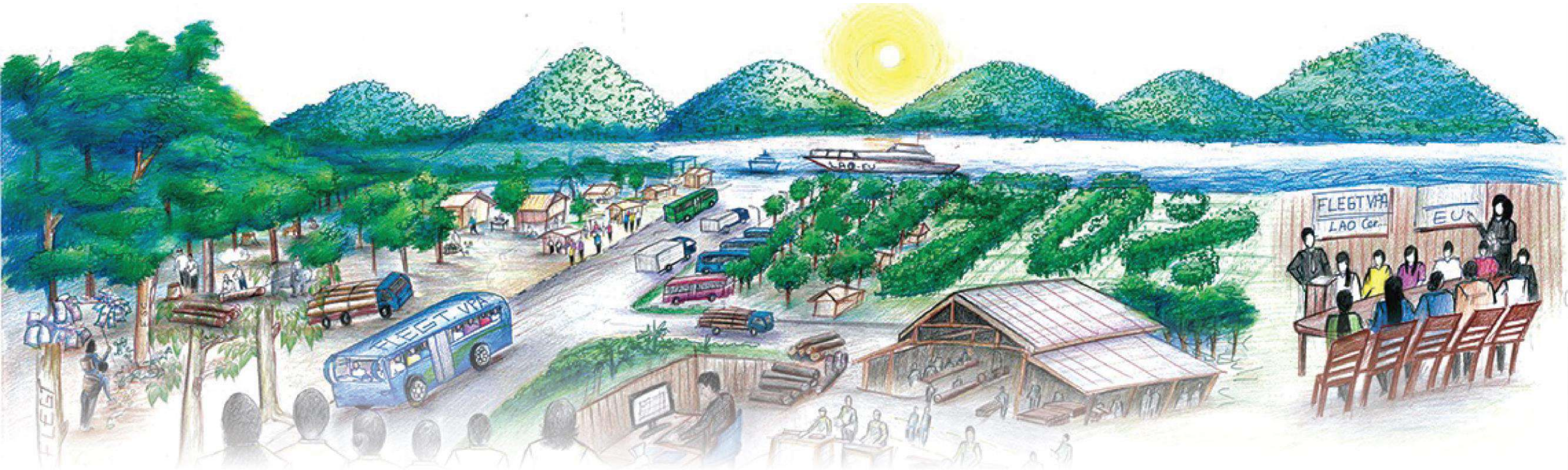


FLEGT

ກົມກວດກາປ່າໄມ້
ແຜນງານ Lao-EU FLEGT VPA
ການຄ້າໄມ້ ທີ່ຖືກຕ້ອງຕາມກົດໝາຍ



ANNEX II - TLAS

Negotiation Support and Development Committee (NSCD) Meeting

Date: 07-08.04.2022, NSDC

Presented by: Mr. Khamvene Keomanivong, Head of FLEGT Standing Office

Contents

Part 1: Background TLAS Annex and Verification Principles

Part 2: Verification of Legal Compliance (Appendix A)

Part 3: Verification of Supply Chain Control (Appendix B)

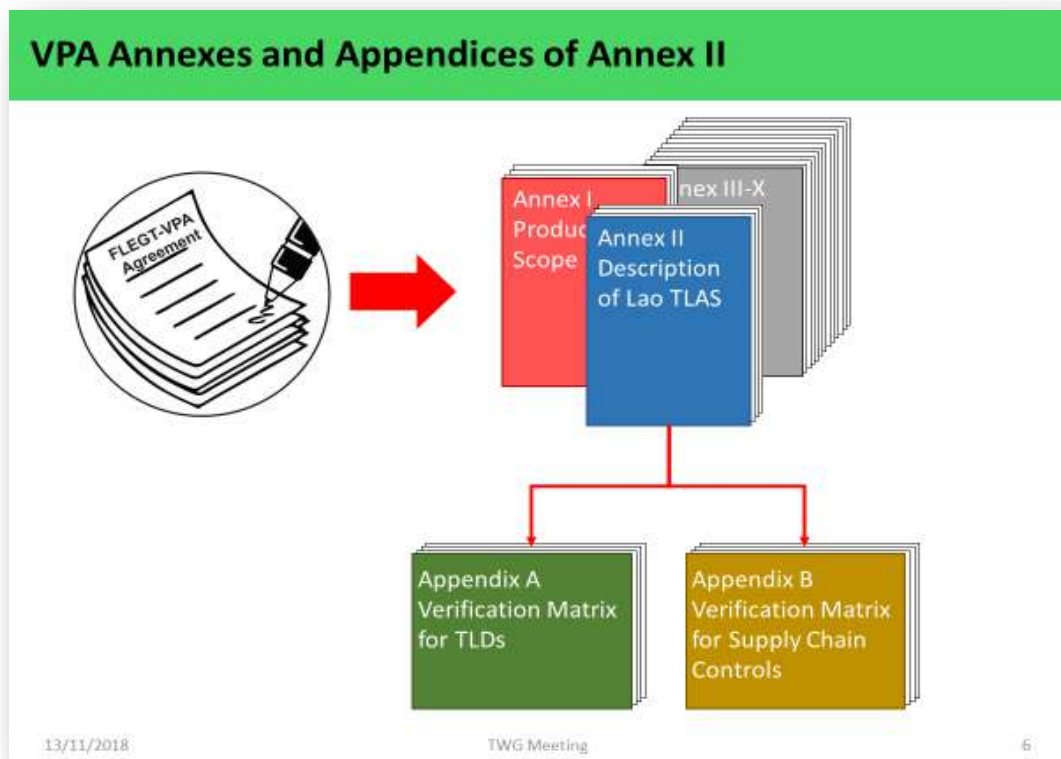
Part 4: Open Issues and Need for Clarification

