



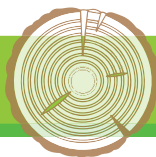
ກະຊວງອຸດສາຫະກຳ ແລະ ການຄ້າ  
Ministry of Industry and Commerce



# Supply Chain Control and Verification





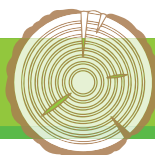


# Strengthening forest governance in Laos

Forests play an important role in mitigating climate change, protecting biodiversity and in the economic development of Laos. However, forests are under threat because of conversion to other land uses and illegal harvesting. To promote good governance in the forest sector, the Government of Lao PDR is embarking on the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. A key component of this initiative is the development of Voluntary Partnership Agreements (VPAs) between the European Union (EU) and timber producing countries. Laos began negotiating such a FLEGT VPA with the EU in 2017 to address illegal logging and ensure the legality of timber exported and used domestically.



The final aim of this multi-stakeholder dialogue process between government, private sector and civil society organisations in Laos is to set up a national Timber Legality Assurance System (TLAS), the centerpiece of all VPAs. Under such a system, evidence is needed to confirm that the timber was legally produced and that it can be traced to known legal origins. This requires a mechanism for control of the supply chain and a means for verifying that the requirements of the legality definition and the supply chain have been met.

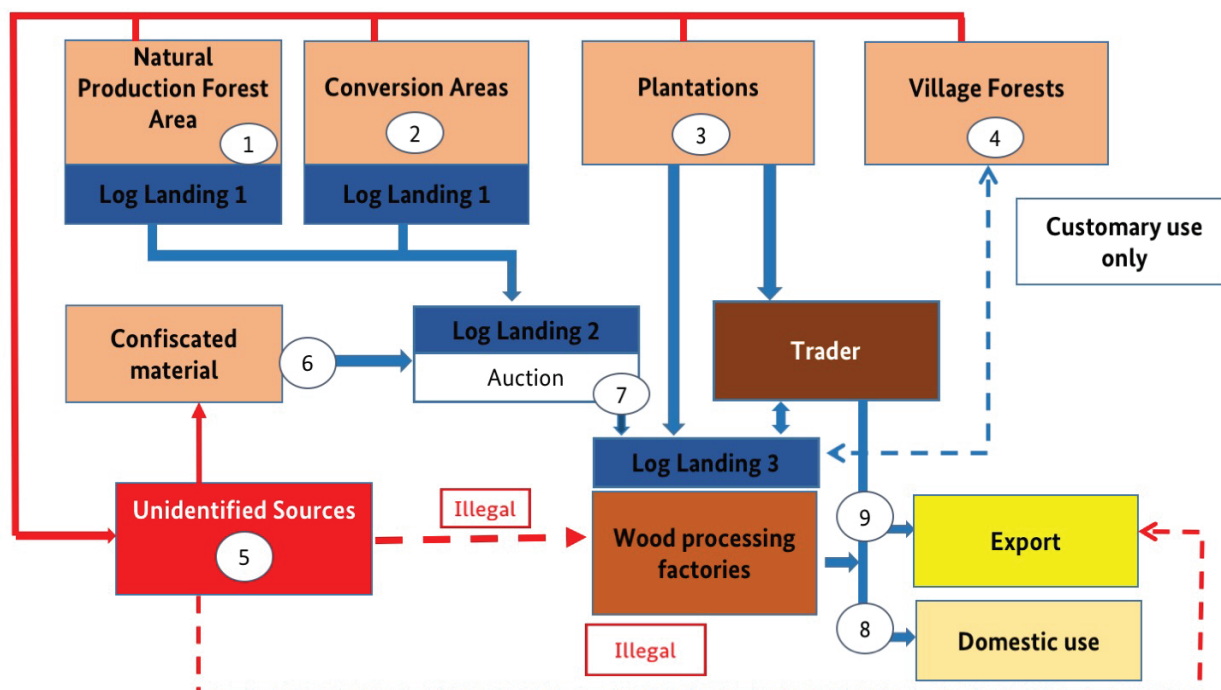


## Timber sources in Laos

In the case of Lao PDR, timber comes from four primary sources: Natural Production Forests, Conversion Areas, Plantations and Village Forests.

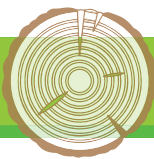
Logs from production forests and conversion areas are collected within the forest or close to the harvesting area (Log Landing 1) before being transported to a central place close to the production forest or conversion area (Log Landing 2) for measuring and grading.

Logs from non-native timber species from plantations can be transported directly to the processing companies or to the point of export via traders.



