



**Guidelines and Incentives to Encourage the  
Establishment of Private Plantations of *Dalbergia  
cochinchinensis* and *Dalbergia oliveri* in Cambodia**

**Forestry Administration**



Privately-owned *Dalbergia cochinchinensis* plantation in Kampong Cham Province

**May 2022**



## **Guidelines and Incentives to Encourage the Establishment of Private Plantations of *Dalbergia cochinchinensis* and *Dalbergia oliveri* in Cambodia**

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## **List of Acronyms and Abbreviations**

CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COP	Conference of the Parties
ELC	Economic Land Concession
FA	Forestry Administration
FERS	Forest Extension and Restoration Station
FoB	Free on Board
ha	hectare
LP	Letter of Permit
MAFF	Ministry of Agriculture, Forestry and Fisheries
NGO	Non-governmental Organization
NTFPs	Non-timber Forest Products
PPP	Public-Private Partnership
QIP	Qualified Investment Project
RGC	Royal Government of Cambodia
UNFCCC	The United Nations Framework Convention on Climate Change
VU	Vulnerable

## I. Introduction

Rosewood, which in international markets includes *Dalbergia cochinchinensis* and *Dalbergia oliveri* (considered to be synonymous with *Dalbergia bariensis*), as well as several other species of *Dalbergia* and a number of other genera, has become the world's most trafficked wild product. In reaction to that trafficking, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) has listed the 300 species that are referred to as rosewood under trade restrictions.

In the past several decades, the illegal trafficking and trading of high-commercial timber species in Cambodia have increased the vulnerability and reduced the populations of some indigenous timber species, including rosewood. Notwithstanding this, there is still remarkably limited documentation about the current status of *Dalbergia* species in the country. In reacting to the recognized declines of both *D. cochinchinensis* and *D. oliveri* and to determine the current status of those and other endangered tree species listed in the CITES Appendix II, the project for "Integrating the Development of Guidelines and Incentives for Piloting the Establishment of Small-scale Private *Dalbergia* Plantations with the Determination of a Non-detriment Findings Report in Preah Vihear Province in Cambodia" was implemented to hasten the establishment of small-scale private plantations of *D. cochinchinensis*.

One of the project outputs was to select stakeholders and organize consultations to deliberate the guidelines and incentives required to stimulate the establishment of small-scale private plantations of *D. cochinchinensis* and *D. oliveri*. Since there are no such specific guidelines and incentives that are produced separately for tree plantation establishment of *D. cochinchinensis* and *D. oliveri*, the guidelines and incentives to encourage the establishment of small-scale private plantations of *D. cochinchinensis* and *D. oliveri* were, therefore, prepared based on the general provisions of incentives, both monetary and non-monetary, as well as enabling conditions, as stated and emphasized through the existing laws, regulations, and policies, and further suggestions raised during consultations held between September 2020 and May 2021 to seek inputs for the development of the Guidelines on Private Forest Registration in Cambodia, as well as personal perspectives through individual interviews during the production of the CITES video with regard to the establishment of small-scale *Dalbergia* plantations.

The report on the guidelines and incentives to encourage the establishment of small-scale private plantations of *D. cochinchinensis* and *D. oliveri* was prepared with the following objectives:

- (i) Providing briefs related to incentives (monetary and non-monetary) and enabling conditions through provisions by national laws, regulations, and policies to stimulate the establishment of small-scale private tree plantations.
- (ii) Pointing out the availability and how to access the incentives through specific types of private tree plantations in Cambodia.
- (iii) Highlighting constructive inputs raised by stakeholders during the consultations that incentives are required to engage private sector entities and small-scale farmers to participate in the establishment of small-scale private plantations of *D. cochinchinensis* and *D. oliveri*.

## II. Background and Private Forest Plantation Development in Cambodia

### 2.1 Forest Cover Changes and Forest Plantation

Cambodia was covered by forest with a size of 8,502,858 hectares (ha) in 2018. Approximately 2.6 million ha of forest were lost between 2002-2018 with an average of 152,941 ha of forest destroyed every year. Population in Cambodia continues to grow steadily as reflected in **Figure 1** which indicates the trend of population growth since 1965. Population and wood demand are predicted to increase. Global wood demand will increase more than 50% in 2050 while the demand for wood utilization will grow as well in Cambodia in the future because the majority of the Cambodian people are using wood materials for construction, firewood, furniture and charcoal

production. According to an assessment of wood demand in Cambodia, the use of fuelwood is approximately 32% from Forest Plantations and 3% from Agroforestry areas. Wood-based products used for Construction are approximately 34% from Forest Plantations and 1% from Agroforestry areas. Furniture and decorative products are approximately 10% from Forest Plantations and 0.5% from Agroforestry areas, and wood processing for export-related to furniture and decorative products is approximately 24% from Forest Plantations and 1% from Agroforestry areas.