Part 5: Proposal from TWGs

Part 1

Background TLAS Annex and Verification Principles

VPA structure



Structure confirmed during TWG meeting from 26th Nov. 2021

VPA text

Annex I: Product Scope

Annex II: Timber legality assurance system (TLAS)

- Appendix A TLDs matrix and related verification
- Appendix B SCC and related verification
- (Appendix C FLEGT licensing)
- (Appendix D Independent evaluation)

Annex III: Conditions governing the release for free circulation

Annex IV: Requirements and technical specifications of FLEGT Licenses

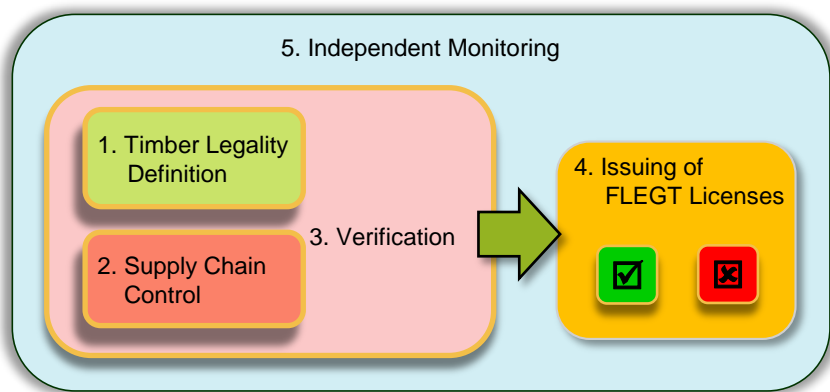
Annex V: Terms of Reference for Independent evaluation

Annex VI: Criteria for assessing the operability of TLAS

Annex VII: Public disclosure of information

Annex VIII: Functions of Joint Implementation Committee

Background: Verification element in the TLAS



- Verification function
 - **Verification of legal compliance** (TLDs) of operators and timber products
 - **Verification of supply chain control** of operators
- First concepts presented during different stakeholder meetings since 2018
- General agreement DOFI / POFI = Verification Body (consultation TWG / NSDC in October 2019)
- Piloting of verification procedures in February – March 2021
- Development of Appendix A & B during TWG consultation November 2021 – March 2022

Overview of current practice of monitoring and inspection

Regulatory inspection

- Line ministries (MAF, MOIC, MONRE, MOF, MLSW, ...) usually issue their legislation and proceed regulatory inspection to ensure the compliance by the operators

Investigation/Interrogation

- DOFI/POFI conduct investigation-interrogation based on reported cases and submit case report to prosecutor and court for punishment.

