, plus land within the Quy Nhon City boundaries.

In 2004, it had revenue of VND4 billion, including VND48 million from managing Program 661. Of the remainder, 70 percent of revenue was from plantation harvesting and 30 percent from the sale of seedlings. The SFE's managers believe that plantation forestry for chip export is their core business. It has net capital of VND9 million. They are already harvesting 6000 m<sup>3</sup>/year of plantation wood and expect this to grow to an average of 10,000 m<sup>3</sup>/year over the period 2005 to 2010. Their plantations are located within 20 km of the export chip mill; they have seen wood chip prices rise from VND400,000/metric ton at factory to VND530,000/metric ton over the past year.

#### **5.5.2 Provincial Proposal**

It is proposed that the enterprise be a business SFE and turned into a company. The company would, however, continue to manage 4,100 ha of scattered protection forest. DARD argues that the majority of the scattered protection forests adjoin the SFE's production forest plantations, therefore making protection by the SFE a cost-effective option.

#### **5.5.3 Views of Enterprise**

The SFE directors would prefer not to manage protection forests. Their preference would be to concentrate as a business on plantation forestry. They are already leasing additional land and borrowing from the Vietnam Bank of Agriculture and Rural Development (VBARD) at 1 percent per month for plantations. They have a well-prepared business plan and would

welcome equitization, but foresee problems with equitization over land valuation issues, as much of their land borders Quy Nhon City.

#### **5.5.4 Options/ Discussion**

This is clearly a well-managed and entrepreneurial SFE. The provincial wish to have the SFE continue to mix business with public interest activities (i.e. continue to have the SFE undertake 661 protection forestry) requires further discussion. The view of the review team was that small areas of protection forest adjoining plantation forests should be considered for redesignation to production forestland, as it is in the commercial interests of a production plantation forest manager to protect those areas from fire and other non-sustainable activities.

## **6. DISCUSSION ON THE MAIN POLICY ISSUES**

### **6.1 Outline**

Five key policy issues and challenges to the implementation of Decree 200 are discussed in greater depth in this section. These issues are:

- Land allocation policy and practice
- Forest classification
- Future funding/ management of forest protection
- Future funding for business SFEs
- Management of natural production forests

### **6.2 Land Allocation Policy and Practice**

Decree 200 will be a major catalyst for releasing land from SFEs and continuing forestland allocation to households. In reality however, the existing land allocation situation is far behind the law. Most provinces in the region have been relatively slow in implementing forestland allocation to meet the spirit of Decree 01/CP (dated January 4, 1995) regarding forest and forestland use by households. It has been since the Decision 187/Q-TTg in 1999, followed by Decision 178/QD-TTg in 2001, and Party Resolution No.28NQ/TW and Decision 179/QD-TTg in 2003, that the whole question of forestland reallocation and releasing land has been taken more seriously. There still appears, however, to be inertia in some provinces at both PPC and DARD level to move slowly and carefully when it comes to the reallocation of SFE land. One PPC vice chairman mentioned that “we only get one shot at it; therefore we must get it right”

Implementation requires both the encouragement of households and individuals to accept land and forests, and the motivation of districts and communes to organize the implementation. In general the planning systems, level of preparation for land allocation and the capacity to implement is adequate in the five provinces. However, the reviewing of land, the development of land use/ land allocation plans, and land pegging/ titling by local authorities takes time and funds. Provinces vary in their funding priorities and the level of assistance being extended to district and commune level to implement land allocation and follow-up land-use extension. Households are generally pleased to accept production forestland that has fast-growing plantation forest or agroforestry potential, but more reluctant to accept degraded protection forest, where their options in terms of agroforestry are more limited, and cash returns for any investment made is longer term.

The provinces visited tried to make their cases for increased national-level funding to support land allocation. It was not possible within the short visits to each province to assess in detail the land allocation costs and funding implications of Decree 200. The most difficult aspect of land demarcation appears to be availability of funds for boundary marking of future protection forest areas. Apparently, disputes are common on the boundaries of SFE land—particularly where they adjoin residential areas. A further complication was mentioned, regarding SFE-managed land, in that a relatively large number of present and former SFE staff have houses or small farms on SFE land that has not been surveyed or separately titled. Under earlier

legislation, SFE staff could take land in lieu of, or part settlement of redundancy rights. Apparently there is a backlog in titling of this land.

The possibility of land allocation of SFE land to communities rather than households, as now allowed and being encouraged by the GOV, was briefly discussed. The consensus from discussions was that land allocation to communities is possibly appropriate for areas with high percentages of ethnic minority populations, but not generally thought to have a major influence in land allocation.

The case studies in Section 5 highlighted the issue of provincial authorities wanting to retain up to 5,000 ha of protection forestland with SFEs. There appeared to be a strong motivation in most of the five provinces to utilize this option available under Decree 200, to leave up to 5,000 ha of protection forest with SFEs. The main reason for encouraging this mixing of public-interest activities with business activities is that provincial authorities believe business SFEs can manage protection forests more cheaply and better than PFMBs. In reality, they are therefore expecting business SFEs to cross-subsidize forest protection activities from their business income.

### **6.3 Forest Classification**

Clear and consistent classification of three types of forest is fundamental to the successful implementation of Decree 200 because without classification the objectives of the Decree cannot be achieved, namely (a) using land more efficiently; (b) separating public interests from business interests; (c) promoting the need for business SFEs to operate more efficiently with greater autonomy to react to market signals, and (d) promoting clearer rights for forest owners.

There has been a desire to maximize provincial funding from government over the past 12 years, but as a result of Programs 327/661 the forest classification system has been distorted. Many areas have been classified as protection and special-use forests where production status may be more appropriate.