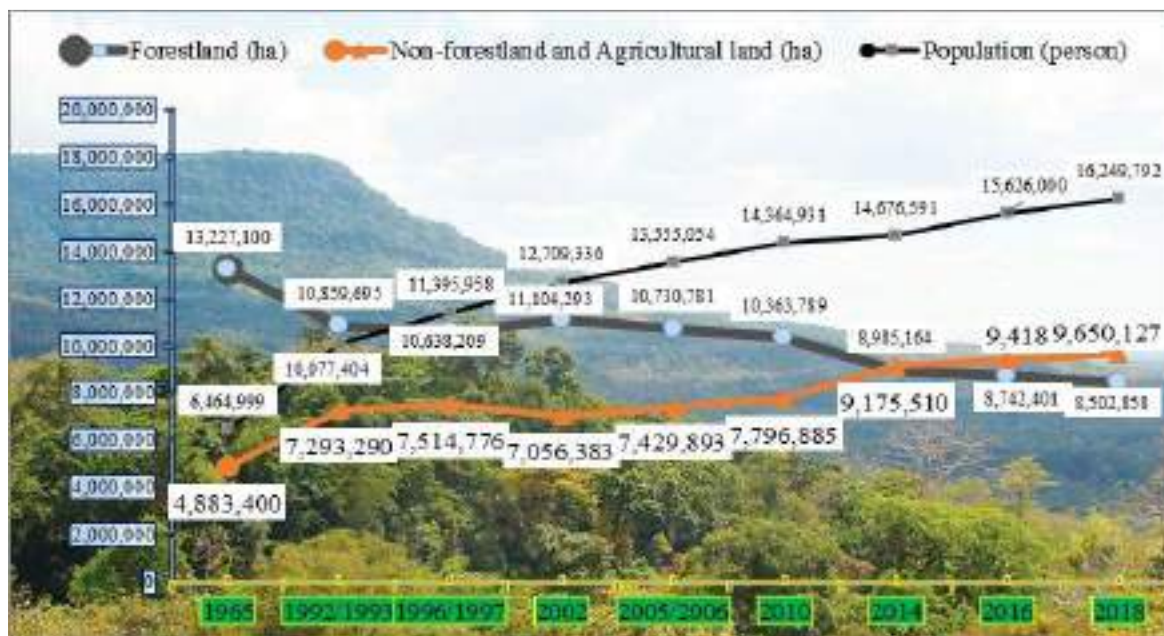


Figure 1. The negative relationship between population growth and forestland

To overcome these shortcomings, the Forestry Administration (FA) of Cambodia has distributed seedlings to the general public well before 1989. From 1988 and 2021, forest plantations amounted to 486,316 ha had been established in Cambodia, inclusive of 462,384 ha planted by the private sector (ELCs, PPP, and small-scale households), and 21,444 ha established by the Forestry Administration at both the central and provincial levels, and 2,489 ha contributed by public institutions (Army) and local NGOs (**Table 1**). The dominant timber species planted are a few varieties of hybrid from *Acacia* species and *Eucalyptus* species, *Tectona grandis*, and some native tree species.

In addition, the FA has thrived to engage private sectors both legal private entities and individuals to invest in small- and medium-scale private tree plantations. However, there was a lack of mechanism available for obtaining recorded data on these types of tree plantations. This was the reason why the Guidelines on Private Forest Registration were initiated in 2017 through a directive issued by the Ministry of Agriculture, Forestry and Fisheries (MAFF).

Table 1. Tree Plantation by Forestry Administration and Private Sector 1988 - 2021<sup>1</sup>

Year	Plantation (ha)						Arbor Day (ha)		Total (ha)	
	FA (Cent.)	FA (Prov.)	Army	Private Sector			NGOs	National		City-Province
				Partners	Families	ELC				
<b>Total</b>	16,191	3,407	2,180	15,611	6,413	440,360	309	506	1,340	486,316

<sup>1</sup> Source: Forest Statistic 2018 of the Forestry Administration, and Annual Reports (2020 & 2021) of the Ministry of Agriculture, Forestry and Fisheries.



## 2.2 Scenarios of Private Forest Plantation Establishment in Cambodia

The establishment of private tree plantations in Cambodia can be undertaken through three main forms, namely, (i) Economic Land Concession; (ii) Public-Private Partnership in forest plantation investment; and (iii) Privately-owned land title.

### A. Economic Land Concession

The Royal Government of Cambodia (RGC) has thrived to enhance macro-economic productivity through a Sub-decree 146 on Economic Land Concession (ELC), which stipulates that Economic Land Concession refers to a mechanism to grant private state land through a specific economic land concession contract to a concessionaire to use for agricultural and industrial-agricultural exploitation, including the development of tree plantation, animal farm and aquaculture, the establishment of enterprises and construction of factory facilities, and installation of equipment for processing of domestic raw materials. In 2014, there were 281 ECLs, yet a nation-wide review and evaluation of ELCs conducted during 2014-2015 had resulted in revoking 37 ELCs. By 2018, MAFF manages a total of 229 ELCs covering 1.2 million ha (MAFF, 2018).

According to a review of their investment agreements, at least 17 ELCs among 229 ELCs have invested in tree plantations distributed in many provinces in Cambodia. Some of these ECLs are Grandis Timber Co., Ltd; Golden Land Development Co., Ltd; Wozhishan L.S Group; Hourling (Cambodia) International Insurance; Asia World Agriculture Development (Cambodia) Co., Ltd; Great Asset Agriculture Development (Cambodia) Ltd; Golden Land Development Co., Ltd; and G.G World Group (Cambodia) Development Ltd. The main tree species planted are *Acacia* species, *Eucalyptus* species, and *Tectona grandis* (**Figure 2**).



Figure 2. Teak plantation of Grandis Timber Co., Ltd (ELC project), Kampong Speu Province.