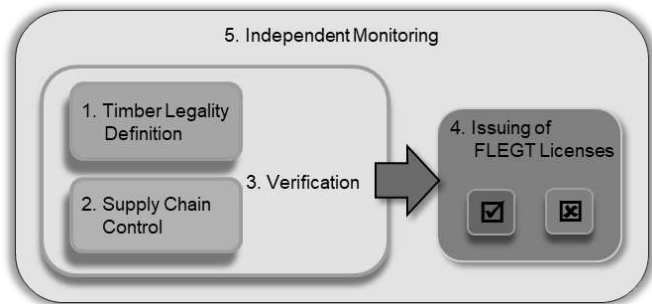
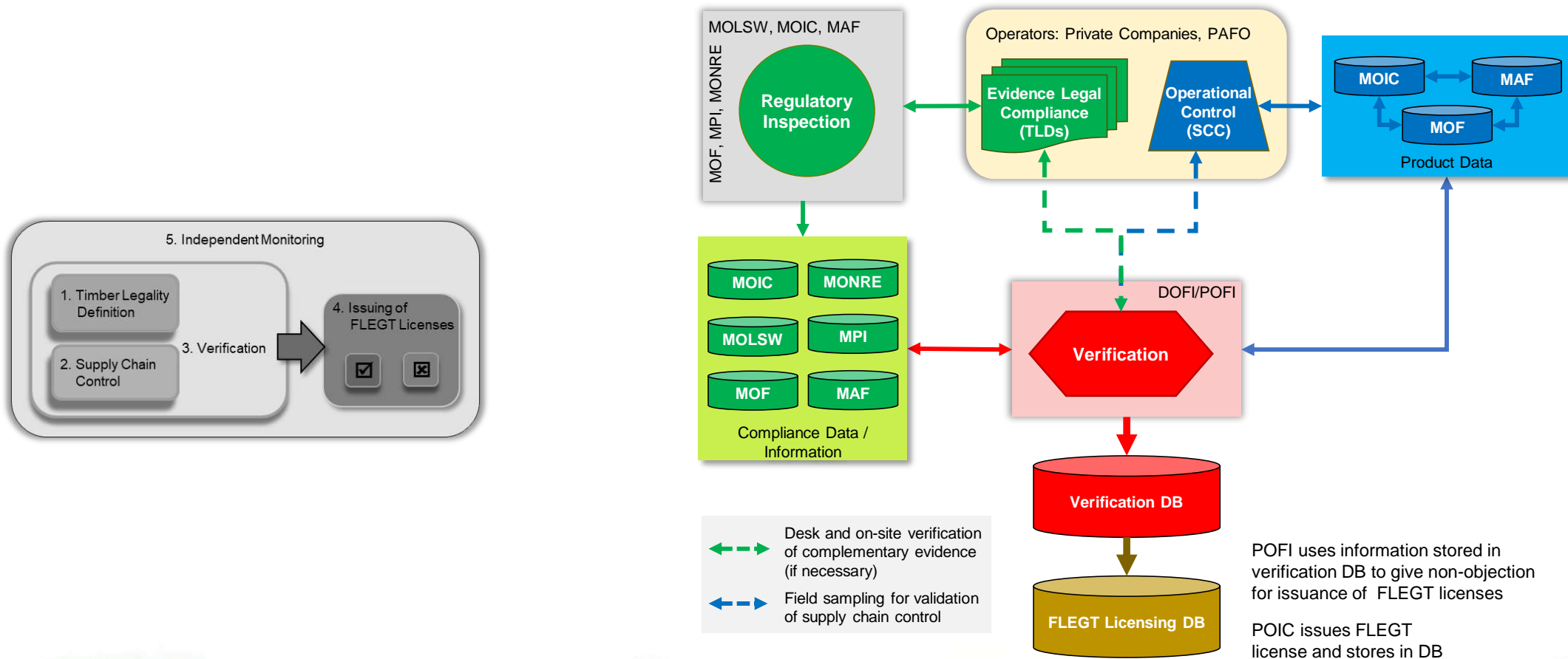
New mandate of DOFI

- Moving to regular/systematic inspection or called verification

Procedures of legal compliance, verification and FLEGT licensing

No	Procedures	Remarks
1	Operators to carry out operational control to comply with TLDs (Indicators/verifiers) and SCC (product information: timber address, volumes)	Operators
2	Regulatory authority: Proceeds regulatory inspection to ensure that operators have complied with TLDs and SCCs	Line ministries
3	Verification body: Uses information from regulatory authority or may proceed sampling checking to issue no objection statement to POIC as licensing authority	MAF
4	POIC as licensing authority to issue FLEGT license to operators for export	MOIC

Verification as complementary function to regulatory inspection and IMS (1)



Verification as complementary function to regulatory inspection and IMS (2)

Assumptions:

- Line agencies continue to implement their legal mandate
- DOFI / POFI is making use of evidence collected by line agencies as much as possible

Challenges

- Access of DOFI to respective information of line agencies (data sharing policy)
- Product data for wood processing and trade goes beyond quarterly reporting according to 0777/MOIC

Way forward: endorse legal framework

- verification mandate for DOFI/POFI
- Endorse data sharing between DOFI and line agencies
- Improve product data reporting for wood processing and trade
- Consider TLAS Decree implementation (example of VN)
- Start development of IMS in implementation phase once TLAS Annex is set-aside

Reminder: Verification Manual for Implementation

VERIFICATION PROCEDURES

1. Planning and scheduling

- Identification of operations (e.g. forest areas and processing mills) subject verification
- Scheduling of verification missions and/or sessions
- Nomination of verification personnel for each mission and/or session
- Review and approval of verification plans and schedules

2. Conduct of verification

- Procedures
- Checklists
- Reporting of results (compliance or non-compliance)

3. Handling of non-compliances

- Remedial actions
- Assessment of remedial actions
- Closing of non-compliances

- In Annex II, verification procedures are **only outlined**.
- Manual is not part of TLAS Annex and will be developed during implementation phase of VPA
- Manual is part of a comprehensive management system of the verification body, including definition of organizational structure, resources and internal quality control.

Verification Procedures: Means



Document review
(including written records)



