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Transformation of State Forest Enterprises in Vietnam: A Financial Analysis of Different Organisational Scenarios Regarding the Management of Natural Forests

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Abstract

State Forest Enterprises (SFE) in Vietnam own and manage forests for timber production. Over long time, SFEs operated as dependent enterprises under control of provincial people's committees. The reform of SFE has been undertaken since 2004 with the objectives of efficient use of resources, business orientation, and contribution to poverty alleviation. The SFEs have been transformed into profit-oriented enterprises. However, so far, these objectives have not been achieved. The difficulties SFEs encountered, such as the lack of independence, low profitability, unsustainable forest management, and conflicts with local communities still exist. At the moment, Vietnam is considering whether to restructure the SFEs or to enact a logging ban.

This study investigates the current status of forest management regimes of SFEs and discusses various organisational scenarios based on financial analyses to see how profitability can be generated. A case study approach is used for data collection in SFEs Dak To and Ha Nung in the Central Highlands region of Vietnam which manage natural forests. Input data for scenario development are based on enterprise survey, key informant interviews, group discussions, expert consultation and secondary data. Five scenarios (1) baseline, (2) autonomy from provincial control, (3) FSC certified, (4) FSC certified + self owned logging team and sawmill, and (5) logging ban are discussed and analysed based on these main operations: timber logging, silvicultural treatments, and forest protection and management.

Financial analysis shows that, with autonomy scenario, both SFEs have higher positive profit proportion in comparison with the baseline scenario. Increment of annual cash flow (whole cutting cycle projection) of autonomy scenario is also much higher than the baseline. Except for the logging ban scenario, the other four scenarios show more profit. It shows clearly that the FSC certified scenario is a bit less profitable than the autonomy scenario due to bear the certification costs.

The study indicates that if autonomy is given to the SFEs (free market for timber sales, removal of harvesting quota), the SFEs will have a better financial status and motivation to pursue sustainable forest management and comply with the governmental forestry strategy.

Keywords: Central highlands, forest certification, independence, natural forest management, scenario, state forestry enterprise, transformation, Vietnam