In 2004, MARD introduced the new “Law on Forest Protection and Development,” (No20/2004QH11) which gives a clearer framework for the management and use of protection forest. The intention was that this could lead to enhanced management systems that better combine protection with production. Despite this legislation, forest reclassification is still recognized by MARD as a major constraint on the optimum implementation of Decree 200. It is understood that reclassification is to be implemented during the years 2005 and 2006 as part of the “Forestry Development Strategy.”

During the review fieldwork, there was general agreement that reclassification of forests should be carried out before land allocation decisions are made relating to future land to be held by SFEs. The province of Thua Thien Hue put the highest priority on reclassification, while it was the lowest priority in Quang Ngai province.

All provinces stated that funding problems in undertaking the forest reclassification process were the largest constraint on reclassification. Forest reclassification is, however, more complex with broader political, staffing, and future forest funding issues being involved. For

example, some provinces are still trying, under their SFE restructuring proposals, to increase their areas of protection forests in order to get funding increases from Program 661. In other cases, in some provinces with well-protected protection forest areas, provincial authorities are reluctant to admit that ongoing funding under Program 661 is not necessary. There appeared to be a need for greater recognition to be given to the fact that forests evolve with time, and as a result of sound forest management, many protection forests can now sustain limited selection harvesting and need a lower protection or even production status. Many of the pine forests in the five provinces would appear to need minimal protection funding, apart from fire protection once they have reached canopy closure.

Because of the complexities and difficulties to compromise on vested interests, there is a risk of “too little too late” being done. Similar to the process of SFE reform, the process of reclassification could be drawn out over a much longer period than originally anticipated.

In conclusion, it is expected that the forest reclassification process being driven from MARD has a major challenge ahead of it over the next two years. *If the exercise is not completed objectively and quickly, there is a risk that the SFE reform process will again be undermined.*

#### **6.4 Future Funding/ Management of Forest Protection**

There was a common belief within provincial authorities that in many cases, SFEs can manage the protection of forests better and more cheaply than local authorities and communities and therefore should be encouraged to continue that role. Often it appears to be partly a case of staying within the “comfort zone” and trusting the SFE people one knows, rather than building up community capacity to manage without SFEs as intermediaries. There was also the belief that the criteria for funding and staffing PFMBs led to under-funding of forest protection and that cross-subsidization through SFE management can be preferable. Clearly, the strong desire at the provincial level to continue channeling a substantial level of protection funding via business SFEs (up to the maximum level allowed under Decree 200) is going to weaken the ability to separate public interests from business interests. It will also reduce the benefits expected from business SFEs as they operate more efficiently and with greater autonomy/freedom to react to market signals. Such ongoing funding to business SFEs is also likely to make medium/longer-term equitization more difficult.

#### **6.5 Future Funding for Business SFEs**

Most of the future business SFEs visited lack capital. The main exceptions are those that have been recently logging natural forests. For smaller SFEs that have largely survived on Program 661 administration funding, changing to a self-sufficient business company is seen as a threat and a big change of concept. This was most evident in Nghe An province, where DARD stated that only one of the six SFEs to be transformed into a company is considered competent to meet loan documentation requirements.

During the review, the possibility was raised of more business SFEs being amalgamated prior to the formation of companies, but generally rejected by provincial authorities. However, the concept of encouraging larger business SFEs covering more than one district is not well accepted in most provinces.



The future source of funding for business expansion was discussed during fieldwork. Development Assistance Fund (DAF) loans were seen as the preferred source of business expansion funding in the five provinces. This preference was based on their lower interest rates. However, the DAF is recently understood to have introduced more stringent lending and screening criteria. This will undoubtedly reduce the larger plantation expansion plans of the smaller under-capitalized SFEs.

During the review, discussions were also held with individual SFEs on whether they hoped in future to be eligible for WB FSDP loan funding. The updated assessment of eligibility is shown in Table 6.1. Seven of the prospective SFEs are still planning to continue with Program 661 funding. When the impediment of this mixing of public interest functions with business was discussed, the consensus was that they would prefer to continue managing Program 661 funding, as they considered that the financial benefit of the administration fees was greater than, or approximately equal to, the financial savings/expansion benefits that could flow from an FSDP loan.

Currently it appears that only one SFE (Tan Ky in Quang Nam Province) is likely to be eligible. In all cases, however, more detailed investigations will be required on the “transparency of long-term contracts with households”. Ba To and Quy Nhon SFEs also have the potential to be eligible, depending upon whether they continue managing Program 661 funding.

There is still a strong likelihood in some provinces that the final land allocation for SFEs will not be decided until after they see whether they can qualify for WB FSDP funding.

## **6.6 Management of Natural Production Forests**

Decree 200 encourages business SFEs to remain the owners of natural production forests. Because of logging bans in many provinces, some expressed reluctance to continue willingly to assume this role/responsibility because of the lack of income and economic incentive to do so. Those that said they would continue to manage production natural forests were usually doing it because of their provincial government’s directions to do so. Natural production forest management is likely to be an impediment to future equitization because at this stage, MARD does not wish to consider the issue of having natural forests managed by companies.

Further discussion is required on the future role of business SFEs in natural forest management. This should include:

- The need for clearer GoV directives on when sustainable harvesting of natural forests can start again in provinces where it has been suspended;
- Forest certification to support (as a pre-condition?) the resumption of harvesting;
- The opportunity to use the lessening role of SFEs to increase more rapidly the community management or joint SFE/ community forest management;
- The possible need for improved financial incentives for the management of natural production forests during the period they remain closed to harvesting.

