



Lao People's Democratic Republic  
Peace Independence Democracy Unity Prosperity

Ministry of Agriculture and Forestry  
Department of Forest Inspection

Vientiane, Date 20.5.2016

## Report

To : Mr. Khamphout Phandanouvong, the Head of National  
Development and Support Committee, FLEGT/VPA

**Subject :** Report on the results of Technical Working Group (TWG) Meeting  
26th to 27th of April 2016 on the Progress and Workplan of  
FLEGT/VPA

- Pursuant to the Decision of the Minister of Agriculture and Forestry, No. 1894/MAF, dated 10 August 2012, regarding the establishment and operation of the Department of Forest Inspection;
- Pursuant to the Decision of the Minister of Agriculture and Forestry, No. 2598/MAF, dated 16 October 2015, regarding the establishment of the Negotiation Team on VPA between Laos and EU;
- Pursuant to the letter for organizing the meeting No. 0645/DOFI, dated 8 April 2016 on the Technical Meeting of TLD Structure, TLD of LL1-3, Control supply chain and verification of production forest and product scopes from 26<sup>th</sup> to 27<sup>th</sup> April 2016.

On behalf of the negotiation secretariat on VPA between Laos and EU, we have the honour to inform you that the Technical Working Group Meeting was held in Vientiane Plaza Hotel, between 26<sup>th</sup> and 27<sup>th</sup> April 2016, and it was hosted by the Department of Forest Inspection, Ministry of Agriculture and Forestry and supported by ProFLEGT/GIZ. The meeting was attended by the representatives of Technical Working Group and related stakeholders from MAF, MOIC, MONRE, MPI, MOJ, MOF, relevant staffs from the three pilot provinces (Sayabouly, Khammouane and Attapue), private sector, CSO, and FLEGT Standing Office. The meeting was proceeded and chaired by Mr. Manohack Rasachack, Director General of Department of Industry and Handicraft, MOIC.



## **I. The objectives of the meeting**

The objectives of the meeting were to:

- Understand the progress and road map of the implementation of FLEGT/VPA process in Lao PDR in 2016,
- Understand and provide comments on improvement of the implementation and development of TLD of production forest (Log landing 1-3)
- Understand and provide comments on products scope, market destination and timber sources, and
- Study of timber supply chain control and verification of production forest.

## **II. Proceeding of the meeting**

The meeting was proceeded through the presentations and discussions on : the progress and road map of the implementation of FLEGT/VPA process in Lao PDR in 2016, TLD matrix structure, draft TLD of LL1-3, Structure of TLD standards for Lao PDR, products scope, market destination and timber sources, and the study of timber supply chain and verification of production forest. A representative of European Forest Institute (EFI) was supposed to give an presentation of lessons learnt of TLD development from other VPA countries, but unfortunatly he couldn't join the meeting.

## **III. The results of the meeting**

### **3.1 The progress and workplan on implementation and FLEGT/VPA project in Lao PDR in 2016**

- 1) The meeting agreed with the progress made on the implementation of FLEGT/VPA in Lao PDR particularly the progress made by the Thematic Expert Group on LL1-3. Thematic Expert Group on OSH and Thematic Expert Group on plantation are also preparing drafts for TLD which will be shared in the next TWG's meeting. Other Thematic Expert Groups are also under preparation for establishment.
- 2) The meeting agreed with the workplan on drafting the TLD of the Thematic Expert Groups (OSH, LL1-3, Private sector forum, and export procedures) which will be completed as second draft in October 2016 and used for the first face to face negotiation with EU planned for November 2016. However, some participants raised a concern that drafting TLD in Lao PDR has been done in an accelerating process, in fact the process would take longer time based on experiences of other countries to ensure that the TLD reflects the real context of Lao PDR. It was clarified that due to the fact that the forestry legality compendium was developed, therefore drafting TLD by Thematic Expert Groups in Lao PDR may take shorter time. It was also stated that it is



a first draft and during the negotiation process there will be further opportunities for all stakeholders to provide more inputs.

- 3) The meeting also agreed and supported the workplan of drafting the Decision on COC and the Guidelines on Implementation of the COC in wood processing sector which will be developed by MOIC in cooperation with private wood processing companies. The Decision and Guidelines are planned to be completed in August 2016.

### **3.2 Matrix Structure of TLD consisting of Principle, Criteria, Indicator and Verifier**

The meeting agreed with the the proposed matrix structure of the TLD which consists of principle, criteria, indicator and verifier. This will be used by Thematic Expert Groups to draft the TLD based on each timber source.