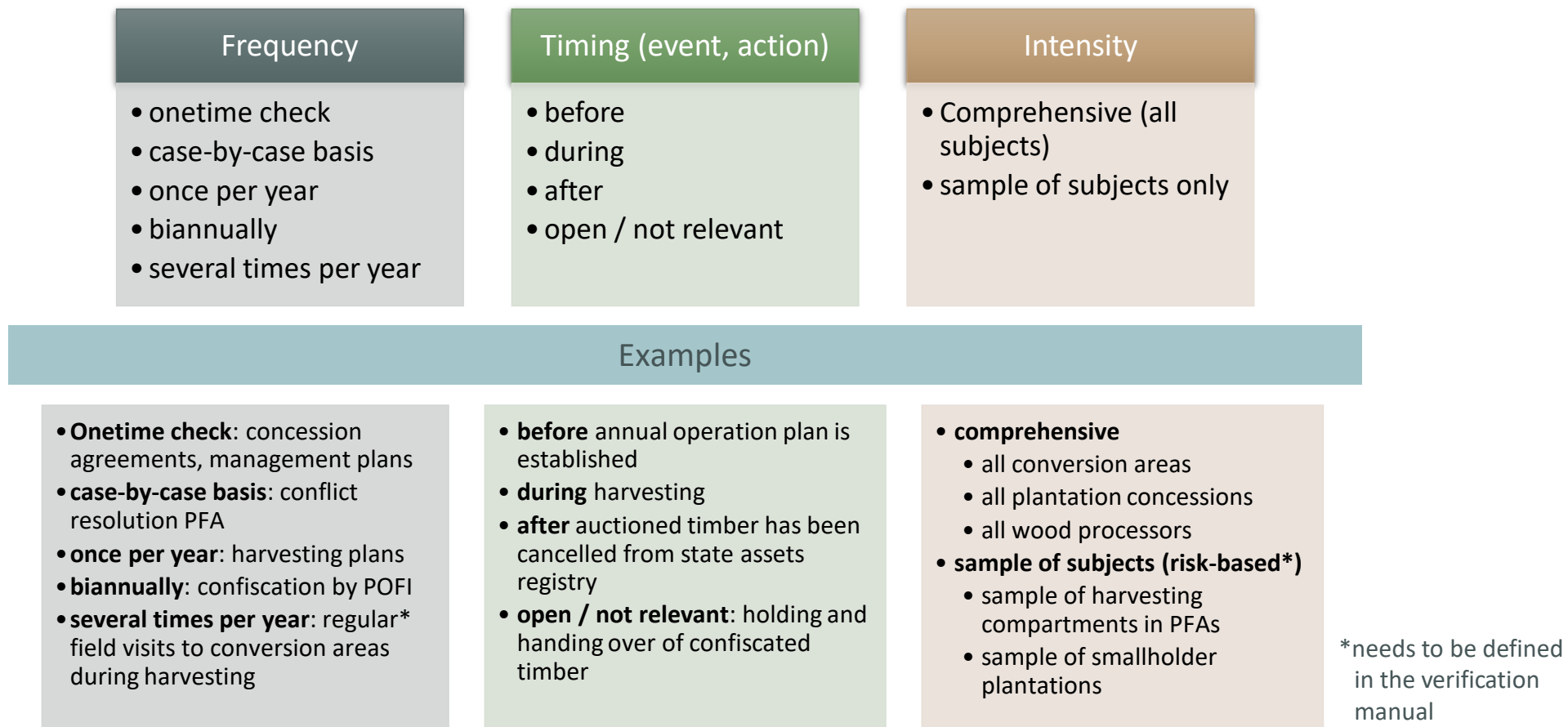
Consultation with
operators, authorities, etc.



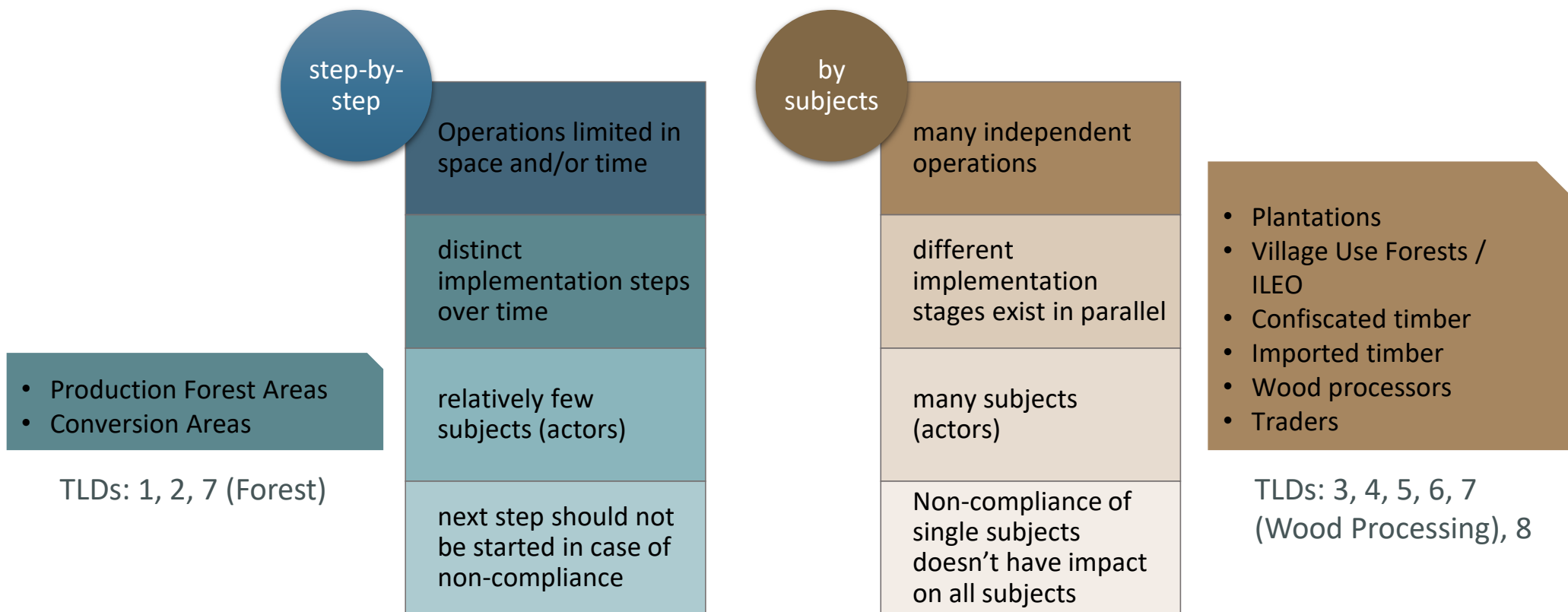
Field or site observations /
measurements