**Table 6.1: Update on Possible WB FSDP Lending to SFEs When Applying the Criteria of the WB FSDP Loan**

<i>Proposed SFEs SFE</i>	<i>Province Province</i>	<i>Criterion 1 Independent viable Business Operation</i>	<i>Criterion 2 Plantation Focus and No Natural Forest Logging</i>	<i>Criterion 3 Public Functions under 5MHRP Ceased</i>	<i>Criterion 4 Good Track Record in Land Reallocation to Households</i>	<i>Criterion 5 Transparent Long term Contracts With Households</i>	<i>Current Eligibility Status</i>
Phu Loc SFE	TT Hue	Planned	Yes	No	Probably	Uncertain	Not yet
Phong Dien SFE	TT Hue	Planned	Yes	No	Probably	Uncertain	Not yet
Tien Phong SFE	TT Hue	Planned	Yes	No	Probably	Uncertain	Not yet
Phuoc Hiep SFE	Quang Nam	No	No	No	Uncertain	Uncertain	Not yet
Tam Ky	Quang Nam	Planned	Yes	Planned	Probably	Uncertain	Likely
Ba To	Quang Ngai	Planned	Yes	Uncertain	Probably	Uncertain	Possible
Tra Tan	Quang Ngai	Planned	Yes	No	Uncertain	Uncertain	Not yet
An Son	Binh Dinh	Possible	Possible	No	Uncertain	Uncertain	Not yet
Ha Tanh	Binh Dinh	No	No	No	Probably	Uncertain	Not yet
Song Kon	Binh Dinh	Planned	No	Planned	Probably	Uncertain	Not yet
Quy Nhon	Binh Dinh	Planned	Yes	Uncertain	Probably	Uncertain	Possible

## **7. IMPLEMENTATION OF DECREE 200**

### **7.1 Outline**

This section discusses three aspects of implementation of Decree 200:

- The requirement for implementation guidelines from other GoV agencies
- An outline of the main steps envisaged for implementation of reform proposals
- Information on possible areas where further assistance would be beneficial

### **7.2 The Requirement for Implementation Guidelines from Other GoV Agencies**

Seven government agencies are required to supply circulars relating to their requirements for the implementation of Decree 200. These were meant to be available by May 31, 2005. By May 26, only three agencies, as noted below, had issued their guidelines:

- MARD – (already issued Guideline #10)
- Ministry of Natural Resources and Environment
- Ministry of Home Affairs
- Ministry of Science and Technology
- Ministry of Finance
- State Bank (already provided)
- Ministry of Labour Invalids and Social Affairs (already provided)

During fieldwork in mid-May, all provinces except T T Hue were waiting for these circulars before finalizing their proposals.

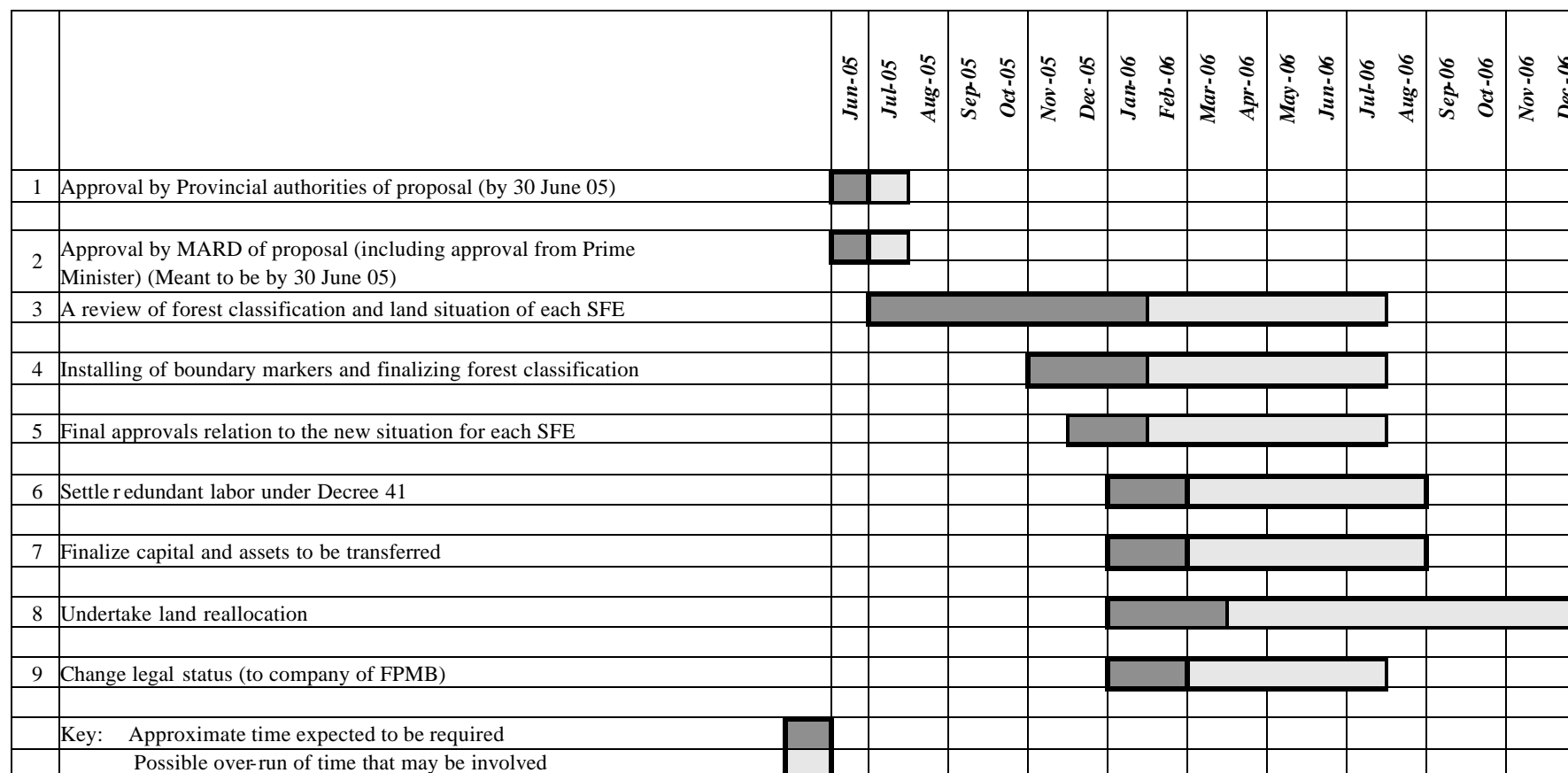
### **7.3 Confusion as to What Should Be Submitted to MARD by 30 June 2005**