### B. Public-Private Partnership

While some ELCs were revoked by the RGC during the review and evaluation since they were not compliant with the stipulated regulations and/or violated the agreements, MAFF has designated those areas and part of nearby degraded forests as Forest Extension and Restoration Station (FERS) and Botanical Gardens. Currently, there are about 80 sites covering a total area of close to 500,000 ha which are inclusive of 68 FERS, 7 State Tree Plantations, 2 generic resource natural forest plantations, 2 arbour-ceremony tree plantations, and 1 botanical garden. In this regard, the RGC's Declaration on National Forestry Policy 2002 urges Cambodians and the private sector to participate in forest conservation in order to ensure food security, reduce poverty and contribute to socio-economic development.

Up to 2022, there are 10 forest-based PPP projects managed by the FA, 7 projects of which have been operated by private companies (legal entities) covering a total land of 101,037 ha, and 3 households as PPP-based forest plantations covering 9,800 ha (**Figure 3**). The project area ranges

from 1,800 ha to 34,007 ha per project site (DPP, 2022<sup>2</sup>). These forest-based PPP projects have been granted the rights upon their requests to the RGC through the FA and MAFF to invest in forest plantations. All the projects are specifically focused on the establishment of tree plantations as part of forest restoration and for commercial purposes. The designated areas are generally degraded forests within one or many of the Forest Extension and Restoration Stations (FERS) or State Tree Plantations that have already been conducted primarily for forest plantation establishment and certified through a regulation (Prakas) by MAFF.



Figure 3. Eucalyptus Plantation of Think Biotech Co., Ltd, Forest-based PPP, Kratie Province.

### C. Privately-owned land title

The Forestry Law (2002) stipulates individuals who plant trees on private land or on state forest land would be granted the right to use, maintain, develop, sell, and distribute the products derived from their tree plantation (**Figure 4**). However, the privately-own land title must be obtained in accordance with the legal procedure as defined in the Land Law (2001).

Tree plantations under this category are encouraged to register as private forests through the Rule of Private Forest and as guided in the recently-published Guidelines on Private Forest Registration in Cambodia.



Figure 4. Private Household Teak Plantation, Han Chey Commune, Kampong Cham Province.

## 2.3 Development of Guidelines and Incentives to Encourage Private Plantations Establishment

As stated in the Forestry Law, the RGC, has encouraged participatory tree planting by local communities and the private sector, in particular, the promotion of "private forest registration". In 2017, MAFF issued a Prakas on the "Private Forest Rules" defining the scope, requirements and

<sup>2</sup> Data source: Department of Private Forest and Forest Plantation Development (2022). Annual Report 2021 (unpublished report).

procedures in the private forest registration process in Cambodia, as well as incentivizing natural persons or juridical persons who are landowners to plant trees on their private land, and to increase the supply of timber and non-timber forest products from tree plantations for domestic consumption and export.



Figure 5. Internal-department and line-departments consultation meeting, 26 October-26 December 2020.

In this regard, the development of the guidelines and incentives were regularly discussed and updated among project staff during their monthly project meetings, while three meetings were organized by the Department of Forest Plantations and Private Forest Development to discuss further the guidelines and incentives for the establishment of private forest plantations on 26 October and 21 December 2020, and 14 January 2021 (**Figure 5**). One consultation workshop was also organized to discuss and collect inputs to finalize the guidelines and incentives for the establishment of private forest plantations from 26-27 November 2020 (**Figure 6**).



Figure 6. Consultation workshop to discuss and collect inputs for developing the guidelines and incentives for the establishment of private forest plantations, 26-27 November 2020.

### **III. Incentives for Stimulating Private Forest Establishment**

#### **3.1 Availability of Current Incentives**

There are many specific incentives provided under various schemes/categories of forest-based projects, but some incentives are applied generally for all projects, regardless of ELC, PPP, or privately-own land title.

## **A. Monetary Incentives**

### **A.1 General Application**

In September 2005, the RGC issued a Sub-decree on the implementation of the Amendment to the Law on Investment. In this regard, section 2 of Annex 1 of the Sub-decree sets the minimum amount or other conditions of investment projects in various fields which are required for granting the incentives. Production of furniture and fixtures that do not use natural wood and the production of paper and paper products with a capital investment larger than US\$ 500,000.00 is among the fields which are eligible for incentives such as profit tax exemption, duty-free import of production equipment, construction materials and 100% exemption of export tax.

To provide additional incentives for the establishment of private tree plantations, the Council of Ministers on behalf of the RGC issued a letter No. 1704, dated November 18, 2019, on reducing the export tax rate on timber products originating from tree plantations to encourage tree-planting investors with such benefits, as follows:

- (i) 50% export tariff reduction on wood products sourced from domestically-planted trees or local tree plantations.
- (ii) The export tax of all furniture and other processed wood products originating from tree plantations is exempted.
- (iii) The expertise authority should certify the export license with the scientific and local names of the timber species, and should certify it as "locally-grown timber products" or "forest products & by-products made of domestically-grown trees."

