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 ལུས་ལྷན་སྐོར་ལྷན་པོའི་ཐོན་སྐྱེད་ལྷན་ཁག་།། ལྷན་སྐོར་ལྷན་པོའི་ཐོན་སྐྱེད་ལྷན་ཁག་།། ལྷན་སྐོར་ལྷན་པོའི་ཐོན་སྐྱེད་ལྷན་ཁག་།།  
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 ROYAL GOVERNMENT OF BHUTAN  
 MINISTRY OF ENERGY & NATURAL RESOURCES  
 DEPARTMENT OF FORESTS & PARK SERVICES



DoFPS/FRPMD/FRPIS/09/2023-24/ 418

Date: 9<sup>th</sup> November, 2023

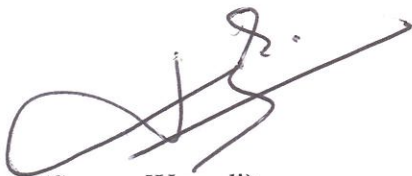
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**Subject: Approval for implementation of timber distribution modality**

The Phase I implementation of Scientific Thinning will be implemented covering three identified thinning areas (Around Royal Thimphu College, Yusipang-Hongtsho, and Kawang). The three identified areas add up to 3,392.29 hectares. Out of 3,392.29 hectares, the authorized agencies will operate approximately 2,779.12 hectares equivalent to 315,000 cft of timber in log form. The Phase I thinning operation shall be carried out by the two identified authorized agencies, Bhutan Board Product Limited (BBPL) and Natural Resources Development Corporation Limited (NRDCL), and shall operate in independent identified thinning sites. The timber thus extracted shall be distributed equally between the authorized agencies (NRDCL and BBPL) and the private parties for onward sale in the market. Therefore, the Department of Forest and Park Services (DoFPS) in consultation with the authorized agencies and the private parties (AWBI) has developed Timber Distribution Modality to facilitate smooth and fair distribution of timber extracted through thinning between authorized agencies and private parties. The modality thus developed is applicable for the distribution of timber extracted through scientific thinning activities in Phase I Implementation within Thimphu Dzongkhag only.

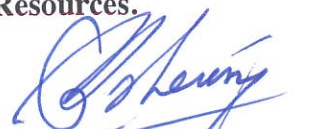
In this regard, the DoFPS as the secretariat of the Timber Working Group would like to seek for an approval of the Ministry for its endorsement and implementation at the earliest please.

Submitted for kind approval,

  
 (Sonam Wangdi)  
 Offtg. Director

*Approved in the overall interest to expedite the timber export with share the modality with Timber Trade Force for their kind information.*

Secretary/Chairman of Timber Working Group  
 Ministry of Energy and Natural Resources.

  
 09/11/2023

Ministry Energy & Natural Resources

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Date 9/11/23



**TIMBER DISTRIBUTION MODALITY  
FOR  
PHASE I IMPLEMENTATION  
OF  
SCIENTIFIC THINNING**

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## 1. Background

Scientific thinning is one of the tools in sustainable forest management which is carried out with an objective to improve the productive potential of the existing forest stand besides generating thinned timber volume for economic purposes. Therefore, the Department of Forest and Park Services (DoFPS) in co-ordination with authorized agencies shall carry out scientific thinning in the country from October, 2023 till December 2026 covering all the Dzongkhags. The thinning shall be carried out in two Phases viz Phase I from 1<sup>st</sup> October 2023 to 31<sup>st</sup> December 2023 and Phase II from 1<sup>st</sup> January 2024 till 31<sup>st</sup> December 2026.

The Phase I implementation will be implemented covering three identified thinning areas (Around Royal Thimphu College, Yusipang-Hongtsho, and Kawang). The three identified areas add up to 3,392.29 hectares. Out of 3,392.29 hectares, the authorized agencies will operate approximately 2,779.12 hectares equivalent to 315,000 cft of timber in log form. The extraction from the remaining area of 613.17 hectares equivalent to 69,499.50 cft of timber in log form will be carried out during the Phase II implementation. The Phase I thinning operation shall be carried out by the two identified authorized agencies, Bhutan Board Product Limited (BBPL) and Natural Resources Development Corporation Limited (NRDCL), and shall operate in independent identified thinning sites. The timber thus extracted shall be distributed equally between the authorized agencies<sup>1</sup> (NRDCL and BBPL) and the private parties<sup>2</sup> for onward sale in the market. Therefore, this modality is developed to facilitate the smooth distribution of timber thus extracted between the authorized agencies and private parties.

## 2. Objectives

The main objective of this modality is to facilitate smooth and fair distribution of timber extracted through thinning between authorized agencies and private parties.

## 3. Scope

This modality is applicable for the distribution of timber extracted through scientific thinning activities in Phase I<sup>3</sup> Implementation within Thimphu Dzongkhag only.

## 4. Modality for Timber Distribution

4.1. In principle, the total timber extracted from the Phase I implementation of scientific thinning shall be allotted to authorized agencies and private sectors coordinated by the Association of Wood-Based Industries (AWBI) on equal proportion of 50:50 ratio.