During fieldwork there was still some confusion in provinces about what was required to be submitted to MARD by June 30, 2005. Provinces appeared to assume that they needed to fully detail exactly what forests, land, staff, assets and other variables relating to each SFE would change as a result of the implementation of Decree 200. Most did not realize that MARD requires only a framework/outline of the process, with an action plan and timetable to be submitted by June 30, 2005. The MARD DCRD staff clarified this during the May fieldwork.

### **7.4 Steps and Timetable for Implementation of Decree 200**

Figure 7.1 contains a brief implementation diagram detailing the main steps and approximate timing expected to be required in each province for the implementation of Decree 200.

**Figure 7.1: Implementation Diagram With the Main Steps Expected to be Involved in Each Province**



It should be noted, however, that estimates of timing varied considerably in each province. Figure 7.1 is therefore the review team's "optimistic best guess" at what is really "uncharted territory." MARD hopes to have the process completed by the end of 2006. Some provinces estimated it to be a two-to-three-year process. Obviously, in a reform process such as this, there are some provinces that are approaching the restructuring of their SFEs with passion, whereas in other provinces the process is greeted less enthusiastically.

Annex 1 contains updated data (as of November 4, 2005) on provincial SFE reform proposal appraisals by MARD and approvals by the prime minister. From this annex, the following statistics can be derived:

- Based on a total of 41 provinces with SFEs, only 10 (or 24 percent) had submitted their proposals for appraisal by June 30, 2005
- By the October 31, 2005, 24 provinces (or 59 percent) and one general corporation had submitted proposals
- By November 4, 2005, 10 proposals had received approval from the Prime Minister

Clearly, implementation of Decree 200 is not a single "big bang event." It is an evolving, complex inter-agency process that was started prior to Decision 187 and will continue for at least another two years.

### **7.5 Possible Areas Where Further Assistance During and Following Implementation Would Be Beneficial**

During fieldwork, a short questionnaire was distributed to 30 respondents to ascertain possible areas where further assistance would be needed.

- Training (tables 7.1 and 7.2)
- Funding assistance for other renovation-related needs (tables 7.3 and 7.4)

The list of topics to be included in questionnaires was developed using participatory interview processes in the first province (Nghe An). The questionnaire included space to write additional needs.

Tables 7.1 and 7.2 indicate that training relating to fire-control/management ranked highest in terms of perceived needs among respondents. Management and business plan preparation training ranked second.

**Table 7.1: Ranking of Possible Areas Where Training Assistance Would Be Beneficial: All Stakeholders**

	<i>Average of All Stake holders: Score*</i>	<i>Ran-king</i>
Technical training – forest fire management	3.4	1
Management strategic planning/ decision making	3.2	2
Financial plaming/ feasibility/long term production plans	3.2	2
Forestry market analysis	3.0	4
Forest valuation	3.0	4
Technical training – forest management	3.0	4
Technical training – small forest industry opportunities	2.8	7
Management of human resources/ staff	2.4	8

\*(5=Most needed; 1=Least needed)

**Table 7.2: Ranking of Possible Areas Where Training Assistance Would Be Beneficial: Separate Ranking for Government and SFE Stakeholders**

	<i>Average Government Stakeholders: Score*</i>	<i>Ran-king</i>	<i>Average SFE Stakeholders: Score*</i>	<i>Ran-king</i>
Technical training – forest fire management	3.6	1	3.3	1
Management strategic planning/ decision making	3.2	4	3.3	1
Financial planning/ feasibility/long term production plans	3.6	1	2.9	4
Forestry market analysis	3.0	5	3.1	3
Forest valuation	3.0	5	2.9	4
Technical training – forest management	3.3	3	2.9	4
Technical training – small forest industry opportunities	3.0	5	2.6	7
Management of human resources/ staff	2.9	8	2.1	8

\*(5=Most needed; 1= Least needed)

In Tables 7.3 and 7.4, funding assistance for land-use planning and land allocations received the highest overall ranking. The next most important areas were fire control equipment and funding assistance for forest categorization. Interestingly, GoV respondents ranked the need for funding assistance for land allocation lower than SFE respondents.