- Document review and observations / measurements for supply chain control are often based on sampling
- Sampling size will be defined in the verification manual
 - on the basis of accepted discrepancies for validation / reconciliation
 - with appropriate statistical methods

Verification Procedures: how often, when, who?



Verification Procedures: Approaches



Remark: Verification procedures have been further developed based on the experiences of piloting in 2021 (conversion area Nam Kong 2 in Attapeu and plantation timber in Vientiane Province (Burapha) and Saravan (Douangdy). Due to Covid restrictions, a planned piloting for timber from other sources could not be implemented in Q4/2021 and Q1/2022)

Part 2

Appendix A

Structure of Appendix A

Proposal TWG: combine TLD matrix with verification of legal compliance of operators and timber products

PRINCIPLE X.1 TEXT		
Criterion X.1.1 Text		
Indicator	Verifiers	Legal references
x.1.1.1 Text	x.1.1.1.1 Text	• Ref
	x.1.1.1.2 Text	• Ref
Regulatory Inspection	Verification	
Inspected and endorsed by:	Verified by: - POFI or DOFI	
	Verification means: - Document review - Consultations - Field visits	
Information stored by:	Verification frequency, timing and intensity: - Description frequency - Description timing - Description intensity	

- content TLD
- information on regulatory inspection
 - who is responsible?
 - who is storing information?
- verification procedure
 - who (POFI or DOFI)
 - how (verification means)
 - when (frequency/timing and intensity)

Systematics of Appendix A

Appendix for each existing TLD:

- [Appendix A1: Production forest areas](#)
- Appendix A2: Conversion areas
- Appendix A3: Plantations
- Appendix A4: Natural timber from VUF and ILEO
- Appendix A5: Confiscated timber
- Appendix A6: Imported timber
- Appendix A7: Labour obligations
- Appendix A8: Wood processing and trade

Summary TWG Meeting on Appendix A

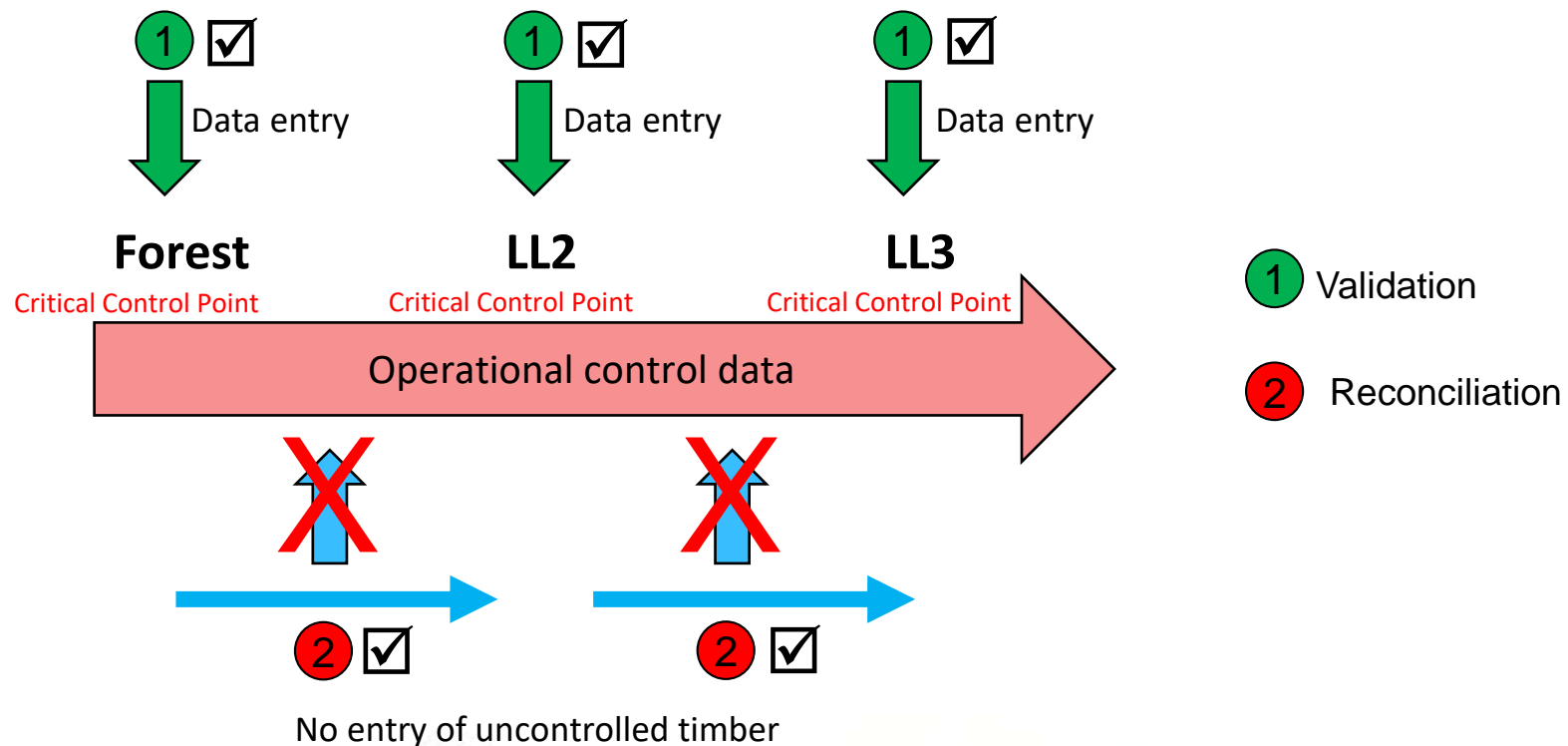
- Indicators and legal references amended
- Open topics / gaps discussed and commented (see also synopsis Part 4)
- A3 (Plantations): Suggest to move export procedures (3.4.2.2 – 3.4.2.4) to TLD 8, separating by plantation and natural timber
- A7: Verifiers changed to requirements of operators (not “Inspection Report from Labor Inspection Organization”)
- A8: not discussed during TWG. Mandates of MAF / MOIC need to be clarified
- POFI suggested as main verification body, central level verifiers to be supported by DOFI

