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PROMOTION OF SUSTAINABLE MANAGEMENT OF PRODUCTION FORESTS OF FOREST COMPANIES IN VIETNAM

REPORT NO. 13

Re-organization Concept for Truong Son State Forest Company

(Strategic Alignment of TS SFC for the future)



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Author: Oliver Scholz, HessenForst

Contact:

DFS Deutsche Forstservice GmbH

Wittelsbacherstr. 11
D - 85622 Feldkirchen (Germany)

Phone: 0049 89 94 00 59 - 0
Fax: 0049 89 94 00 59 - 79
E-Mail: DFS@dfs-online.de
E-Mail: mail@psfm.vn

URL www.dfs-online.de

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Acronyms and Abbreviations

BMEL	German Federal Ministry for Food and Agriculture
BP	Business Plan
CC	Competence Centre
DARD	Department of Agriculture and Rural Development
DFS	Deutsche Forstservice GmbH
FMU	Forest Management Unit
FSC	Forest Stewardship Council
FSCV	Forest Science Centre for North of Central Vietnam
GFA	Gesellschaft für Agrarprojekte
GIZ	German Agency for International Cooperation (Gesellschaft für Internationale Zusammenarbeit)
HF	HessenForst
KfW	Kreditanstalt für Wiederaufbau
LD	Long Dai One Member Limited Liability Company
LLC	Limited Liability Company
LLC1	One Member Limited Liability Company
MARD	Ministry of Agriculture and Rural Development
ODA	Official Development Assistance
PEFC	Programme for the Endorsement of Forest Certification
P&I	Principles and Indicators for SFM (as used by forest certification systems)
SFC	State Forest Company
SFM	Sustainable Forest Management
SWOT	Strengths, Weaknesses, Opportunities, Threads – Analysis
TS SFC	Truong Son State Forest Company
VAFS	Vietnamese Academy of Forest Science

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1 INTRODUCTION

To promote sustainable forest management (SFM) in Vietnam, the Vietnamese Ministry of Agriculture and Rural Development MARD has initiated a joint project on the „*Promotion of sustainable management of production forests by forest companies in Vietnam*” (PSFM), which is co-funded by the German Federal Ministry of Food and Agriculture BMEL.

The project is in line with the Vietnamese forestry development strategy (2006 to 2020). The Vietnamese Academy of Forest Science (VAFS) has been designated as the project implementing agency (“owner”). The implementation of the project is supported by a consortium of German consulting companies, the Deutsche Forstservice GmbH (DFS) and HessenForst (HF).

The overall objectives of the project are:

- To establish a Competence Centre for Sustainable Forest Management and Forest Certification (CC) at the Forest Science Centre for North of Central Vietnam (FSCV), which contributes to capacity development in forestry. The Competence Centre will be operated by FSCV in Dong Ha and the State Forest Company Truong Son, a Forest Management Unit (FMU) of the state company Long Dai Ltd.
- To improve and stabilize the position of Truong Son State Forest Company (TS SFC) as a certified model FMU.
- To disseminate and upscale experiences from SFM and certification to other regions and state forest companies in Vietnam.

2 OBJECTIVES

As part of the project, a reorganization concept for Truong Son State Forest Company was to be developed with the aim to strengthen TS SFC's role as a model company and a showpiece example for other state forest companies in Vietnam.

Furthermore, the concept was expected to support TS SFC's task and role for the CC as well as its financial sustainability for the future. The mission was to:

- analyse the efficiency of the current organizational structure including staffing of the enterprise based on their approved forest management and business plans and business strategy;
- provide transparency in distribution of profit and losses / income and costs;
- develop proposals for an institutional and organizational transformation concept to develop TS SFC towards a successful model company;
- help the management of TS SFC to explore the legal regulations for restructuring;
- and make proposals for e.g. machinery and training to reach and maintain model status.

The consultant's TOR for the mission and time table are included under Annex 1 (TOR).

3 MATERIAL AND METHODS

- Meetings and discussions with Vice Director Long Dai Ltd., Mr. Trinh from 20. January to 6. February
- Meeting with the director of TS SFC
- Field visit to TS SFC forests and FMU,
- Meetings with Team Leader / National Coordinator, Dr. Reinhold Glauner and Dr. Nguyen Duy Luong on 20. January, 27. January and 5./6. February
- Discussions with managers of LD and TS SFC, 24. January
- Workshop of Long Dai Ltd. on 7. February
- Discussions with trainers / management teams of FSCV and TS SFC on 7. February
- PSFM reports, market surveys and documents
- Desk study and interviews

4 RESULTS

A re-organization concept for TS SFC has been developed (see Annex 2). The concept suggests that TS SFC should focus on its core business, which is forestry.

It is suggested that TS SFC diversifies its sources of income from timber products, by developing new product lines with higher profitability and for risk spreading. The consultant concludes that improving the FMU's competence in the area of SFM will improve TS SFC's position for the current logging ban of its natural forests to be lifted.