**Table 7.3: Ranking of Possible Areas Where Funding Assistance Would Be Beneficial: All Stakeholders**

	<i>Average of All Stakeholders: Score*</i>	<i>Ranking</i>
Land-use planning/ land allocation	3.5	1
Forest assessment / categorization	3.4	2
Fire control equipment	3.4	2
Office/ communication equipment upgrading	3.1	4
Equitization pilot studies	2.8	5

\*(5=Most needed; 1=Least needed)

**Table 7.4: Ranking of Possible Areas Where Funding Assistance Would Be Beneficial: Separate Ranking for Government and SFE Stakeholders**

	<i>Average Government Stakeholders: Score*</i>	<i>Ran-king</i>	<i>Average SFE Stakeholders: Score*</i>	<i>Ran-king</i>
Land-use planning/ land allocation	3.7	3	3.3	1
Forest assessment / categorization	3.8	1	3.1	2
Fire control equipment	3.8	1	3.1	2
Office/ communication equipment upgrading	3.4	4	2.8	4
Equitization pilot studies	3.2	5	2.5	5

\*(5=Most needed; 1= Least needed)

## **8. CONCLUSIONS AND RECOMMENDATIONS**

### **8.1 Policy Conclusions Related to Decree 200**

Overall, the policy framework relating to the reform of SFEs is now assessed as much improved and relatively clear. Decree 200 and its additional implementation guidelines have created a renovation framework that should finally result in:

- More efficient use of forestland
- Better separation of government-funded public interest activities from business interests
- An environment where business SFEs can operate more efficiently with greater autonomy to react to market signals
- Clearer rights for forest owners

Decree 200 is seen as comprehensive and able to provide a near complete solution to reform. In particular, its link to current land law, forest development/protection law, and enterprise law are more far-reaching than earlier policy and legislation. In the five provinces reviewed, Decree 200 is clearly being taken more seriously than earlier legislation.

Decree 200, however, should also be seen as part of a continuum. It comes after six years of generally beneficial land and forest allocation experiences for households, under updated land law, and policy direction provided under Decision 187. Over the past five years, some provinces have utilized the changing policy framework to implement significant changes in the role and land managed by SFEs. Unfortunately, others have been less progressive.

Decree 200 will see the end of the term “state forest enterprise,” as all SFEs will either become one-member companies, PFMBs, technology service centers, or be dissolved. It also provides for the equitization of the new (ex-SFE) business companies on a pilot basis.

### **8.2 Implementation Challenges**

#### **8.2.1 Motivation and Timing**

Implementation of Decree 200, however, will not be fast. The complex inter-agency process of change will most likely continue for at least another two years. MARD is hopeful of having the process completed by the end of 2006. Some provinces estimated it to be a two-to-three year process.

#### **8.2.2 Land Allocation**

The main logistical challenge for implementation is that of land-use decision making, land demarcation, and land allocation. Decree 200 is a catalyst for releasing approximately 150,000 ha of land from SFEs to local authorities and households in the five provinces reviewed.



### **8.2.3 Forest Classification**

The most important supporting policy challenge is that of forest classification. Clear and consistent classification of three types of forest is fundamental to the successful implementation of Decree 200. Unfortunately, a much overdue national review of forests and forestland classification has barely commenced. Reclassification of forests should be carried out before land allocation decisions are made relating to future land to be held by SFEs. All five provinces visited expected funding problems in undertaking the forest reclassification process.

## **8.3 Other Related Policy Issues That Will Arise Out of the Implementation of Decree 200**

### **8.3.1 Funding of Forest Protection**

There was a common belief within provincial authorities that SFEs can manage the protection of forests better and more cheaply than PFMBs, local authorities and communities, and therefore should be encouraged to continue that role. There was also the belief that the criteria for funding and staffing PFMBs leads to under-funding of forest protection and that cross-subsidization through SFE management is preferable. Clearly, the strong desire at provincial level to continue channeling a substantial level of protection funding via business SFEs (up to the maximum 5000 ha level allowed under Decree 200) is going to weaken the ability to separate public interests from business interests.

### **8.3.2 Funding For Business SFEs**

Most of the future business SFEs visited lack capital. The main exceptions are those that have been recently logging natural forests. Unfortunately, the possibility of more business SFEs being amalgamated prior to the formation of companies is not well-accepted in most provinces. The possibility of utilization of the WB FSDP loan funding by business SFEs based on current WB criteria loan funding is likely to be small. Seven of the eleven prospective SFEs are still planning to continue with Program 661 funding. There is still a strong likelihood in some provinces that the final land allocation for SFEs will not be decided until after they see whether they can qualify for WB FSDP funding.

### **8.3.3 Management of Natural Forests**

Decree 200 encourages business SFEs to remain the owners of natural production forests. However, because of logging bans in many provinces, some have expressed reluctance to continue willingly to assume this role/responsibility because of the lack of income and economic incentive to do so. Natural production forest ownership is also likely to be an impediment to future equitization, as at this stage MARD does not wish to consider the issue of having natural forests being managed by companies. Further discussion is recommended on the future role of business SFEs in natural forest management.

## **8.4 Recommendations for the Government of Vietnam**

### **8.4.1 Monitoring of the Implementation SFE Reform**

One of the problems in the implementation of the previous Decision 187 was the limited monitoring and assistance role provided by MARD at the central level.

It is recommended that MARD at the central level provide the resources to monitor progress, assist/mentor provinces, and publish statistics on the implementation of reform. Matters that should be actively monitored (at least quarterly, but preferably monthly) from the central level include:

- The number of SFE's to be restructured
- Progress on forest reclassification
- The progress on each SFE in terms of what steps under Decree 200 have been taken on each SFE
- The timetable for each SFE in terms of what steps under Decree 200 still remain and when completion is expected
- The expected area in each province to be reallocated as part of SFE reform with progress to date by a series of benchmark/steps (eg. land-use planning/commune & hamlet participation in decision making/district & PPC allocation decision making/ demarcation/ pegging/ issue of title/ follow-up assistance to new land users)
- Details of any difficulties being experienced
- Sample survey/case studies of a minimum of two communities affected by SFE reform.

This program should include a minimum of six monthly provincial visits, further workshops, and comparing/publishing/monitoring of the implementation plans for reform in each province.

As for timing, the program should start immediately to run for approximately two years.

