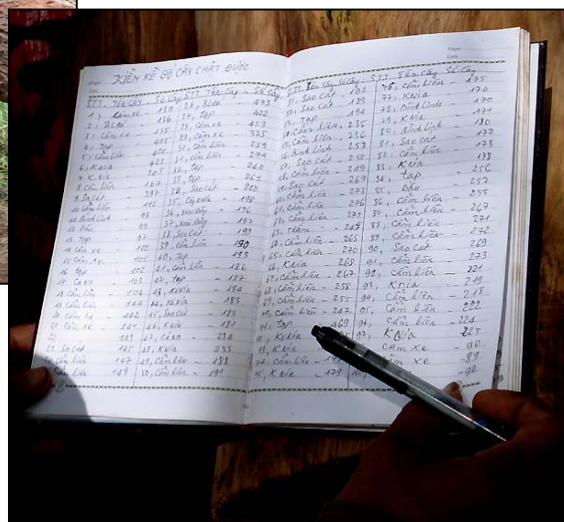




Benefit Sharing Mechanism for Timber and Fire Wood

Technical and Administrative Procedures for CFM in Dak Lak Province





Benefit Sharing Mechanism for Timber and Fire Wood

Technical and Administrative Procedures for CFM in Dak Lak Province

November, 2006

Philipp Roth, Sven Appeltöfft, Dr. Bao Huy, Dang Thanh Liem



DARD
Dak Lak



Table of contents

1.	Introduction	3
2.	Legal Policy Frame	4
3.	Administrative and technical procedures	4
4.	Benefit sharing mechanisms	12

List of Tables

Table 1:	Extract of legal documents relevant to CFM and benefit sharing arrangements	4
Table 2:	Administrative and technical procedures on forest utilisation for the implementation of benefit sharing mechanism	6
Table 3:	Natural resource tax rates for different categories of forest products	12

List of Figures

Figure 1:	Forest Management Planning Cycle	5
Figure 2:	Benefit sharing mechanism for Commercial sale of Timber in CFM	14
Figure 3:	Benefit sharing mechanism for Self-consumption of Timber in CFM	15



1 INTRODUCTION

The guideline is detailing benefit sharing mechanism of natural forest timber for purposes of a) commerce and b) self-consumption, and technical and administrative procedures for implementation and application by communities and groups of households assigned, leased or contracted forests and forestry land for stable and long-term use for forestial purposes (hereafter called local forest users).

Benefit sharing mechanism and its procedures are based on the results of the community forest management (CFM) pilot conducted successfully by the Department of Agriculture and Rural Development of Dak Lak Province in 2006.

Benefit sharing mechanism and its detailed procedures in this guideline differ from benefit sharing mechanism in accordance with Decision No 178/2001/QĐ-TTg and the procedures in accordance with Decision No 40/2005/QĐ-BNN dated 07 July 2005 by the the Minister of MARD on promulgation of timber harvest and other forest products regulations, and must be understood as proposal to contribute to the development of current forestry policy and institution in Vietnam.

This guideline has been developed and amended during a provincial workshop in Dak Lak Province with the participation of the representatives from Ministry of Agriculture and Rural Development, competent agencies of the province, districts, communes and villages. Pilot results have been highly appreciated and its continuation has been recommended by all representatives from all levels.

The authors would like to thank the Department of Agriculture and Rural Development (DARD), its Forestry Sub-Department and the members of the Provincial Forestry Consultative Working Group under DARD for the intensive cooperation. Particular thanks goes to Mr. Nguyen Van Xuan, Vice-Director of DARD, Mr. Ha Cong Binh and Mr. Tan Van Nhat, Director and Vice-Director of Forestry Sub-Department respectively, for their active involvement in the development of the concept. Particular thanks goes to the People's Committees of Ea H'Leo District and Ea Sol Commune and the District Economic and Forest Protection Sections for facilitating the implementation of the pilot. Special thanks goes Mr. Y Manh ADrong, Vice-Chairman District People's Committee, Mr. Phan Van Quynh, Forestry Officer of the Economic Section, Mr. Pham Quang Vinh and Mr. Nguyen Minh Ung, Head and Vice-Head of Forest Protection Section respectively, Mr. Nguyen Trung Lap, Officer of Forest Protection Section, Mr. Ho Duy Tan and Mrs. Nguyen Thi Anh Huong, Chairman and Vice-Chairlady of People's Committee of Ea Sol Commune respectively, for their tireless support to overcome administrative challenges and in actual field implementation at village level and the forest sites. Last but not least, the authors would like to express their sincere gratitude to the village forestry management boards and all involved villagers in T'Ly and Cham villages of Ea Sol Commune.