Part 3

Appendix B

Verification of Supply Chain Control

Systematic check of data and movements of logs and timber products in supply chain



Structure Appendix B

PFA and conversion areas (Appendix B1 & B2)

Site	Critical Control Point	Operational control			Verification step-by-step (POFI)		
		Activity	Supply chain records	Responsibility	Validation (field)	Reconciliation (IMS)	Timing
<i>Location</i>	<i>Supply chain step with critical control point</i>	<i>Description of activity</i>	<i>Records necessary for traceability (forms, certificates of origin, invoices)</i>	<i>Responsible entity (for PFA and conversion areas: gov. body)</i>	<i>Description of checking in the field</i>	<i>Description of analysis of data in IMS</i>	<i>Timing of verification in the field</i>

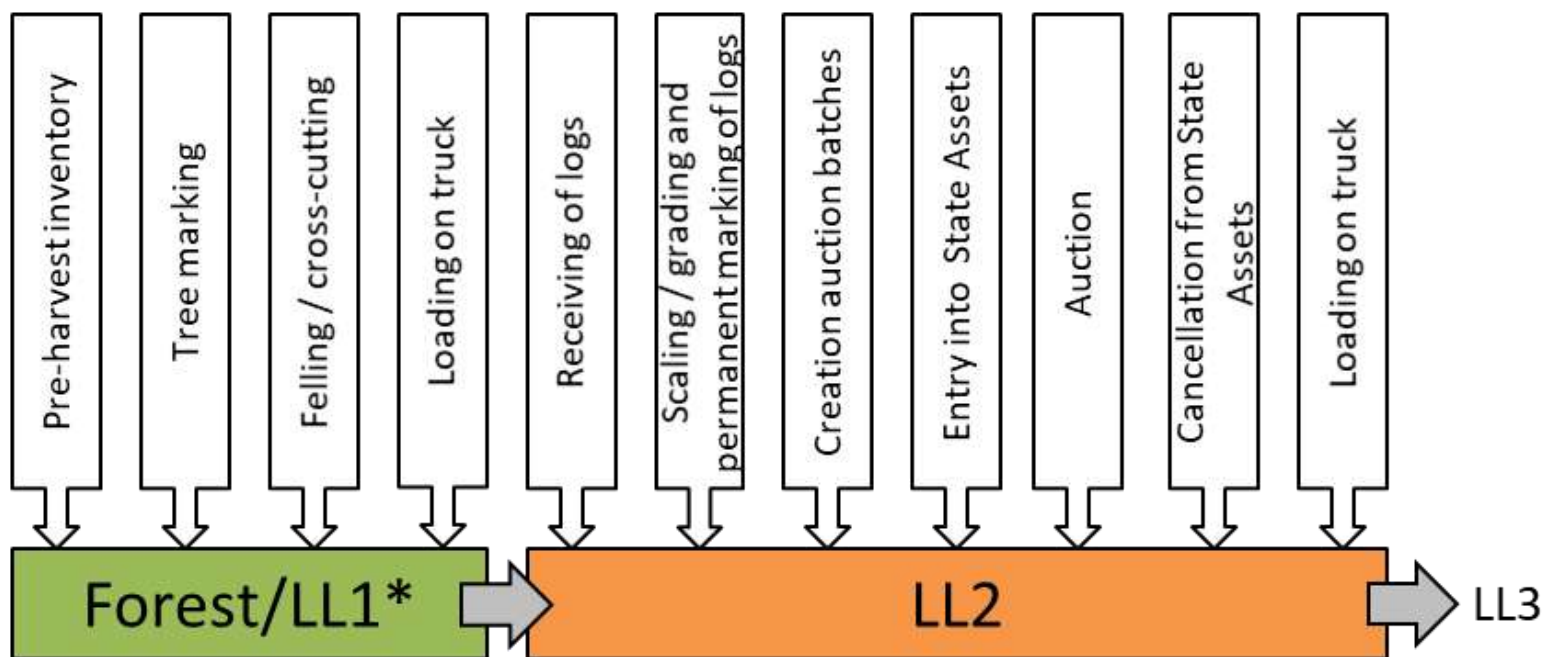
Structure Appendix B

All other sources, wood processing & trade

Proposal TWG: Indicate only supply chain records not complete supply chain information!