<sup>1</sup> "Authorized Agency" means any agency authorized by the Ministry or Department to carry out scientific thinning as per the approved Action Plan

<sup>2</sup> Private parties means and include all Wood Based Industries in the country with valid business license

<sup>3</sup> Phase I of thinning activities within Thimphu Dzongkhag from 1<sup>st</sup> October, 2023 to 31<sup>st</sup> December, 2023

- 4.2. The timber extracted may be allotted from the timber landing site without having to transport it to timber depots.
- 4.3. The allotment of timber will be carried out alternatively on cable line basis wherein the timber extracted from the odd number cable lines will be allotted to the authorized agency and even number cable lines will be allotted to the AWBIs. For example, the first cable line will be allotted to the authorized agency and the timber from second cable line will be allotted to AWBIs and so on.
- 4.4. In the event, the timber allotment from the site is not feasible as per clause 4.2 and 4.3, the timber shall be transported to a convenient depot by the authorized agencies for onward distribution and disposal.
- 4.5. The volume of timber allotted to the authorized agencies and AWBIs will be recorded and the difference in the ratio of timber allotted will be subsequently adjusted from the last few cable lines in order to ensure that distribution ratio of 50:50 is maintained at the end of the Phase I implementation.
- 4.6. AWBI shall co-ordinate the distribution of its 50% share among the WBIs through lucky dip system. In doing so, AWBI shall submit a list of eligible WBIs to authorized agencies with a copy to concerned CFO for allotment of cablelines based on the lucky dip ranking.
- 4.7. The authorized agencies in collaboration with the concerned CFO shall allot even number cablelines sequentially to eligible WBI based on the WBI's ranking determined through lucky dip. Every eligible WBI shall be allotted one cableline each as per the rank determined through lucky dip.
- 4.8. The authorized agencies shall officially notify the WBI on allotment of the cablelines. The WBI shall lift the allotted timber from the cableline within 10 days from the date of allotment with full payment at approved rate.
- 4.9. In the event, the WBI fails to lift the allotted timber as per clause 4.8, the authorized agencies shall have the liberty of either allotting the timber to next eligible WBI or retaining the timber for their own disposal.
- 4.10. The authorized agencies and the concerned WBI shall mutually arrange loader machines at the depot/site at mutually agreed price.
- 4.11. The Chief Forestry Officer (CFO) of the concerned field office shall be responsible for coordinating the timber distribution between the Authorized Agency and AWBI to ensure that a timber distribution ratio of 50:50 is ensured on completion of Phase I implementation.
- 4.12. The DoFPS, through concerned CFO shall facilitate issuance of all necessary forestry documents to both the authorized agencies and private sectors as may be required for export or domestic supplies as per the existing FNCA<sup>4</sup> and FNCRR<sup>5</sup>.

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<sup>4</sup> Forest and Nature Conservation Act.

<sup>5</sup> Forest and Nature Conservation Rules and Regulations.

However, fulfillment of any other additional requirements<sup>6</sup> which are not within the purview of DoFPS shall be the responsibilities of the concerned parties.

## **5. Timber Price and Royalty**

- 5.1. The allotted timber shall be sold at a price not less than the floor price for export approved by the Ministry. For timber allotment in Thimphu to the private parties, the price shall exclude the transportation cost to Phuntsholing from the approved floor price.
- 5.2. However, once the timber has been purchased through allotment, the parties shall have the liberty to determine its own export price which must not be less than the floor price for export approved by the Ministry.
- 5.3. Both authorized agencies and WBIs shall be allowed to export in sawn and log form at a price not less than the floor price for export approved by the Ministry
- 5.4. All prime timber acquired by authorized agencies as part of its share in the allotment must be exported and shall not be allowed to be sold within the domestic market. However, the WBIs shall have the liberty to sell the timber either in the domestic market at price not exceeding NRPC approved price or export in any form at a price not less than the approved floor price.
- 5.5. In the event if the species are not permitted to be imported by the importing country, the authorized agencies and WBIs shall be allowed to dispose the timber in the domestic market within the country.
- 5.6. The royalty shall be realized on a standing volume basis for timber allotted to authorized agencies as follows:
  - The royalty for the log shall be realized on actual production volume.
  - The royalty for lops and tops, volume of which shall be determined as the volume difference between standing volume and the actual log production volume (Lops and Tops vol = Standing vol – actual Log vol) shall be realized as prescribed for firewood.
- 5.7. The royalty for all timber allotted to authorized agencies shall be realized within 1 (one) month from the date of receiving the royalty statement from the concerned CFO.

## **6. Offences and Penalties**

- 6.1. The Department of Forests and Park Services shall monitor the implementation of this modality regularly and violation of any provision of this modality shall be an offense and liable to punishment under the Forest and Nature Conservation Act of

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<sup>6</sup> Additional requirements shall mean any other additional documents, phytosanitary certificates, processes..etc that needs to be fulfilled for export or domestic supplies as per the requirements of line agencies both within and outside the country.

Bhutan 2023 and the existing Forest and Nature Conservation Rules and Regulations of Bhutan.

- 6.2. If the timber in log or sawn form are not sold as per clause 5.4, authorized agencies or WBI shall be liable to pay fines as per Forest and Nature Conservation Act of Bhutan and Consumer Protection Act of Bhutan.
- 6.3. Non-deposit of royalty shall result in the imposition of penalty as per existing financial rules on government revenue.

## **7. Monitoring**

DoFPS through the concerned field CFO, shall monitor the following:

- 7.1. Authorized agencies shall ensure that all marketable timbers are converted into suitable lengths of logs or sawn timber.
- 7.2. Ensure WBI sells sawn timber as per clause 5.4 of this modality.

## **8. Validity of Modality**

This modality is developed for the distribution of timber extracted by authorized agencies during phase I implementation of thinning activities within Thimphu Dzongkhag and shall be subject to revision if deemed necessary.