### **8.4.2 Forest Reclassification**

Clear and consistent classification of three types of forest is fundamental to the successful implementation of Decree 200. Unfortunately, a much overdue national review of forests and forestland classification has only just commenced. The task ahead of MARD and provincial authorities is large and complex. Careful planning and testing of the new criteria/categories to ensure that they truly are capable of remedying past weaknesses will be needed. This will need to be followed by training of personnel, adequate funding, and by carefully managed fieldwork/decision making/mapping/reporting/monitoring and quality control/audit programs.

It is recommended that MARD give the highest possible priority to finalizing/testing forest reclassification criteria and then provide the resources to train staff, mobilize field activities, assist in remapping, monitor decisions being made, and progressively audit the outcome of a rapid forest reclassification program.

As for timing, planning of the reclassification process is understood to be under way, with a planned completion date by the end of 2006.

### **8.4.3 Interpretation of Policy and Guidelines for Allowing Business SFEs to retain Protection Forest Areas**

The strong desire at provincial level to continue channeling a substantial level of protection funding via business SFEs (up to the maximum 5000 ha level allowed under Decree 200) is going to weaken the ability to separate public interests from business interests.

It is recommended that MARD, in approving and recommending provincial SFE reform proposals, ensure that the retention of protection forests by business SFEs be carefully scrutinized. Where possible, unless there is a strong justification to the contrary, provincial authorities should be encouraged to amalgamate protection forest areas, if necessary across district boundaries, and form new PFMBs rather than leave small areas of protection forest with business SFEs.

As for timing, approval of proposals is already underway, and the process should continue until all proposals have been approved.

### **8.4.4 Review of Policy on the Funding and Protection of Natural Production Forest**

Decree 200 encourages business SFEs to remain the owners of natural production forests. However, because of logging bans in many provinces, some SFEs expressed reluctance to continue willingly to assume this role/responsibility because of the lack of income and economic incentive to do so.

It is recommended that MARD undertake a policy review on the impact of the implementation of Decree 200 on the sustainable management of natural forests. The review should include:

- The need for clearer GoV directives on when sustainable harvesting of natural forests can start again in provinces where it has been suspended
- Forest certification to support (as a pre-condition?) the resumption of harvesting
- The opportunity to use the lessening role of SFEs to more rapidly increase community management or joint SFE/ community forest management
- The possible need for improved financial incentives for the management of natural production forests during the period they remain closed to harvesting.

As for timing, implementation was under way in 2005, with a target completion date by December 2006.

## **8.5 Recommendations for Donor Support to SFE Reform**

### **8.5.1 Forest Reclassification**

A clear and consistent classification of three types of forest is critical to the successful implementation of Decree 200. The logistics of a rapid national reclassification exercise are a major undertaking for MARD. All provinces stated that funding problems in undertaking the forest reclassification process were the largest constraint on reclassification. Forest reclassification is also complex, involving broader political, staffing, and future forest funding issues. Some provinces are still trying to increase their areas of protection forests in order to get

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funding increases from Program 661. In other cases, in some provinces with well-protected protection forests areas, provincial authorities are reluctant to admit that ongoing funding under Program 661 is not necessary. There is a need for greater recognition that forests evolve with time, and as a result of sound forest management, many protection forests can now sustain limited selection harvesting and need a lower protection or even production status.

Because of the complexities and difficulties of compromise with vested interests, there is a risk of “too little too late” being done. If the exercise is not completed objectively and quickly, there is a risk that the SFE reform process will again be undermined.

Further discussions will need to be undertaken with MARD to identify where assistance can best be utilized.

It is recommended that FSSP donors be approached to support the review and reclassification of the three forest types in Vietnam. Support could include:

- Technical input during the planning and testing of revised criteria
- Management support during mobilization
- Case studies during both planning, testing, and full implementation, on forest classification and land allocation to highlight the technical issues/solutions and mechanisms for speeding up reclassification, as part of the SFE reform and land allocation processes
- Technical support in specialist areas such as GIS/mapping during implementation
- Funding support to ensure that the process of reclassification is not truncated because of inadequate funding availability
- A monitoring and evaluation system for reclassification

As for timing, 2005 and 2006 are recommended with a start as soon as possible.

### **8.5.2 Forest and Forestland Valuation Case Studies**

During the review fieldwork, the valuation of forests and forestland was raised by MARD DCRD officials as being a major impediment to equitization. Internationally accepted techniques for forests and forestland valuations are well-established. However, they are not well-understood in Vietnam.

It is recommended that FSSP donors be approached to support the preparation case studies on the valuation of plantation forests and natural production forest, hold training workshop(s), and prepare draft guidelines.

As for timing, it is recommended that the studies be completion by June 2006.

### **8.5.3 Equitization Pilot Case Studies**

Decree 200 makes provision for equitization on an experimental basis, for SFEs “that have fairly favorable conditions of production and are near economic centers... have few ethnic minorities.”<sup>8</sup> Decree 200 goes on to mention that equitization should make business linkages with processing by giving preference to the equitization of material producers for processing

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<sup>8</sup> Decree 200/2004/ND-CP Chapter 2 Article 6

units. The equitization of SFEs is part of the wider process of SOE equitization. Equitization plans have been formulated for SOEs by all 64 provinces in Vietnam and their approval will take place over an extended period from the latter part of 2002 to well into 2003. Since the beginning of 2003, SOEs have been equitized at the rate of more than one per day.

SFEs were generally not included in these plans, since it was found that deciding upon the future of these entities was too difficult. Two-hundred provincially owned SFEs fell into this category. There has been some limited activity, although only four out of forty SFE transformation cases that have come to the attention of the World Bank have the setting up of a joint stock company or a single-member limited liability company as the objective. The one example of a completed transformation was where the SFE was assigned to the employees. Most activity (which is largely restricted to six provinces) has been in mergers and liquidations.