Site	Critical Control Point	Operational control			Verification by subjects (POFI)		
		Activity	Supply chain records	Responsibility	Validation (field)	Reconciliation (IMS)	Verification Procedures
<i>Location</i>	<i>Supply chain step with critical control point</i>	<i>Description of activity</i>	<i>Records necessary for traceability (forms, certificates of origin, invoices)</i>	<i>Responsible entity (Private sector or government body)</i>	<i>Description of checking in the field</i>	<i>Description of analysis of data in IMS</i>	<i>Frequency, Timing and Intensity of verification missions</i> <i>Short narrative of implementation</i>

Critical control points: Example PFA/CA



*LL1 only in sloping terrain with additional hauling from felling site to LL1

SCC Information in Forms (Example: Transport Slip PFA)

Forestry Address / origin


Product identification

Product specification

Management information

Not supply chain information in the strict sense, yet used for management / control (e.g. responsibilities, billing of services)

FORM 3A



Lao People's Democratic Republic
 Peace Independence Democracy Unity Prosperity

TRANSPORT SLIP FROM LOG LANDING I TO LOG LANDING II IN PRODUCTION FOREST AREAS

Management plan year		Sub-management area		Name of LLI		Date		Harvesting contractor	
Production forest area				Name of LLII		Sheet No:		Truck registration No	
Management area									

No	Harvest. Compartment	Baseline	Strip line	PHI No	Tree No	Log No	Species Lao name	Species codes	Length (m)	Av. D1 (Cm)	Av. D2 (Cm)	Remarks

Staff managing tree felling

Truck driver

Field staff responsible at LLII

Form Header: Information valid for each record

Records per row: Information specific for each record (unit here: log)

Data structure in Overview Table

Example: Logs with individual ID

	Source	Origin / Address	Product Identification	Product Specification			Link to Source
				LL1*	LL2	LL3	
Logs with individual ID			log no	Lao name, species code, length, average D1, average D2	Lao name, scientific name, length, diameter, volume, grade	Lao name, scientific name, length, diameter, volume, grade	
	PFA	PFA, FMA, SFMA, compartment, base line, strip line, PHI no, tree no	√	√	√	√	transport slip no, auction batch no, contract (or invoice)
	CA	project name, compartment, PHI no, tree no	√	√	√	√	transport slip no, auction batch no, contract (or invoice)
	VUF	village name, compartment, PHI no, tree no	√	√ + volume, grade, use		√	transport slip no, sales log list no, contract (or invoice)
	ILEO	Tree certificate	√	√ + volume, grade		√	sales log list no, contract (or invoice)
	confiscated	Site of holding / seizure (coordinates?)	√	√	√	√	transport slip no, auction batch no, contract (or invoice)
	Imported	Import permit	√	√ + volume, country of harvest		√	transport slip no, sales log list no, contract (or invoice)

*Forest, LL1, Land of ILEO, Site of Holding/Seizure, Border, trader storage

Systematics of Appendix B

- Appendix B1: Logs from Production Forest Areas
- Appendix B2: Logs from Conversion Areas
- Appendix B3: Logs from Plantation Forests
- Appendix B4: Logs from natural timber from village use forests
- Appendix B5: Logs from natural timber from land of individuals, legal entities or organizations
- Appendix B6: Confiscated timber (logs and processed timber products products)
- Appendix B7: Imported timber (logs and processed timber products)
- Appendix B8: Timber Processing
- Appendix B9: Timber Trade

Summary TWG Meeting on Appendix B

- Open topics / gaps discussed and commented (see also synopsis Part 4)
- Supply chain data structure depends on origin, product information and product specification, yet is similar for different sources and categories - data structure will not be included in each Appendix, but displayed in overview table (slide 23) to simplify the view
- B4 & B5 on VUF and ILEO: Data and critical control point structure suggested although missing legal basis
- Amendments of legal framework by line agencies need to consider suggestions for control point and data structure to ensure traceability

Part 4

Open Issues and Need for Clarification

- Legal Compliance / TLDs
- Supply chain control

Overall Framework – Clarification of Mandates

Procedure	Relevant TLD	Responsibility
Auction of Natural Timber	1, 2, 4, 5	MOIC or MAF?
Management and Inspection of Wood Processing Sector	8	MOIC or MAF?
Import / export of timber	6, 8	MOIC or MAF?
Sales of Confiscated Timber	5	MOIC or MOF?