2 LEGAL POLICY FRAME

An extract of legal documents relating to CFM and benefit sharing are presented in particular in the table below.

Table 1: Extract of legal documents relevant to CFM and benefit sharing arrangements

9/1998	Decree 68/1998/ND-CP	Regulating the detailed implementation of the amended Ordinance on Natural Resource Tax
6/2001	Decision 44/2006/QĐ-BNN	On promulgation of the management and use of the hammer for tree marking and the hammer for forest protection
2003	Joint Circular 80 /2003/ TTLT/BNN-BTC	On the implementation of the Decision No. 178/2001/QĐ-TTg of the Prime Minister on the benefits and obligations of households and individuals assigned, leased or contracted forest and forestry land
11/2001	Decision 178/2001/QĐ-TTg	On the benefits and obligations of households and individuals assigned, leased or contracted forest and forestry land
11/1998	Circular 153/1998/TT-BTC	Providing guidelines to the implementation of Governmental Decree No. 68/1998/ND-CP dated September 3, 1998 stipulating concrete regulations on the implementation of the Ordinance on Natural Resource Tax (amended)
10/2004	Decree 181/2004/NĐ-CP	On the implementation of Land Law
7/2005	Decision 40/2005/QĐ-BNN	On the issuance of the regulation on exploitation of Timber and other forest products
8/2006	Decision 186/2006/QĐ-TTg	On the promulgation of forest management regulations
10/2005	Decision 59/2005/QĐ-BNN	Regulations on checking and controlling forest products
	Law 29/QĐ-UB	On Forest Protection and Development

3 ADMINISTRATIVE AND TECHNICAL PROCEDURES

Legal utilisation of forest products has to be based on the completion of the community forest management planning cycle with the main results documented in a five-year village forest management plan to be approved by the District People's Committee. Forest utilisation is defined for a planning horizon of five-years and has to be derived from a technically sound participatory forest resource assessment carried out by local forest users.

Forest utilisation in form of selective extraction throughout all diameter classes is following the demand of the local forest users.



Benefit Sharing Mechanism – Administrative and Technical procedures

The entire harvesting design, tree selection, implementation, and monitoring process involved in timber harvesting is entirely based on stem number per diameter as only planning unit.

Volume calculations are only required at the log yard to be conducted by forest technicians in order to deduct natural resource tax as stipulated.

Timber harvest is permitted in all diameter classes as defined by the Sustainable Forest Model and not limited to a minimum harvest diameter per species group and management goal. Timber extraction can furthermore be permitted in all forest development stages and forest status (rich, medium and poor forests) to meet the varied demand of the local forest users for forest products.