The provincial plans were updated in 2005. Despite instructions having been issued (Circular 46/2005/TT-BTC), the transformation plans for SFEs have generally yet to be incorporated into the new plans except for Hue and Thai Nguyen provinces and individual exceptions.

During the review fieldwork, equitization was discussed with MARD DCRD officials. Equitization is still seen as a difficult step for SFEs because of the forestland and related asset valuation issues involved. They confirmed that donor assistance would be welcomed to further assist in this area, and to clearly document pilot studies.

It is recommended that via the FSSP & P, donors be approached to support pilot case studies on SFE equitization in accordance with the priorities listed in Decree 200, hold training workshop(s), and prepare draft guidelines. It would be preferable that equitization case studies be prepared in conjunction with the case studies on the valuation of plantation forests and natural production forest as mentioned in Section 8.5.2.

As for timing, this will take place during the year ending June 2006.

#### **8.5.4 Business Plan/ Strategic Management Training for SFEs**

The survey in the five provinces shows there is a continuing desire and need to receive further appropriate business plan preparation and management training. Four of the provinces had already received such training during 2003 as part of WB/SNV assistance. The matter was discussed with former recipients of the earlier training and the consensus was that there is a need for stratified courses, both at a higher and lower level than those previously held. Their main challenge appeared to be that of preparing convincing bank loan applications for expansion of their plantation forests. It is envisaged that a higher-level course would provide the opportunity for the training of trainers to undertake further training courses. Also it would be desirable that the courses cover the steps and implementation of equitization of SFEs. Courses would presumably be held at the regional level.

It is recommended that via the FSSP, donors be approached to support the delivery of a high-level strategic management/business-planning course for SFE directors/financial management staff. This initial course(s) should then be used as a training-of-trainers course for further courses, both at the high level and for lower-level management staff.

As for timing, the initial high-level course should be held during the year ended June 2006, with follow-up courses (perhaps three high-level and four lower-level courses) to cover the main regions at the regional level.

### **8.5.5 Monitoring Implementation of SFE Reform**

As mentioned in Section 8.4.1 above, one of the problems in the implementation of the previous Decision 187 was the limited monitoring and assistance role provided by MARD at the central level. During fieldwork, the question of appropriate monitoring was discussed with MARD DCRD officials. They explained that the main limitation was funding, particularly funding for provincial follow-up visits and workshops. They believe that to maintain the momentum of reform, frequent contact and workshops will be necessary.

It is recommended that via the FSSP & P, donors be approached to support the monitoring of reform under Decree 200. Initially this would involve the preparation of a detailed monitoring and evaluation plan followed by financial assistance to monitor progress, assist/mentor provinces, and publish statistics on implementation of reform. This envisaged program should include a minimum of two provincial visits a year, further workshops, and comparing/publishing/monitoring the implementation plans for reform in each province.

As for timing, there is an urgent need during 2005 to get the detailed monitoring and evaluation plan prepared. The follow-up financial assistance to that plan would be expected to run for approximately three years.

### **8.5.6 Assessment of Community and Socio-economic Impacts of SFE Reform**

Given that there will be substantial areas of land to be allocated from SFEs to households (and possibly communities), there is a need to assess the social and economic impact of the reform process associated with Decree 200. This should ideally include a baseline study and follow-up assessment of SFE reorganization and the redistribution of assets, including:

- The impact on local communities in terms of income generation and other aspects (including gender impacts) of receiving additional land
- The impact on local communities of SFEs changing their relationship from multi-tasking service providers to either business SFEs or PFMBs
- The impacts on former employees and laborers, and the appropriate policy instruments that deal with unemployment and associated impacts upon employee households, including the adequacy of mechanisms that have allowed employees to receive SFE land as partial/ full compensation for redundancy entitlements
- The impact on local communities of employees receiving SFE land as partial/full compensation for redundancy entitlements
- Other positive and negative impacts in relation to local communities in relation to the SFE reform

Ideally, the assessment should be undertaken in about four to six communities in different provinces covering different regions and differing ethnic/socioeconomic situations.

It is recommended that FSSP donors be approached to support the preparation of an assessment of the social and economic impact of the reform process associated with Decree 200. This should

ideally include a baseline study and follow-up assessment of SFE reorganization and the redistribution of assets in say four to six communities in different provinces covering different regions and differing ethnic/socioeconomic situations.

As for timing, ideally the baseline element of the study should be undertaken as soon as possible, followed by annual visits to the communities being assessed during 2007 and 2008.

### **8.5.7 Fire Control**

During the review fieldwork, and as indicated from the replies to questionnaires, both technical training on forest fire management and financial assistance with forest fire control equipment received high scores in terms of need. The causes of fire, and the capability of SFE staff to mitigate and control the fire risk are complex and beyond the resources of this review to research and document. Fire remains one of the largest, if not the largest risk, facing SFEs with large contiguous areas of plantations. The dry season in the central coastal region of Vietnam is long and marked by high temperatures. Although the climatic risk in 2005 was undoubtedly exceptional, being the driest year since 1998 because of *El Nino* weather patterns in the Asia-Pacific region, the risk of fire as plantation forest areas expand is increasing. A recommended starting point is a “fire capability audit” in the central coastal region to assess in detail and provide an update on the fire prevention and control capabilities of SFEs. The recommended audit should include a detailed assessment of the condition and appropriateness of fire control equipment.

It is recommended that FSSP donors be approached to support the preparation of a “fire capability audit” initially in the central coastal region of Vietnam. The “fire capability audit” should be undertaken to assess in detail and provide an update on SFEs’ fire prevention and control capability with recommendations on how fire prevention and capability be improved.