Other laws related to incentives for forest plantation establishment and development include Article 12 of the Law on the Amendment to the Investment Law that states that Qualified Investment Projects (QIPs), that is, investment projects that have received a Final Registration Certificate from the Council for the Development of Cambodia which has the power to grant import duty exemptions to QIPs and for specific industries are entitled to the benefits and incentives as provided in Article 14 of the Law on the Amendment to the Investment Law. Each year, a Qualified Investment Proposal is required to obtain a Certificate of Compliance from the Council for the Development of Cambodia to enjoy the investment incentives. The Certificate of Compliance is intended to confirm that the QIP has complied with the relevant tax regulations. If a company investing in the establishment and development of a forest plantation is registered and received a Final Registration Certificate, the company is entitled to receive incentives as provided for under the Investment Law, which include:

- (i) A profit tax exemption period which consists of a Trigger Period +3 years + Priority Period<sup>3</sup>. Priority Period shall be determined in the Financial Management Law. The maximum Trigger Period is the first year of the QIP gaining profit or three years after the QIP earns its first revenue, whichever is sooner.
- (ii) An exemption of import duty on machinery and equipment.
- (iii) A 100% tax exemption for export.
- (iv) An exemption of visas and work permit fees for the employment of foreign citizens as managers, technicians and skilled workers, and residency visas for their spouses and dependents.

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<sup>3</sup> Priority Period is determined within the period of 3 years, according to the type of project and investment capital. For light industries: 0 year for investment capital of below US\$ 5 million, 1 year for investment capital of between US\$ 5 million and US\$ 20 million, 2 years for investment capital of over US\$ 20 million. For heavy industries: 2 years for investment capital of below US\$ 50 million and 3 years for investment capital of over US\$ 50 million. For agriculture and agro-industry crops: 1 year for short term agriculture crops and 2 years for long-term agriculture and agro-industry crops.

## A.2 Economic Land Concession

In granting large-scale plantations, a Sub-decree on Economic Land Concessions was issued on December 27, 2005, that provides the criteria, procedures, mechanisms and institutional arrangements for initiating and granting new economic land concessions, for monitoring the performance of all economic land concession contracts, and for reviewing economic land concessions that entered into force prior to the effective date of the sub-decree for compliance with the Land Law of 2001. Economic land concessions are granted to grow food and agro-industry crops including tree plantation, animal farm and aquaculture, construction of enterprises and factory facilities as well as instalment of equipment for processing of domestic raw materials.

In 2012, the Ministry of Agriculture, Forestry and Fisheries and the Ministry of Economy and Finance issued a Joint Declaration on the Provision of Public Service associated with the forestry sector, especially fees and permits for forestry. The specific services stated in the Declaration include the service fee for export of timber and non-timber forest products, permits for transportation, transport quotas, the establishment of a timber depot to sell, distribute forest products and by-products, establishment of forestry industry, sawmill, or forest products and by-products processing facility, use of any type of chainsaws to harvest forest products and by-products, premium (reforestation, forest maintenance and export fee) for all wood species, detailed service fees charged on timber and non-timber forest products are in **Table 2**.

Export tax for timber and non-timber forest products is fixed at 1% of the total cost in the permit (FoB reference price). Since log exports are currently banned, these taxes apply only to timber and non-timber forest products.

Table 2. Service fee for timber and non-timber forest products

<i>Description</i>	<i>Service fee (US\$)</i>	<i>Valid (year)</i>
<i>1. Timber and non-timber export tax</i>	1% of the total cost of the license	Date in permit
<i>2. Permit for timber and non-timber forest products</i>		
<i>– Transport quotas</i>	25	1
<i>– Transportation</i>	10	Date in permit
<i>– Establishment of a stock place to sell, distribute and processing enterprise</i>	250	1
<i>– Establishment of forestry industry and sawmill</i>	250	1
<i>– Use of chainsaw (per unit)</i>	15	1
<i>3. Reforestation</i>	2.5/m <sup>3</sup>	
<i>4. Forest maintenance fee</i>	5% of timber and NTFPs	

In May 2000, a letter on the Fixation of Concession Land Rental Fee which is also applicable for land used for forest plantation establishment was issued by the Council of Ministers of Cambodia. The fee charged is based on an evaluation of the types of soil, region and geographic location. The preferential price of the land is classified into four categories in accordance with the types of soil. The 1st type is the fertile soil preferred by agricultural crops. The 2nd type is soil that is still good for agricultural crops but on higher elevations. The 3rd type of soil will need to be improved by organic and chemical fertilizers, while the 4th type of soil is relatively poor for agricultural crops. The land rental fees for the four soil types are as follows:

- (i) 1st soil type at US\$ 5.00- US\$ 10.00 /ha/year.
- (ii) 2nd soil type at US\$ 3.00- US\$ 6.00 /ha/year.
- (iii) 3rd soil type at US\$ 2.00- US\$ 4.00 /ha/year.
- (iv) 4th soil type is free as it is on deteriorated land.

In this context, the commencement date for collecting the concession land rental fee will be based on the type of crops planted. For seasonal and annual crops, the fee will be collected from the second year of production, while for long-term crops and permanent crops, the fee will be collected from the third or the fourth year of production, such as the planting of fast-growing tree species.

### **A.3 Forest-based PPP project**

Unlike ELC projects, the forest-based PPP projects that have made agreements with MAFF are not required to pay concession land rental fees, except royalties and premiums, which is considered a substantial incentive to those investors who establish tree plantations under the PPP scheme on degraded forest lands that are within state forest lands.

Currently, more than 300,000 ha of forest lands designated as Forest Extension and Restoration Stations (FERS) have been made available for PPP-based tree plantations, while close to 100,000 ha have already been provided to 7 companies and 3 individual households. The areas of available FERS sites range from 500 ha to 20,000 ha in many provinces.