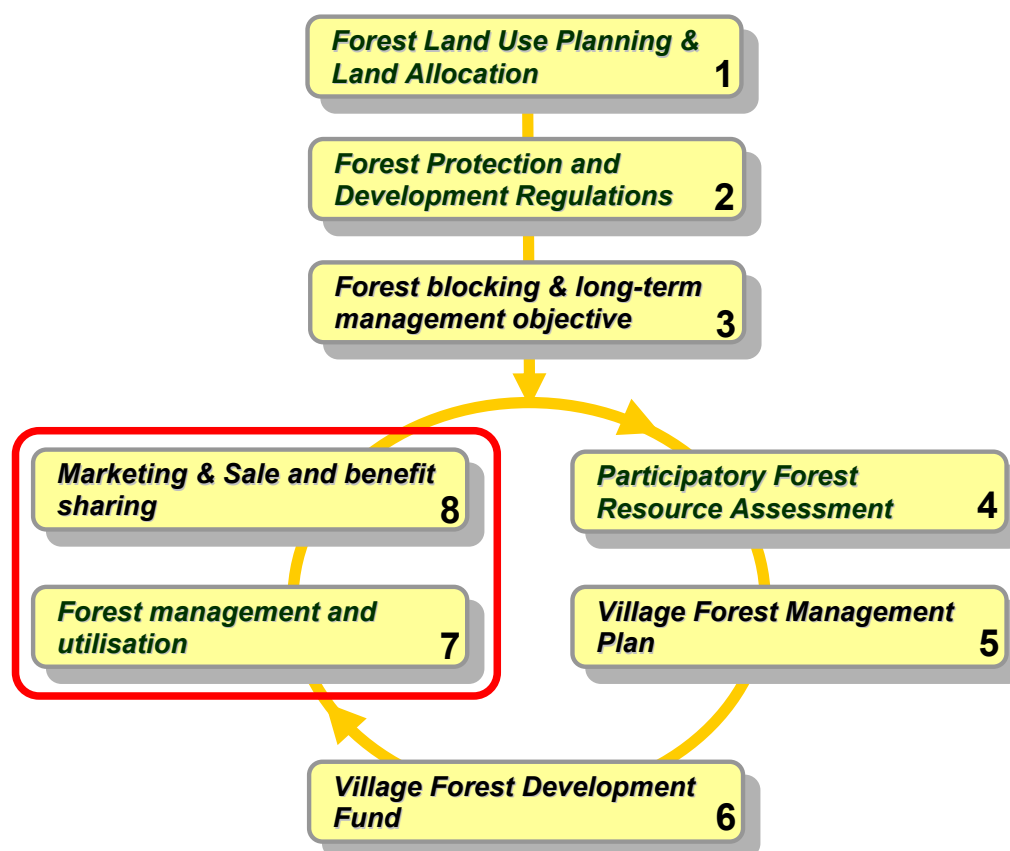


Figure 1: Forest Management Planning Cycle

The decision on the scale, timing and purpose for timber harvest has to be made by the local forest users and documented in the annual forest management plan to be forwarded to Commune People's Committee for approval and District People's Committee for timely information. However, commercial timber harvest can only be considered after the local demand for self-consumption (house construction, fencing etc.) has been satisfied.

Permanent marking and listing of marked trees according to the silvicultural guidelines and approved annual plan will be submitted to CPC at least two weeks prior to harvesting.

The following table 2 presents the technical and administrative procedures on timber harvest for the purposes of a) commerce and b) self-consumption.



Benefit Sharing Mechanism – Administrative and Technical procedures

Table 2: Administrative and technical procedures on forest utilisation for the implementation of benefit sharing mechanism

No.	Task	Description	Responsibility
I. Planning and procedures for approval of Village Forest Management Plan			
1	Development of five-year Village Forest Management Plan	The five-year VFMP has been developed based on a technical sound forest resource assessment with full participation of villagers.	VFMB organizes and implement, FPU and CFMB provide technical assistance on request
2	Approval of five-year VFMP	VFMB organizes village plenary meeting to pass, amend and submit the plan to CPC.	CFMB receives and submit to DPC for appraisal and approval
3	Development and approval of Annual Work Plan	The five-year VFMP is broken down into annual work plans for implementation. The approved AWP has to be forwarded to the Forest Protection Unit for their information.	VFMB develops and submits the AWP to CPC for approval CFMB forwards a copy to FPU
II. Implementation of Annual Work Plan and Monitoring			
1 Commercial timber harvest			
1.1	Development of harvesting plan		
1.1.1	Organization of village meeting	<ul style="list-style-type: none"> Inform about the approved AWP and the intended harvesting activities 	VFMB
1.1.2	Harvest planning	<ul style="list-style-type: none"> List tasks to be done in chronological order (Tree marking, tree cutting, collection, cleaning, preparation of trails for transportation....). Define timing, location, financing, responsibility for each activity. Identify log yard 	VFMB Consultation by CFMB, Forest Protection Unit and Economic Section on request