### **3.3 Draft TLD of LL1-3 of Production Forest**

- 1) The representative of the thematic expert group of LL1-3 presented the progress and the draft TLD LL1-3 of production forest. The drafting of TLD was based on the Forestry Legality Compendium with special reference to the flow charts along the supply chain and involvement of different stakeholders as members of the thematic expert group. This draft TLD consists of 8 principles in which 4 principles were presented at the meeting. These include: Principle 1.3 "Harvesting proposal and approval", Principle 1.4 "Harvesting operation", Principle 1.7 "Timber sales" and Principle "1.8 "Benefit sharing". At the meeting, it was proposed that Bank Statement needs to be included as verifier in the principle "benefit sharing" to prove that benefit is really shared based on the defined percentage. In addition, some participants proposed that the principle, criteria and indicator defined in the TLD shall be simple and shall not be beyond the minimum requirements otherwise it may lead to be complicated during the practical implementation. Furthermore, it was proposed that the process of drafting TLD requires further involvement of CSO in order to give necessary inputs. For this a training workshop with 20 participants from national NPA's held on 25th of April was organized to familiarize CSO's with the methodology of TLD development and to strengthen their involvement in the process.
- 2) After the comments made by the members of TWG, the Thematic Expert Group LL1-3 agreed to continue to improve the draft TLD and to organize with pilot province (Khammoune) consultations to improve a second draft of TLD to be presented to the TWG in July 2016.



### **3.4 The First Structure of TLD for Lao PDR based on Timber Sources**

- 1) There was a presentation on the First General Structure of TLD of Lao PDR based on Timber Sources following the models from Indonesia and other countries. The meeting agreed that 6 timber sources will be used for drafting the TLD which include : production forest, conversion area, plantation, village use forest, confiscated timber and imported timber.
- 2) The legality definition standard which will be developed by the TEGs in details is divided into 6 timber sources of legality definition standard and 3 cross-cutting legality definition standard. These are as follows:

#### **A. Timber sources of legality definition standard**

- Legality definition standard 1: Production forest
- Legality definition standard 2: Conversion area
- Legality definition standard 3: Plantation
- Legality definition standard 4: Village use forest
- Legality definition standard 5: Confiscated timber
- Legality definition standard 6: Imported timber

#### **B. Cross-cutting legality definition standard**

- Legality definition standard 7: Labor and social welfares
  - Legality definition standard 8: Wood processing
  - Legality definition standard 9: Product transport, trade and export
- 3) Some comments were made on the Legality definition standard 5 « Confiscated timber » and Legality definition standard 6 : « Imported timber » that these need to be carefully considered before integrating into the TLD because these timber sources are not clear and more complicated.



### **3. 5 Scope of products, market destination and timber sources**

1) There was a presentation on the scope of products, market destination and timber sources based on the findings of the the JEM in December 2015 and further discussions. During the workshop , 3 group works were established to discuss these three issues and prepare recommendations for the upcoming national steering committee in June 2016. The results of each group work are summarized as following :

#### **A. Scope of products**

- The meeting agreed that the product scope shall be considered the wide product scope due to having few advantages such as: there are many options of wood products for all level of wood processing operator, income distribution to all level of wood processing operator including local communities, creating opportunities for skill development and job of wood product processing for all level of wood processing operator, many options of market and wood product value-added.
- The meeting agreed to consider the scope of products which shall cover : (1) the core products such as: logs, sawn wood, veneers, plywood and additional products such as: furniture, charcoal (Huge quantity from plantation), wooden packing material, wood pulp, paper and paper products, and kitchen and tableware, handicraft based on waste wood from factory), and wood products for construction.

#### **2. Market destination**

- The meeting agreed that FLEGT VPA shall cover the EU market and all other export markets including domestic market to ensure that wood product trading complies with the same system of laws and regulations. The group also developed measures to ensure by including the domestic market into the cope of the VPA does not have negative impacts on small scale wood processing companies (Safeguards).

#### **3. Timber sources**

- Beside the production forest, conversion area, and plantation, the meeting agreed to include village use forest into the TLD development because it creates substantial benefits for the country such as: it will promote local people to involve in forest protection and prevent disorder of harvesting, they can use forest and wood products (Forest inventory and management plan) for sale to generate income for village development and including income generation to the state, there will be more strict forest management system in place (Outside 3 forest categories), and increasing the forest cover in the country.



- However, for the time being there are still some constraints for example : there is no legislation to support the village use forest, it is prohibited for timber sale from village use forest due to the law is not allowed. It was proposed that it is needed to conduct further assessments on forest inventory and planning of forest outside the 3 forest categories to be able for the villagers to plan, manage and harvest to generate income for them to ensure the sustainable forest management and use in the future.

### **3. 6 The study of timber supply chain control and verification in production forest**

1) The timber supply chain control and verification in production forest were studied through literature review, interviewing stakeholders and data collection in the field particularly in Khammouane Province. Generally, the legislation related to production forest management is in place and there is a good system of timber supply chain and verification which could be studied and adjusted to the timber supply chain and verification under FLEGT VPA process in the future.