### **A.4 Privately-owned Land Title**

Article 52 of the Forestry Law (2002) states that the State will not require the payment of royalties or premiums for the harvesting of forest products and by-products from private forest plantations. In addition, Article 9 of the Declaration on the Rule of Private Forest issued by MAFF in 2017 states that owners of private forest plantations registered with the FA are not required to pay any license fees to harvest and use timber and non-timber forest products from their plantations, including royalty, permit fee for transportation and transport quota, except that they have to pay an export tax of 1% of FoB of the total cost in the permit that is levied on all timber and non-timber forest products.

To enhance afforestation efforts by private individuals, the FA has established 9 nurseries nationwide and other smaller nurseries in the Cantonment of the FA in 25 provinces to produce seedlings for free distribution to the general public for planting on degraded forest state land and land confiscated from illegal encroachment. In total, more than 101,145,834 seedlings were produced and distributed since 1989. Of this total, the private sector produced 32,49,125 seedlings.

## **B. Non-monetary Incentives**

### **B.1 Economic Land Concession**

The RGC has also provided a number of enabling incentives to encourage and support individuals and companies to invest in forest plantation establishment and development.

In this regard, individuals and corporate entities involved in forest plantation establishment and development could lease land from the government for up to 50 years. However, if a lease that has been granted previously after the adoption of the Land Law (2001) with a term exceeding 50 years, it will be shortened to 50 years. The lease may be renewed, but the renewed term may not exceed 50 years starting from the date of renewal. If the lessee fails to pay the stipulated rental for three years, the government may cancel the lease. However, if a long-term lease which was created prior to the adoption of the Land Law (2001) and has a remaining period exceeding 50 years, such right will remain during the stipulated period of the agreement. This also applies to a long-term lease with a remaining period of more than 99 years where such right is deemed to remain during the full duration of the lease.

Sub-decree 111, dated 29 August 2007, states that the lessee or concessionaire shall have the right to mortgage or transfer his/her right over the long-term lease or the land concession, as well as the buildings and/or other immovable properties that he/she has constructed on the land except as otherwise specified in the lease agreement or the economic land concession agreement or as restricted by law. When the lessee or the concessionaire dies, his/her successors can inherit his/her rights over the long-term lease or land concession for the remaining period of the long-term lease or concession. A natural person or legal entity or a group of peoples authorized to lease land from the State can sub-lease to a third party but subject to prior approval from the competent authority.

## **B.2 Forest-based PPP project**

The RGC issued a Sub-decree No. 26 on Rules for Granting User Rights to plant Trees within State Forest Land to increase productivity and services of forest to ensure maintenance of forest cover and to secure timber supplies for general use demands in accordance with the National Forest Policy and National Forest Management Plans. Article 6 of this regulation states that tree planting activities on state forest land could be conducted by (i) the FA, (ii) Community Forestry Management Committee, (iii) the FA in cooperation with local communities or the private sector, and (iv) people or individual households.

Article 11 of the Sub-decree No. 26 states that the benefit-sharing between the RGC and the approved users derived from tree planting in state forest lands shall be stipulated in the agreement using the sample which must be provided MAFF.

Following this, some preferential conditions that MAFF provides to incentivize the establishment of tree plantations to the private sector through forest-based PPP schemes may include a benefit-sharing mechanism as stipulated in agreements of most forest-based PPP projects that have been operated and implemented by both private companies and individual households, as follows:

- (i) MAFF receives 10% of standing trees (hereinafter referred to as the “Party<A>’s share).
- (ii) A private company receives 90% of standing trees (hereinafter referred to as the “Party<B>’s share).
- (iii) Both parties shall agree that all Plantation Trees shall be harvested at the same time. Each party shall be responsible for payment of all costs (hereinafter referred to as the “Costs”) incurred during and after harvesting, in proportion to its share prescribed in forgoing.
- (iv) Both parties shall pay taxes for their shares in accordance with the law being enforced.
- (v) For the avoidance of doubt, except above benefit-sharing, Party<B> shall not be required to make any other payments for the use of the State’s Forestry Land.

## **B.3 Privately-owned Land Title**

As defined in Chapter 3 of Prakas No. 327 PRK dated 26 May 2017 issued by MAFF on "Private Forest", the owner of a private forest registered as a plantation on private land will have the right to maintain, develop, use, sell and distribute its products. In the event that the private forest owners need technical assistance, the FA could provide technical training services for afforestation and plantation management. Transportation of wood products originating from private forests to supply customers or the local market does not require a permit (LP). However, prior to harvesting timber in a private forest plantation, the owner of the private forest must notify the competent local forest administration and be responsible for inspecting the amount of timber collected and the harvest activities of the private forest owner in writing.

## **3.2 Proposed Additional Incentives for Forest Plantations Development**

### **A. Monetary Incentives**

During the consultation workshop in November 2021, a representative of Paper Tree Co., Ltd that has invested in Eucalyptus plantations for the paper industry in Utdor Meanhcey province suggested that a better way to enhance incentives for tree plantations in Cambodia is to conduct an assessment on the current market prices of wood products manufactured from all tree species

planted to ensure that the export tax of timber products and by-products could still allow reasonable profits to be made by tree plantation owners despite the exemption of the 50% export tax.

Furthermore, due to the high variation of the current market prices of wood products, the assessment should be updated yearly or regularly (2 or 3-year intervals) on the current market prices of wood products used in the export tax formula. Otherwise, the establishment of tree plantations in Cambodia would not be incentivized.