Benefit Sharing Mechanism – Administrative and Technical procedures

No.	Task	Description	Responsibility
1.1.3	Tree marking and writing of tree list for harvesting	<ul style="list-style-type: none"> • Training on tree marking where required • Selecting trees for harvesting (based on the silvicultural guidelines). De-barking, painting red and marking with ordinal numbers at breast height (1.3 m) and below the felling scarf. • All selected trees are recorded in a tree list with numbers, species, and diameter class (according to coloured tape), including timber harvest by-products (branches, etc.) and usable fallen trees, according to the tree marking form. • Forest Rangers, CFMB can randomly check the tree marking results if desired, and instruct to adjust marking results in the field. However, approval of the marking results is not required. 	<p>CFMB / FPU conduct training</p> <p>Villagers mark trees</p> <p>VFMB monitors</p> <p>FPU, CFMB check</p>
1.1.4	Report on harvesting plan to DPC (for information, monitoring and supervising)	<ul style="list-style-type: none"> • The report enclosed with tree marking list has to be submitted to DPC at least two weeks before harvesting. • Compare the number of trees to be cut per forest block with the annual forest management plan and five-year management plan of the respective forest block. <p>In case no feedback has been received from the administration within the given period, the harvest activities can be implemented.</p>	<p>VFMB forwards the report to CPC</p> <p>CPC passes the report on to DPC</p>
1.1.5	Village meeting on implementation of harvesting plan	<ul style="list-style-type: none"> • Establishing different teams (for harvesting, forest cleaning, collection of by-timber, logistics). • Calculating labour cost, contracting for timber transportation (if required). • Preparing required equipment (vehicles, tools, fuel, safety working clothing, notebook, forms, ...) 	VFMB and all vilagers



Benefit Sharing Mechanism – Administrative and Technical procedures

1.2	Harvesting and transportation		
1.2.1	Harvesting and forest cleaning	<ul style="list-style-type: none"> Marked trees are harvested following the tree marking list and provided silvicultural guidelines including trimming and cross cutting. Marking logs red with number signs based on the marking number signs (including main timer logs, branches with top diameter of more than 25 cm, fallen trees, by-timber) Forests are cleaned according to silvicultural guidelines and collection of branches with top diameter of less than 25 cm, dry trees, fallen trees for wood, fire wood, fencing... 	Village harvesting and cleaning team, VFMB monitors the implementation and records harvesting results
1.2.2	Timber skidding to log yard and measurement for preparation of round timber profiles	<ul style="list-style-type: none"> Skidding timber to log yard Measurement and preparation of round timber profile: tree species, central diameter, length, volume, timber group 	VFMB; CFMB instruct measurement and calculate volume (use round timber volume framework); log statistic form
1.2.3	Post-harvest checking	<ul style="list-style-type: none"> Checking post-harvest forest status: felled trees, status of locations, forest cleaning etc. according to the silvicultural guidelines 	CFMB, VFMB
1.3	Legalization of timber and benefit sharing		
1.3.1	Forest protection hammering at log yard	<ul style="list-style-type: none"> Forest protection hammering and preparation of minutes; Forest Protection Unit and CFMB sign to certify round timber profile Minutes of hammering and round timber profile are handed over to villages within 3 days since the date of hammering 	Forest Protection Unit
1.3.2	Selling of timber at log yard and transport	<ul style="list-style-type: none"> Organize auction sale or others selected by villages. To maximize community's benefits, it is allowed to sell harvested timber to organizations and individuals within/outside the province. The buyer is responsible for further transportation Harvested timber enclosed with VAT and resource tax receipts, minutes of hammering, log list allowed to circulate in domestic markets. 	VFMB CPC, Forest Protection Unit, Financial Section monitor