The following list provides a summary of the recommendations of the study:.

1. A CoC system according to 0962/DOF 2010 is theoretically in place but needs a review:
  - Clarify role and responsibility of actors
    - include missing actors, namely DOFI and line agencies and MPWT and line agencies (vehicle registration, transport plan, checkpoint/weighbridge)
    - include responsibilities of the actors which are not covered by the current CoC system, e.g. MOIC: registration and monitoring of enterprises, vehicle importing and registration; DOF: chainsaw registration and implementation of 0080/MAF 2012
  - Improve structure of document categories of table in 0962/MAF (2010) and clarify which documents (originals, copies) need to be stored by which actor of the supply chain
  - Review and amend logging contract template
  - Evaluate how the risk of a wrong allocation of Lao names to scientific names or common/trade names, especially given for rarer tree species, can be minimized. At the latest for the issuance of a FLEGT license, scientific names or common/trade names of tree species need to be indicated on the issued license. A consistent codification system based on existing regulatory documents and forest inventory species list may be envisaged.
  - Integrate state assets registration (entry and deletion of log lists in state assets registry). Reconsider numeration for Form 4 in this regard.
  - Guide the review according to the ASEAN guidelines maxim : "It is desirable, wherever possible, existing documents and record-keeping systems are used in developing the CoC system" (ASEAN, 2012),



2. Improve traceability of logs
  - Close the missing link for annual coupes (compartments) on logging permits
  - Clarify the status of pre-harvest inventory maps and tree location maps and improve layout of the maps. Assess GPS mapping (pre-harvest inventory, tree marking) and timber tracking technologies as an alternative solution to purely paper maps and paper forms.
  - Clarify the identification of batches at LL2 and the link between log registry (Form 3) and log lists (Form 4)
3. Amend implementation of post-harvesting operations. Compliance with the legally binding procedures for all four post-harvesting operations will be mandatory during the verification of timber legality in the TLAS
4. Continue to develop and implement internal management audits system (DOF) and a regulatory compliance audit system (DOFI) and to implement STEPP (DOFI). These activities are important stepping stones for a future TLAS
5. Review and update regulatory framework
  - PSFM procedures/guidelines/legislation and regulatory documents on compliance monitoring of forest management prescriptions (potential of synergies with F-REDD project)
  - Procedures/guidelines/legislation on compliance monitoring of legality of forest management (evaluation under way)
  - Procedures/guidelines/legislation on compliance monitoring at LL3
6. Use findings of the present assessment for the evaluation of CoC system of other timber sources (e.g. Conversion areas)
7. Start drafting of a verification methodology with a first focus on institutional setup (state authorities, private sector, CSOs,

There is a detailed report available, which will be for public access on [www.flegltaos.com](http://www.flegltaos.com)

#### **IV. Summary and next steps**

##### **4.1 Results of the meeting**

The meeting was successfully proceeded and met the set objectives and has good atmosphere in giving constructive feedback and comments. Through the two days of the TWG meeting, it can be summarized as follows :

- Lao PDR has made a good progress in preparation of VPA negotiation with EU,
- The meeting agreed on the matrix structure of TLD consisting of principle, criteria and indicator which will be used as reference for drafting the TLD by TEGs based on timber sources,
- The Thematic Expert Groups have made good progress in drafting the TLD based on timber sources under their responsibility,

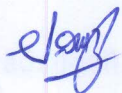


- The meeting agreed with the proposed structure of legality definition standard for Lao PDR which include 6 timber sources of legality definition standard and 3 cross-cutting legality definition standard, and
- The participants understand the advantages and disadvantages of timber supply chain control and verification system of production forest in order to adjust to the timber supply chain and verification of FLEGT/VPA.

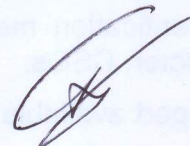
#### **4.2 Next steps**

- Submit the results of this meeting to the NSDC FLEGT/VPA for information and approval of some critical issues such as: matrix structure of TLD, structure of legality definition standard for Lao PDR including scope of products, market destination and timber sources.
- Each thematic expert group will continue to draft the TLD based on the legality definition standard which has initially agreed to be used as information and document for negotiation with EU in November 2016.
- The NSDC will present the detailed results of this meeting to the Steering Committee in early June 2016 order to get direction on development of FLEGT/VPA.
- The ProFLEGT-GIZ will continue to support present the results of study of timber supply chain and verification of production forest to wider audience of DOF for getting direction for improvement of legislation and regulation related to this study.

Therefore, it is reported to you for your information and direction for the implementation of FLEGT/VPA in the future.



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**Annexes : All presentations of the workshop and results of three working groups**