Foremost, TS SFC should shift its management of Acacia wood chip plantations to the several times more profitable saw log production. This new activity is deemed to have the most prospects to significantly improve the FMU's economical sustainability and therefore should be put into practice without any further delay. Additionally, thinning will make the stands more resilient against storm damages. A concept of wind breakers should also be developed to protect plantations against future storms.

It is suggested further that TS SFC establishes its own tree nursery to provide quality seed material for the plantations as well as (native) high value tree species for planting on so far un-forested land and for enrichment planting. The FMU should establish these stands with the aim of medium to long term production of high quality timber logs (to be used for veneer, saw wood, or plywood production). These activities would be excellent showpiece examples for TS SFC to underline its forerunner status in SFM. They will consequently strengthen the FMU's position with political decision makers and confirm its pilot role for teaching assignments in the Competence Centre (CC) as well as a model enterprise for Vietnamese SFCs.

The medium to long-term goal of TS SFC should be to build up all its forests as a "well-stocked warehouse" of different timbers and qualities. For this, the FMU should re-invest (most of) its surplus into its new business activities, especially afforestation and enrichment.

Investments are suggested to TS SFC / Long Dai for new harvesting / skidding / yarding technology by cable cranes. This technology will also be suitable for natural forests, should the logging ban be lifted. Due to the technology's minimal impact on remaining stands and prevention of soil erosion (Reduced Impact Logging, RIL), it might also contribute to the willingness of authorities to lift the ban. The

Re-organization concept for TS SFC

technology will help to open opportunities for TS SFC to make use of land that so far is categorized as un-forested land in the FMP and cannot be used because of its steepness

The market demand for saw wood is very high, especially by the domestic furniture industry. Therefore, new product lines from TS SFC, such as certified Acacia saw logs, will meet a very favourable market situation.

The start of new management activities, such as planting natural forest species and Low Impact Logging will result in capacity building of the FMU's personnel.

Being able to share its experiences in the management of stands for saw log production, establishing, enriching and increasing value as well as managing stands of indigenous tree species, will serve as a visible and tangible model to other SFC and for the CC.

Two PPT-presentations were prepared for the final workshop with the management teams of LD and TS SFC as well as the trainers of FSCV on 7. 2.2018.

5 CONCLUSIONS

TS SFC is in a good position to implement new business activities in order to become a self-financing model FMU in Vietnam. Significant financial returns are already being achieved, in spite of storm damages, low value timber products (wood chips) and low timber prices. Nevertheless, the FMU's potential as a profitable forest company is much higher than its current output and financial results. Its full potential therefore remains to be unlocked.

The current staff and structure as well as the FMU's forest resources are a suitable basis for new endeavours and business activities. The most promising and effective new activities are:

- 1) the transition to saw wood production;
- 2) the establishment of a tree nursery; and
- 3) increasing the productive land area and widening its timber portfolio by afforesting un-forested land.

Capacity building and possibly also increasing the number of trained foresters at management level is one prerequisite for a successful implementation of the new activities.

Training of personnel of production and protection units can develop the workers' forest management skills to master the workload and broaden their career field. The FMU's staff is in need for training especially on the following:

- 1) Timber Stand Improvement TSI (mostly for timber workers);
- 2) silvicultural training for foresters on tree species interaction for TSI and for enrichment planting;
- 3) nursery management (partly);
- 4) cable crane operation, if the technology is introduced.

By undertaking the suggested steps and by making investments into machinery and personnel, the FMU will meet the objectives defined in the project and contribute to the goals of the Vietnamese forestry development strategy.

6 RECOMMENDATIONS

As not all proposed activities can be implemented by the current personnel, it is suggested to support these steps by external consultants.

More detailed studies by consultants are needed to assess and implement the recommended steps, in particular:

- 1) A study for the selection of the suitable harvesting systems, e.g. cable crane (technology);
- 2) A concept for windbreakers for existing plantations;
- 3) A concept for site selection, including an afforestation programme for un-forested land;
- 4) A study on enrichment planting, including recommendations for the selection of tree species and a thinning model for the future;
- 5) A silvicultural concept for the change in management in Acacia plantations.

Investments into new machinery should be made after detailed analysis of a specialist on harvesting technology, outlining the specific needs and options for their operation for TS SFC's situation. Special focus should also be put on their versatility for different scenarios and for other regions in Vietnam. Economic and ecological cost comparisons between the current management approach (i.e. using skidders such as DT-55 vs RIL by e.g. cable cranes) should be made.

Study tours for forest managers to gain first-hand knowledge of the proposed silvicultural techniques and new technologies might prove beneficial for the implementation.

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8 LIST OF PROJECT DOCUMENTS AND ANNEXES

- (1) Annex 1 Terms of Reference (TOR) for National and International Experts for Re-organization of SFCs
- (2) Annex 2 Re-organization concept for Truong Son State Forest Company
- (3) Annex 3 PPT presentation of Reorganization Concept (for final workshop)
- (4) Annex 4 PPT presentation of mission (for final workshop)

Re-organization concept for TS SFC

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DFS Deutsche Forstservice GmbH

Email: dfs@dfs-online.de
URL: www.dfs-online.de ?