Source: PFA

Legal Compliance / TLDs

- Contracting of harvesting operators (Revision of 0182/MAF, implementation of Law 64/NA Article 104)
- Procedures and timeframe of the Forestry Resources Development Trust Fund/Forest Protection Fund for revenue of timber sales

Supply Chain Control

- Establishment of auction batches in the TLD, yet not mentioned in 0131/MAF
- Entry and cancellation in state assets registry
- Responsibilities for filling felling forms (staff responsible for harvesting)

Responsible Agencies: MAF, MOF

Source: Conversion Areas

Legal Compliance / TLDs

- Contracting of harvesting operators (Revision of 0182/MAF)
- Organizational setup of logging committees (0112/MAF is under amendment)

Supply Chain Control

- Pre-harvest inventory and tree marking
- Establishment of batches in the TLD, yet not mentioned in 0131
- Entry and cancellation in state assets registry
- Responsibilities for filling felling forms (staff responsible for harvesting)

Responsible Agencies: MAF, MOF

Source: Plantations

Legal Compliance / TLDs

- Define mandatory legal requirement to ensure traceability from LL1 to LL3 (or is 0777, art 8 enough?)

Supply Chain Control

- Link plantation registration to log list
- How to measure weight/volume of batches and grade plantation timber? (ACIAR created a manual in 2015 with recommendations)
- How to number logs with diameter over 15cm for export / What about direct export of logs?

Responsible Agencies: MAF, MOIC (?)

Source: Village Use Forest

Legal Compliance / TLDs

- Approval of harvesting plan by central level or only province
- Transport permission by PAFO or DAFO only?
- Village timber sales committee has no legal basis
- Can natural timber from VUF be traded (important for verification procedure)?

Supply Chain Control

- Traceability: forest address - forest management unit
- Pre-harvest inventory method
- Segregation of different uses necessary
 - Commercial
 - Public
 - Household
 - Customary

Responsible Agencies: MAF

Source: Land of Individuals, Legal Entities or Organizations

Legal Compliance / TLDs

- Assumption that tree measurement is responsibility of buyer
- Transport permission by PAFO or DAFO only?
- Can natural timber from ILEO be traded (important for verification procedure)?

Supply Chain Control

- Traceability: Registration (draft regulation in final review stage)
- Segregation of different uses
 - Commercial
 - Household

Responsible Agencies: MAF

Source: Confiscated Timber

Legal Compliance / TLDs

- Legal basis for decision on the use of confiscated timber (current consensus: only for domestic markets)

Supply Chain Control

- Measurements of hold timber by investigation/interrogation authorities
 - What is the difference to scaling and grading and when is it done?
 - Do we need the exact value for prosecution (yes, threshold for conciliation /court proceeding)?
- Reporting structure for handing over to POFI
- segregation of confiscated timber at processing sites if only domestic use

Responsible Agencies: MAF, MOF, MOHA, MOND, MOJ

Source: Imported Timber

Legal Compliance / TLDs

- Establish a legal basis for due diligence (0451 to be amended)
- Inclusion of timber in Lao National Single Window
- What about timber products beside 4403, 4407.10 – 4407.28 and 0601 (0451/2012 to be amended)?

Supply Chain Control

- Data structure of import declaration

Responsible Agencies: MOIC, MAF (?)

Cross-cutting Issue: Labour Obligations

Legal Compliance / TLDs

- Verifiers changed to requirements of operators (not “Inspection Report from Labor Inspection Organization”)
- Comments on employment contracts and social insurance contribution
- OSH indicators are not specific enough

Supply Chain Control

- n/a

Responsible Agencies: MOLSW

Cross-cutting Issue: Wood Processing & Trade

Legal Compliance / TLDs

- Revision of TLD8 required
 - All indicators/verifiers related to 0777/MOIC (2021) need to be revised
 - Indicators for “Environmental obligations”: structure needs to be adapted to TLD2
 - Agriculture and forestry business operational license and factory operation license needs to be reflected according to 64/NA (2019), art. 104. Coordination between MAF and MOIC
 - Indicators 8.1.2.4 / 8.1.2.5 “Tax payment” to be revised as all scale of business needs to pay tax (New regulation)
 - After moving export indicators from TLD 3, procedures to be separated between products from natural timber and from plantation timber (Instruction 0981/MOIC 2021)

Supply Chain Control

- Clarification “dossier for timber input and output” for factories (0777: 8)
- Quarterly input-output monitoring sufficient for reconciliation of production data?
- Responsibility Inspection: MOIC or MAF

Responsible Agencies: MAF (?), MOIC

Part 5

Proposal from TWGs

Proposal from TWG (1)

Legal framework and mandates

- Ensure operational control acc. to TLDs, implementation of regulatory inspection by line ministries and set-up of verification function of DOFI
- Address identified gaps in ongoing legal framework revision plans
- Clarification of mandate btw. MOIC/MAF as soon as possible and handover of learning experiences in wood processing from MOIC to MAF (particularly 0777)

IMS

- Consider improvements to data sharing policy and access by DOFI
- Start basic development and set-up of IMS for TLAS

Proposal from TWG (2)

Annex II

- Approval of verification procedures and Appendix A & B structure by NSDC
- Discussion of Annex with EFI in TechEx
- Testing of agreed verification procedures and consultation with provincial structures (incl. testing of imported sources and due diligence procedures)