As for timing, this should take place during year ending December 2006.

## **8.6 Prioritization of Recommendations**

Figure 8.1 contains a summary of the recommendations. Included in the figure are recommendations on the priority and timing of each recommendation. In addition, the links between recommendations were shown..

Recommendations A1, A2, and A3 should, ideally, start as soon as possible.

**Figure 8.1: Prioritisation and Action Plan for Recommendations**

Recommendation	Reference Section in Report	Linkages To Other Recommendations	Timing Priority 1=Urgent; 3=Less Urgent	Timing of Implementation of Recommendations - Months													
				2005				2006									
				Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
<b>A. Recommendations for Government of Vietnam</b>																	
1. Monitoring of SFE reform	8.4.1	A2, B5	2														
2. Forest reclassification	8.4.2	A1	1														
3. Protection forest management by business SFEs	8.4.3	A1	1														
4. Funding of natural production forests	8.4.4	A1	3														
<b>B. Recommendations for Donor Support</b>																	
1. Forest reclassification	8.5.1		1														
2. Forest and forest land valuation	8.5.2	B3,	3														
3. Equitization pilot case studies	8.5.3	B2	3														
4. Business plan/ strategic management training	8.5.4		3														
5. Monitoring implementation of SFE reform	8.5.5	A1	2														
6. Assessment of Community & Socio-economic Impacts	8.5.6		2														
7. Fire control	8.5.7		3														



**Annex 1. Updated Data at 4 November 2005 on Provincial SFE Reform  
Proposal Appraisals by MARD and Approvals by the Prime Minister**

<i>Number Assigned By MARD</i>	<i>Province/ Corporations</i>	<i>Appraisal and Approval Details</i>
1	Thua Thien Hue	- Appraised by MARD on 6 May 2005 - Appraised proposal submitted to the Prime Minister on 6 June 2005 for approval - Approved by the Prime Minister on 1 July 2005
2	Soc Trang	- Appraised by MARD on 14 June 2005 - Appraised proposal submitted to the Prime Minister on 6 October 2005 for approval
3	Lang Son	- Appraised by MARD on 14 June 2005 - Appraised proposal submitted to the Prime Minister on 2 November 2005 for approval
4	Binh Phuoc	- Appraised by MARD on 22 June 2005 - Appraised proposal submitted to the Prime Minister on 24 August 2005 for approval - Approved by the Prime Minister on 6 October 2005
5	Khanh Hoa	- Appraised by MARD on 21 June 2005 - Appraised proposal submitted to the Prime Minister on 30 August 2005 for approval
6	Lam Dong	- Appraised by MARD on 6 May 2005 - Appraised proposal submitted to the Prime Minister on 21 July 2005 for approval
7	Long An	- Appraised by MARD on 3 June 2005
8	Thai Nguyen	- Appraised by MARD on 30 June 2005 - Appraised proposal submitted to the Prime Minister on 8 August 2005 for approval - Approved by the Prime Minister on 18 August 2005
9	Quang Nam	- Appraised by MARD on 9 June 2005 - Appraised proposal submitted to the Prime Minister on 24 August 2005 for approval - Approved by the Prime Minister on 26 September 2005
10	Thanh Hoa	- Appraised by MARD on 12 July 2005
11	Ha Giang	- Appraised by MARD on 12 July 2005 - Appraised proposal submitted to the Prime Minister on 24 August 2005 for approval - Approved by the Prime Minister on 6 September 2005
12	Bac Giang	- Appraised by MARD on 13 July 2005 - Appraised proposal submitted to the Prime Minister on 3 October 2005 for approval - Approved by the Prime Minister on 24 October 2005
13	Binh Thuan	- Appraised by MARD on 17 July 2005
14	Son La	- Appraised by MARD on 14 June 2005 - Appraised proposal submitted to the Prime Minister on 8 August 2005 for approval - Approved by the Prime Minister on 15 September 2005

<b>Number Assigned By MARD</b>	<b>Province/ Corporations</b>	<b>Appraisal and Approval Details</b>
15	Nghe An	- Appraised by MARD on 19 July 2005 - Appraised proposal submitted to the Prime Minister on 7 October 2005 for approval
16	Lao Cai	- Appraised by MARD on 23 July 2005 - Appraised proposal submitted to the Prime Minister on 3 October 2005 for approval - Approved by the Prime Minister on 24 October 2005
17	Ha Tinh	- Appraised by MARD on 17 August 2005 - Appraised proposal submitted to the Prime Minister on 19 October 2005 for approval
18	Vietnam Forest General corporation	- Appraised by MARD on 17 August 2005
19	Tuyen Quang	- Appraised by MARD on 23 August 2005 - Appraised proposal submitted to the Prime Minister on 3 October 2005 for approval
20	Lai Chau	- Appraised by MARD on 31 August 2005 - Appraised proposal submitted to the Prime Minister on 28 October 2005 for approval
21	Bac Can	- Appraised by MARD on 31 August 2005 - Appraised proposal submitted to the Prime Minister on 3 October 2005 for approval - Approved by the Prime Minister on 24 October 2005
22	Quang Binh	- Appraised by MARD on 14 September 2005 - Appraised proposal submitted to the Prime Minister on 26 October 2005 for approval
23	Dien Bien	- Appraised by MARD on 14 September 2005 - Appraised proposal submitted to the Prime Minister on 19 October 2005 for approval - Approved by the Prime Minister on 1 November 2005
24	Vinh Phuc	- Appraised by MARD on 5 October 2005 - Appraised proposal submitted to the Prime Minister on 2 November 2005 for approval
25	Ca Mau	- Appraised by MARD on 20 October 2005