Benefit Sharing Mechanism – Administrative and Technical procedures

1.3.3	Statement and payment of Natural Resource Tax	<ul style="list-style-type: none"> State natural resource tax according to timber group and pay tax Tax Department issues natural resource tax invoice Payment of VAT applies 	VFMB, CFMB
1.3.4	Benefit sharing and village financial management	<ul style="list-style-type: none"> After deducting natural resource tax and actual harvesting costs (for marking, felling, forest cleaning, transporting timbers to log yard), a 10% share is deducted for CPC and the remaining 90% is shared according to FPDR. Open an account for VFMB to manage village fund 	VFMB/CFMB Villagers monitor
1.3.5	Measurement and preparing CV of by-timber with bottom diameter of less than 25 cm and fire wood	<ul style="list-style-type: none"> Finalize collection of timber and fire wood Measure and prepare timber CV, similar to step 1.2.2 	VFMB organizes the implementation CFMB supports
1.3.6	Acceptance of by-timber	<ul style="list-style-type: none"> Checking to see whether illegal cutting of big timber trees has been done and classified them as by-timber Prepare minutes of acceptance 	CFMB, VFMB CFMB prepares minutes
1.3.7	Sale of by-timber and fire wood (if any)	<ul style="list-style-type: none"> For timber harvest by-products and usable fallen trees, VFMB has the right to select persons to sell; and CPC receives tax and issues receipts for buyers. Timber harvest by-products and usable fallen trees attached with minutes of acceptance and tax receipts, allowed circulating in domestic markets. Exempt from fire-wood sale. CPC issues the certificate of fire wood origin to buyers, so that they can freely transport the fire wood in domestic markets. 	VFMB
2 Fire wood and timber utilisation for self-consumption			
2.1	Development of harvesting plan		
2.1.1	Village meeting	<ul style="list-style-type: none"> Announcement of the approved annual plan Preparation for tree marking (labour input, timing) 	VFMB Selected households



Benefit Sharing Mechanism – Administrative and Technical procedures

2.1.2	Tree marking and prepare tree marking list	<ul style="list-style-type: none"> • Training on tree marking (where required) • Tree selection for harvesting (based on the silvicultural guidelines). Debarking, red painting and marking ordinal numbers at breast height of 1.3m and below the felling scarf. • Prepare list of marked trees with numbers, tree species and diameter classes (use coloured tape) following tree marking form • Forest Rangers, CFMB can check randomly the tree marking results if necessary and instruct adjustment of the tree marking results in the field. The approval of tree marking results is not required. 	<p>FPU provides training</p> <p>VFMB instructs and monitors</p> <p>Households</p>
2.1.3	Harvesting planning	<ul style="list-style-type: none"> • Based on the amount of actual marked trees, households plan for exploitation • List tasks to be done in chronological order (Tree marking, tree cutting, collection, cleaning, preparation of trails for transportation....). • Identify time, location, cost and responsibilities for each activity (finally agree on the felling times within year, the number of trees to be cut at every diameter class for each household and each cutting time, how to cut, transportation and forest cleaning...) 	<p>Households</p> <p>VFMB, CFMB support (if requested)</p>
2.1.4	Approval of registration form of timber exploitation for self-consumption	<ul style="list-style-type: none"> • VFMB prepares registration form of exploitation, enclosed with list of marked trees and harvesting plan (see Form in annex) and submits it to CPC at least two weeks before harvesting. • Compare the number of trees to be cut per forest block with the annual forest management plan and five-year management plan of the respective forest block 	<p>VFMB submits the registration to CPC</p> <p>CPC approves of the submitted documents (registration form for exploitation/list of marked trees/harvesting plan)</p>



Benefit Sharing Mechanism – Administrative and Technical procedures

2.2	Harvesting		
2.2.1	Forest harvesting	<ul style="list-style-type: none"> Marked trees are harvested following the tree marking list and provided silvicultural guidelines. Marking logs red with number signs based on the marking number signs (including main timer logs, branches with top diameter of more than 25 cm, fallen trees, by-timber) Crosscutting if required Forests are cleaned according to silvicultural guidelines and collection of branches with top diameter of less than 25 cm, dry trees, fallen trees for wood, fire wood, fencing... 	Households, VFMB monitors
2.3	Transportation of timber and benefit sharing		
2.3.1	Timber sharing among households	<ul style="list-style-type: none"> Only households who participate in forest cleaning are allowed to share timber Households share timber according to the annual plan and timber profile 	Households VFMB monitors and supports
2.3.2	Timber transportation to home	<ul style="list-style-type: none"> During transportation, households must bring permits Transportation is only made during allowed time 	
2.3.3	Harvesting households pay village fees	<ul style="list-style-type: none"> Based on the FPDR, households pay VFMB harvesting fee Poor households might be exempted from paying fee 	VFMB
2.3.4	Acceptance of by-timber	<ul style="list-style-type: none"> Checking to see whether illegal cutting of big timber trees has been done and classified them as by-timber Prepare minutes of acceptance 	CFMB, VFMB CFMB prepares minutes
2.3.5	Utilization or Sale of by-timber and fire wood	<ul style="list-style-type: none"> For by-timber, VFMB has the right to select persons to sell; and CPC receives tax and issues receipts for buyers. By-timber enclosed with minutes of acceptance and tax receipts, allowed circulating in domestic markets. Exempt from fire-wood sale. CPC issues the certificate of fire wood origin to buyers, so that they can freely transport the fire wood in domestic markets. 	VFMB