Thang (2020) has raised some outstanding recommendations to incentivize the establishment of tree plantations in Cambodia, as follows:

- (i) “Equipment and machinery imported for the production of seedlings, construction of access roads, bridges and buildings should be exempted of duty for the establishment and development for forest plantation.”
- (ii) “In addition, tax exemption on profit should be given to companies engaged in forest establishment and development for a period of 12 years and for those qualified under QIPs, the tax exemption on profit should be up to 9 years. This is in view that the current maximum tax holiday of up to 6 years together with the trigger period could only result in the possibility of a tax exemption on the profit of up to 9 years”.
- (iii) “The government should consider providing long-term soft loans directly to private companies and/or through financial institutions with or without a government guarantee at low-interest rates to promote investment in forest plantation establishment and development”.
- (iv) “Private companies conducting in-house research in developing high-yielding and disease-resistant planting stock, as well as on improved management practices should be given tax exemption on investments made in such research which is currently not available to them”.

## **B. Non-monetary Incentives**

To facilitate and stimulate the establishment of small-scale private tree plantations in Cambodia, the non-monetary incentives are as follows:

- (i) Private Forest Rules issued in 2017 by MAFF should be amended to expand the registration of forest plantations on economic land concession, public-private partnership plantations on state land and forest plantations on state land under leasing contract to facilitate the export of processed-wood products originated from forest plantations.
- (ii) The registration of private forest plantations should be conducted in two forms: a) in the form of plantations, and b) in the form of a number of trees.
- (iii) Private forest plantations should be reclassified from four to three categories (family and small-scale private forest plantations should be integrated into one category to simplify the submission of the application form and the issuance of the registration certificate).
- (iv) The registration of private forest plantations should not be allowed in national security zones, world heritage sites, conflicting areas and areas under court investigation except if there is permission given by the government.

Personal perspectives to improve incentives to stimulate the establishment of small-scale private plantations, especially CITES-listed tree species, gathered from individual interviews during the production of the CITES video in November 2021 with regard to the establishment of small-scale *Dalbergia* plantations are as follows:

- (i) Mr. Nang Sothy, the owner of THY HOLDING GROUP CO., Ltd, called for a Tree Credit policy to be implemented with small-scale or household plantations or companies in order to provide financial support to incentivize and promote more investments in agarwood tree plantation.
- (ii) Ms. Ouch Sineth (**Figure 7**) was of the view that even though the FA has recently developed and made available the Guidelines for Establishment and Private Forest



Registration for official uses, there is still a lack of research, incentives, and resources for the management process and rehabilitation of endangered tree species. Also, there is a limited capacity of stakeholders while the private investment in rosewood plantations is still small. All these aspects should be addressed when considering supplementary incentives to enhance tree plantation establishment.



Figure 7. Ms. Ouch Sineth, Deputy Chief of Office, Department of Forest Plantation and Private Forest Development, interviewed during the CITES video production.

### 3.3 Enabling Policies and Regulations

The RGC's Declaration on National Forestry Policy 2002 urges Cambodians and the private sector to participate in forest conservation to ensure food security, reduce poverty and contribute to socio-economic development. At the same time, the RGC has been encouraging investment in all types of tree planting, such as individual plantations, private plantings, economic land concessions, and public-private partnerships to create a source of timber supply in Cambodia where export from plantations will replace wood sourced from natural forests. The RGC's policy to encourage tree planting is as follows:

- (i) Sub-Decree No. 26, dated March 25, 2008, is to grant the right to use degraded forest land or state land for planting trees.
- (ii) Letter No. 120 S.C.N.K.S. dated 08 February 2017 of the Council of Ministers is to provide authorization for the principle of planting trees on degraded forest land in co-operation between the state and the private sector (Public-Private Partnership (PPP)). In principle, the RGC has allowed the planting of trees on forest lands that have been exploited in the past, on degraded land and state vacant land.
- (iii) According to Letter No. 121, dated 28 November 2017 of the Council of Ministers, the RGC promotes the improvement of the standard of living of local communities in order to reduce dependence on the enjoyment of timber, and to create a source of supply of timber and energy from plantations (strategic direction set out in the long-term forest management perspective).

The National Strategic Development Plan 2019-2023 emphasizes the need for Cambodia to increase the sustainable management of forest and wildlife resources by strengthening the implementation of forest laws to promote reforestation. The National Strategic Development Plan sets the national target indicator that the number of fruit trees planted will be collected annually at 200,000 cubic meters in 2019 and will increase annually to 300,000 cubic meters by 2023.

The National Forest Program (2010-2029) prioritizes multi-purpose afforestation to increase local supply, reduce poverty and improve rural livelihoods, especially reduce the use of source timber from natural forests, and aims to increase forest cover. Key activities include the following:

- (i) Sustainable forest management and poverty reduction through reforestation.
- (ii) Private forest development with a focus on multi-purpose tree planting, which has the potential to supply local timber needs and increase income for local people.
- (iii) Development of co-operation and partnership on plantation establishment between the private sector community and the Forestry Administration through the development of a "model agreement" on the management and distribution of benefits.

The Cambodia Sustainable Development Goals Framework 2016-2030 examines and sets goals by ensuring the conservation, restoration and sustainable use of ecosystems and services, especially mountainous forests, in accordance with their obligations under international agreements and sets national target indicators to achieve 50% forest cover by 2030.