4 BENEFIT SHARING MECHANISMS

The benefits of community for timber, firewood are identified based on the sustainable forest utilization and harvesting principles.

The well-productive forest structure in sustainable management condition, so-called **Sustainable Forest Model (SFM)** is used as a tool to identify the sustainable harvesting amount of timber and firewood. The model displays the distribution of tree number over different diameter classes (see Figure 6). By comparing the actual tree number obtained through the forest inventory of each block with the SFM, the surplus of tree (if any) realized in each diameter class within a 5-year planning period is the amount that the community can harvest and benefit.

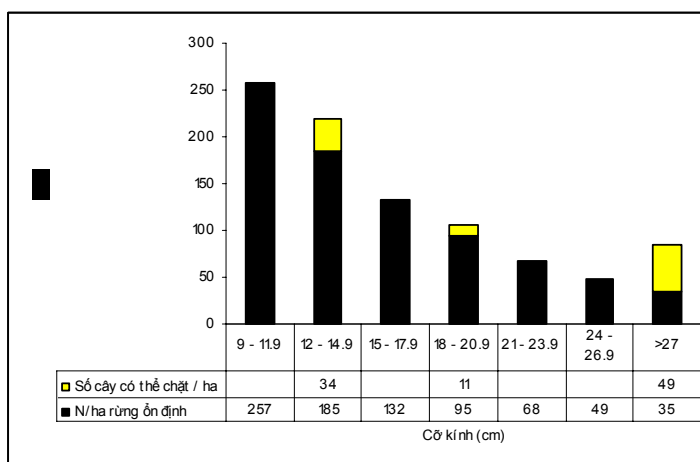


Figure 6: Compare the number of trees per diameter class of forest blocks with sustainable forest model to identify benefit right of timber and fire wood in five years

Therefore, any extraction form of forest (harvesting, thinning, enrichment, ...) is aimed at improving the existing forest structure towards the sustainable forest model.

Community's benefits of timber and fire wood are divided into two types: 1) Commercial timber and fire wood and 2) Timber and fire wood used by households and community.

For commercial timber and fire wood

The annual harvested trees are sold in markets and benefits are shared as follows:

- Natural resource tax must be paid about 15% to 40%, depending on timber groups and sizes according to the current regulations. This amount can be reused, so that the DPC can invest to develop poor forests and bare land such as afforestation, enrichment ...The tax calculation is based on the tax table issued by the PPC and tax rate for each group of forest products as stipulated at Decree No 68/1998/NĐ-CP and stated in the following table No 3 .
 - After deducting natural resource tax and harvesting costs (felling, timber transportation, forest cleaning...), 10% is shared to the CPC/CFMB for forest management activities and compensation respectively. The remaining 90% belongs to community's benefit. This amount will be used for VFMB's activities, households participating in management, forest protection and contribution to village forest development funds for later use. The benefit sharing is based on the approved FPDR (See figure 2).

Besides timber, communities can enjoy benefits from NTFP consumption, forest plantations, products for agri-forestry production and forestry services according to current state policies.



Table 3: Natural resource tax rates for different categories of forest products

Groups and categories of natural resources	Tax rate (%)
Timber logs Group I	40
Timber logs Group II	35
Timber logs Group III, IV	25
Timber logs Group V, VI, VII, VIII	15
Impregnated -, Mangrove-, Sandal wood	25
Wood used as raw materials for paper production, masts	20
Pit props	15
Bamboo, Anise, cinnamon, cardamom, liquorice	10
Tree branches and tops, firewood, medicinal plants, others	5

Source: Extract from Decree 68 on the implementation of the amended Ordinance on Resource Tax

For timber and fire wood used by households and community

According to Circular 153/1998/TT-BTC (Chapter 4, Section 4), forest products used for local consumption are exempted from tax. Instead, the local communities can define the suitable compensation/fines levels which are applied for community members in using forest products from their forests. The VFMB manages this compensation fund to use for forest protection and development. Poor households might be exempted from compensation if the community agrees.

Because timber will not go outside village and come in markets, hammering of Forest Protection Unit and other administrative procedures are not required. Timber for self-consumption exempts from tax.

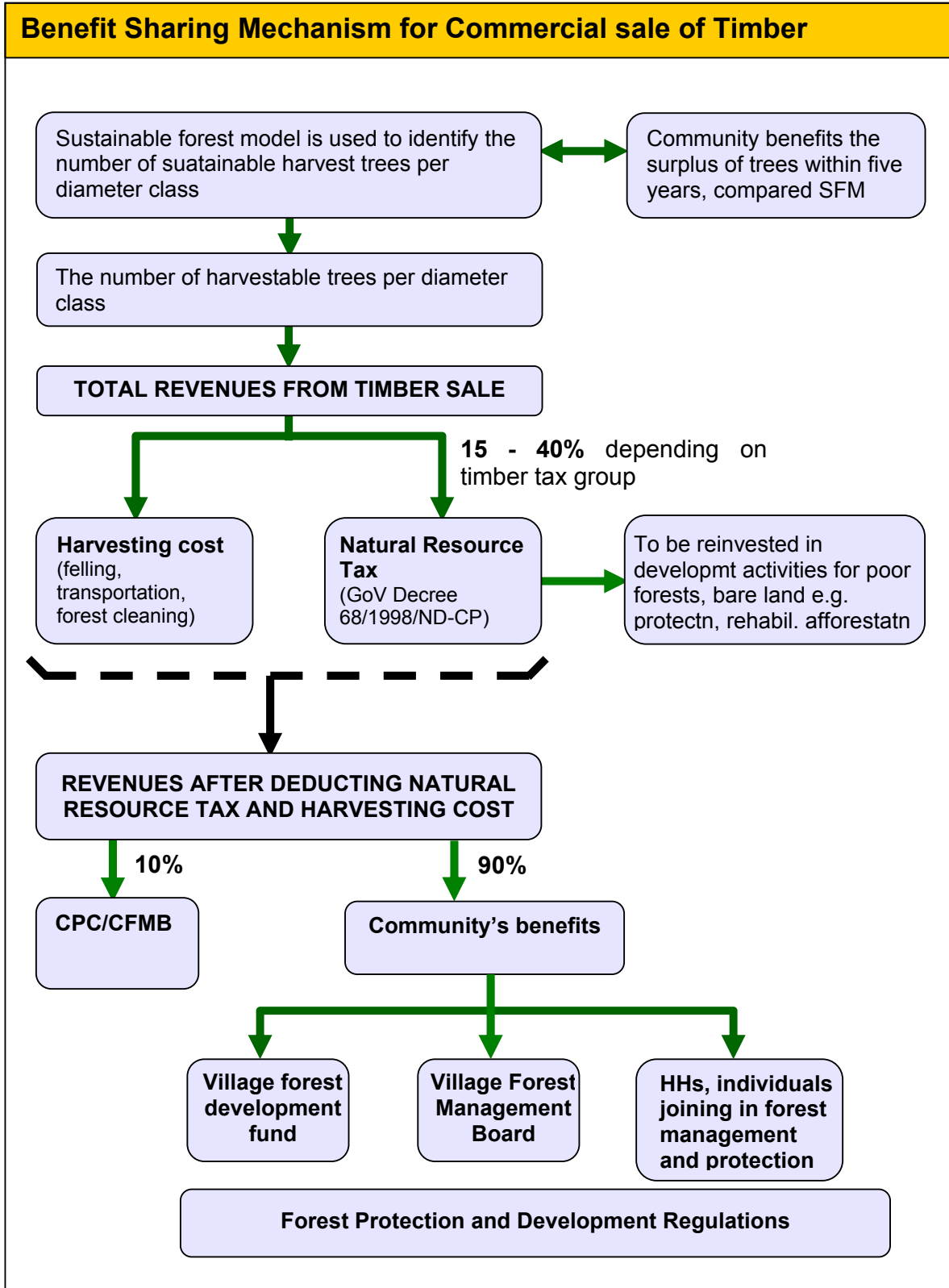


Figure 2: Benefit sharing mechanism for commercial sale of timber and fire wood



Benefit Sharing Mechanism for Self-consumption of Timber

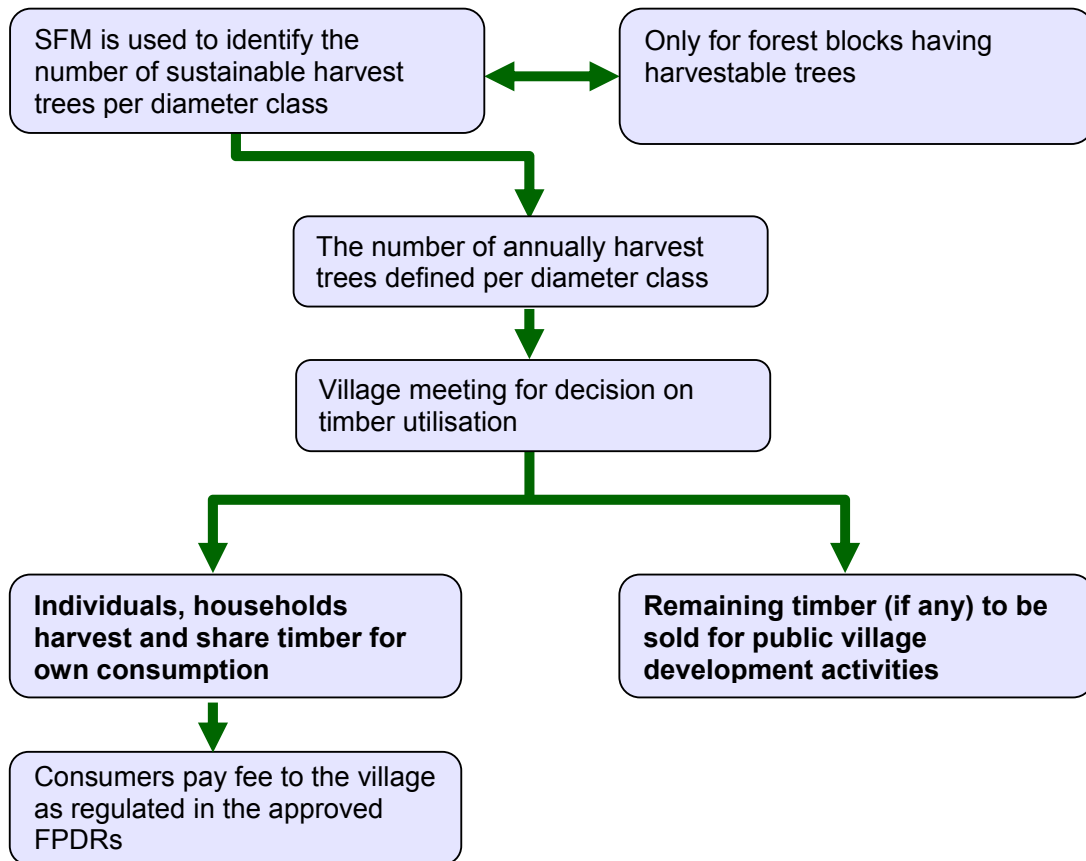


Figure 3: Benefit sharing mechanism for self-consumption of timber and fire wood

DARD **Dak Lak**

Department of Agriculture and Rural
Development
47 Nguyen Tat Thanh St,
Buon Ma Thuot City
Dak Lak Province / SR Vietnam
Tel. +84-(0)50-956.286
Fax +84-(0)50-952.091

DPI **Dak Lak**

Rural Development Dak Lak (DPI / GTZ)
Department of Planning & Investment
17 Le Duan St, Buon Ma Thuot City
Dak Lak Province / SR Vietnam
tel. +84-(0)50-858.431/.476/.504
fax +84-(0)50-850.236
E-mail info@gtz-rddl.org
website www.rddl-daklak.org
www.gtz.de/vietnam