To contribute to the achievement of the Cambodian Sustainable Development Goals (CSDG) and the Agricultural Strategic Development Plan (ASDP) 2019-2023, the FA has set a target of at least 10,000 ha of forest plantations to be established annually, inclusive of 9,000 ha by the private sector. It also plans to distribute 10 million tree seedlings per year under its Conservation of Genetic Resources from Forest and Establishment of Seed Sources for Planting Program. In pursuit of this ambitious goal, the FA has identified degraded forests and other degraded lands that are available for restoration and introduced initiatives for investing in the establishment of private forest plantations on state land by forging partnerships between various private sector entities.

The FA's efforts to create enabling conducive environment to develop plantation forestry have focused on multi-purpose tree plantations, which have the potential to supply domestic timber needs, increase the incomes of local communities, and improve the environment through watershed protection and erosion control. These plantations will be developed to meet current and future market demands, taking cognizance of the need to protect the environment. Species considered include *Dipterocarpus alatus*, *Hopea odorata*, *Azadirachta indica*, rubber trees, *Eucalyptus camaldulensis*, *Acacia auriculiformis*, *Acacia mangium* and *Sesbania grandiflora*.

At the 26th Conference of the Parties (COP26) to the United Nations Framework Convention on Climate Change (UNFCCC) in Glasgow, the United Kingdom, Cambodia on 10 November 2021 had stated in its statement to reduce deforestation by half, maintain 50% of Forest Cover by 2030, no carbon footprint, and zero carbon emission by 2040. Cambodia has set a goal of reducing emissions by 42% by 2030, thereby developing a long-term Zero Carbon Emissions Strategy (Carbon-neutral strategic plan) to promote Carbon-Tech, climate-resilient and inclusive development.

The FA has identified indicators and input data to contribute to achieving the long-term Zero Carbon Emissions Strategy (Carbon-neutral strategic plan) through key measures, inclusive of (i) establishing community forests; (ii) strengthening sustainable forest management; (iii) promoting the distribution of seedlings and planting trees in all forms on degraded forest lands and private lands to reduce pressures on natural forests; and (iv) developing and promoting agroforestry practices in both community forests and private lands.

The Forestry Law of 2002 provides for the management of the harvest, usage, development, and conservation of forests to ensure sustainable forest management for society, the economy and the environment, as well as the conservation of biodiversity and cultural heritage. In order to encourage participation in tree planting and development of plantations, Article 46 of the Forestry Law states, "Develop, use, sell and distribute their products" and the "Rules on private forests are set by Prakas of MAFF to encourage individuals to cultivate and maintain plantations."

Large-scale investment in forest plantations establishment and development on public forest land has been initially promoted through public-private partnerships. In 2017, this was further promoted

through the Declaration on Tree Plantation Development which facilitates the procedure of private forest registration and encourages private sector involvement, especially on legal private land.

In addition, private individuals or legal entities who own land that has planted trees on privately owned land to establish and register as a private forest will receive many incentives from the RGC, such as technical advice, no requirement to pay premiums for timber products and by-products such as furniture and other finished products made from locally-grown trees. Furthermore, transportation of wood products originating from private forests to supply customers or the local market does not require a letter of permit (LP).

## **IV. Accessibility of Incentives for Private Forest Plantations**

### **4.1 Economic Land Concession**

The approval of an ELC project can be acquired through Sub-decree 146 on Economic Land Concession (ELC). Notwithstanding this, the RGC issued an Order 01, dated 07 April 2021, to suspend the submission and approval of ELC projects. In this regard, investors who are interested in having joint ventures with the existing ELCs should have the legal document issued by a competent authority to ensure that they could exercise the rights thereon in accordance with specific terms and conditions.

### **4.2 Forest-based PPP project**

If an investment company or individual is interested in applying for the establishment of tree plantation on state forest land as a forest-based PPP project, it shall prepare a request to MAFF. Unlike, ELC projects, the main purpose of such scheme is to allow the planting of trees as plantation only.

Article 7 of Sub-decree No. 26 states that the FA must assess the availability of state forest lands, evaluate every request to establish tree plantations within state forest lands and provide recommendations to MAFF.

Article 8 stipulates that any request for user rights to plant trees on state forest lands could be made in the following ways:

- (i) Appeals for partners to develop forest plantations on state forest land compatible with locations, areas, and geography, as stipulated in the Declaration on Establishment of Tree Plantations within State Forest Lands issued by MAFF.
- (ii) Requests from individuals or legal entities to the FA with supporting relevant documents as instructed by the FA.

Article 9 emphasizes that granting of user rights for forest plantations in state forest lands to a joint operation between the FA and the private sector will be based upon approval from the RGC.

### **4.3 Privately-owned Land Title**

To have access to privately-owned land, legal entity or individuals should follow the procedures of acquiring land legally, which conform to the Land Law 2001. This means that it can be done by buying land available from any legally-occupied land owners.

Private forests are defined as plantations or trees that grow naturally on land that is registered and privately-owned under valid state procedures and laws. A private forest refers to a plantation established by natural persons or private legal entities who own land on their private land with the right to occupy in accordance with the land law and are registered as a private forest according to the regulations of the Forestry Law and the Prakas No. 327 PRK dated 26 May 2017 on the Private Forest Rule.

Under the guidelines, private forest plantations are categorized by area, each of which is distinguished by its application and the place of submission.

There are four categories of private forest forests, as follows:

- (i) Household private forest plantations that consist of land areas of less than 10 ha. The application form and the hard copies of associated documents under this category should be submitted to the FA Cantonment in the province where the private forest plantation is to be established.
- (ii) Small-scale private forest plantations that consist of land areas that range from 10 to 100 ha. The application form and the hard copies of associated documents under this category should be submitted to the Provincial Department of Agriculture, Forestry and Fisheries in the province where the private forest plantation is to be established.
- (iii) Medium-scale private forest plantations that consist of land areas that range from 100 to 1,000 ha. The application form and the hard copies of associated documents under this category should be submitted to the FA at the central level in Phnom Penh.
- (iv) Large-scale private forest plantations that consist of land areas that are greater than 1,000 ha. The application form and the hard copies of associated documents under this category should be submitted to MAFF in Phnom Penh.

The documents required to be submitted with the application form are, namely, (i) a national identification card or passport; (ii) a land tenure certificate; and (iii) business patents if an applicant is a large entity or a company.

There are three interrelated steps in the registration process. The initial step proceeds through the provision of general guidance to the filling out the application form and submission of the required documents for reference and certification of legal acquisition. The second step establishes the process by which field verification and evaluation are conducted by appropriate authorities comprising of FA officers from either or both the central and local levels. Finally, the third step is the issuance of the private forest registration certificate.

In the provision of a private forest registration certificate, the FA will provide a certificate of private forest registration to natural persons or legal entities who have applied for private forest registration at the request of the Provincial Department of Agriculture, Forestry and Fisheries (for household and small-scale private forest) and at the request of the specialized units under the supervision of the FA (for medium- and large-scale private forest) with attached reports and records of field verification and evaluation.

## V. Conclusions

The Guidelines and Incentives to Encourage the Establishment of Private Plantations of *Dalbergia cochinchinensis* and *Dalbergia oliveri* in Cambodia have elaborated, among others, the types of incentives, both monetary and non-monetary, to stimulate the establishment of tree plantations in Cambodia, and how to access them, as well as enabling conditions. These guidelines and incentives are believed to have contributed to the expansion of tree plantations in Cambodia, especially medium- and small-scale households, by guiding them with simple steps for registering their tree plantations and providing free-of-charge consultations and seedlings to enable them to establish *Dalbergia* species plantations or other high-commercial tree species for trade.

The guidelines and incentives have also elaborated the accessibility of incentives through economic land concession, public-private partnership in forest plantation investment, and privately-owned land titles. However, tree plantations under the forest-based PPP schemes and on private land tenure are highly recommended due to the moratorium of ELC projects.

The current available incentives, both monetary and non-monetary, for private tree plantation under ELCs, forest-based PPP projects, and privately-owned land, are as follows:

- (i) A reduction of 50% of the total obligatory export fees for the export of products from forest plantation and a 100% exemption of export fees for furniture and final processed products produced from forest plantation.

- (ii) A Qualified Investment Proposal is required yearly to obtain a Certificate of Compliance from the Council for the Development of Cambodia to enjoy the investment incentives.
- (iii) Export tax for timber and non-timber forest products is fixed at 1% of the total cost in the permit (FoB reference price).
- (iv) The commencement date for collecting the concession land rental fee will be based on the type of crops planted. For seasonal and annual crops, the fee will be collected from the second year of production, while for long-term crops and permanent crops, the fee will be collected from the third or the fourth year of production, such as the planting of fast-growing trees species.
- (v) The forest-based PPP projects that have made agreements with MAFF are not required to pay concession land rental fees, except royalties and premiums, which is considered a substantial incentive to those investors who establish tree plantations under the PPP scheme on degraded forest lands within state forest land.
- (vi) Currently, more than 300,000 ha of the forest land designated as Forest Extension and Restoration Stations (FERS) have been made available for PPP-based tree plantation investment in many provinces.
- (vii) The State will not require the payment of royalties or premiums for the harvesting of forest products and by-products from private forest plantations. The owners of private forest plantations registered with the FA are not required to pay any license fees to harvest and use timber and non-timber forest products from their plantations, including royalty, permit fees for transportation and transport quota.
- (viii) The FA has established 9 nurseries nationwide and other smaller nurseries in the Cantonment of the FA in 25 provinces to produce seedlings for free distribution to the public.
- (ix) The benefit-sharing between the RGC and the approved forest-based PPP project shall be 10/90, meaning that 10% of standing trees will be the share of MAFF, and the other 90% of standing trees will be the share of the private company.
- (x) Tree plantation registered and obtained a Private Forest certificate will have the right to maintain, develop, use, sell, and distribute its products. In the event that private forest owners need technical assistance, the FA could provide technical training services for afforestation and plantation management. Transportation of wood products originating from private forests to supply customers or the local market does not require a permit (LP).

The proposed additional incentives are as follows:

- (i) Updated yearly or regularly (2 or 3-year intervals) on the current market prices of wood products that are included in the export tax formula.
- (ii) Review and remove restrictions to receive any fiscal incentives under Article 14 of the Law on the Amendment to the Investment Law to further encourage the private sector to participate in developing tree plantations for commercial purposes.
- (iii) Equipment and machinery imported for the production of seedlings, and construction of access roads, bridges and buildings for the establishment and development of forest plantations should be exempted from duty.
- (iv) Tax exemption on profit should be given to companies engaged in forest establishment and development for a period of 12 years and for those qualified under QIPs, the tax exemption on profit should be up to 9 years.
- (v) Providing long-term soft loans directly to private companies and/or through financial institutions with or without a government guarantee at low-interest rates.
- (vi) Private companies conducting in-house research in developing high-yielding and disease-resistant planting stock, as well as on improved management practices should be given tax exemption.

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