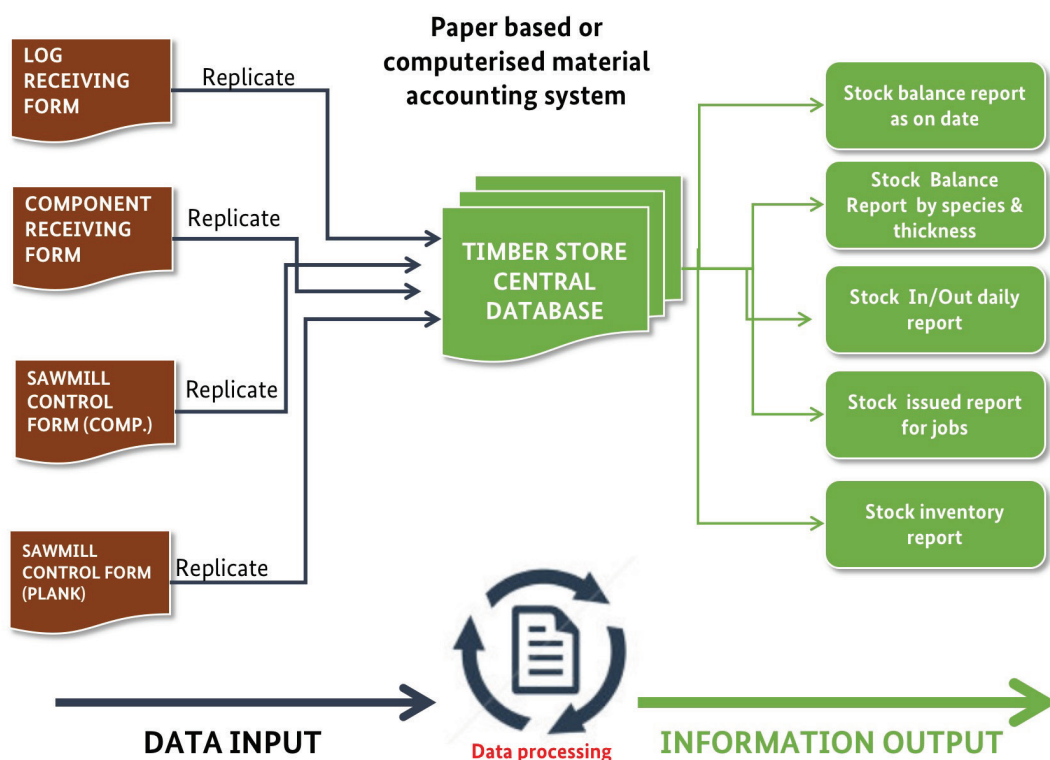
Village forest timber is limited to customary use only and can not be used for commercial purposes. Any timber from the four primary sources that was not harvested in a legal manner and can't be traced back to its origin will be confiscated by the authorities.

According to Prime Minister Order No. 15 on Strengthening Strictness of Timber Harvest Management and Inspection, Timber Transport and Business, all timber from production forests and conversion areas as well as confiscated timber has to be formally auctioned off at Log Landing 2, before it can continue in the supply chain to wood processing factories (Log Landing 3). All timber has to be processed by the national wood processing industry, allowing only specific finished products for export. Since all timber will go through Log Landing 3, it is subject to supply chain control and verification procedures.

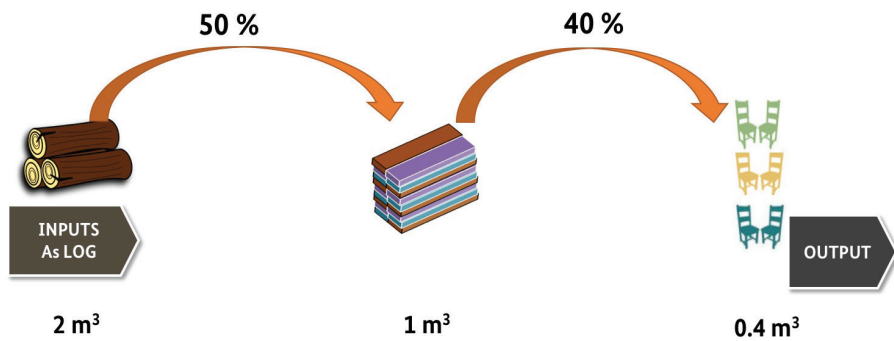


## Supply Chain Control in Wood Processing and Trade

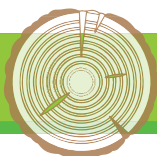
Controlling and documenting incoming and outgoing material is key to a legal supply chain. As a consequence, operators at Log Landing 3, the log yard of wood processing companies or traders, are required to check whether arriving timber has legal origin and comes with all necessary invoices. Timber of unknown origin or lacking relevant documentation must be rejected. Operators are also compelled to set up an internal management system for timber input and output.



## Recovery Rate



This system must include information on the so-called recovery rate, which describes the volume of timber recovered as a percentage of the volume of logs consumed during all steps of the operation. Every operator needs to have a paper-based or computerised material accounting system to keep all records of timber input, transformation and output collected at critical control points.



## Verification for Wood Processing and Trade

Operators are responsible for the so-called supply chain control, which includes controlling all critical control points and reporting to the government. Authorities on the other hand handle the verification of compliance, which entails conducting regular inspections, reconciling and verifying the information provided.



Supply Chain Control and Verification are an essential part of the TLAS. To be effective, all critical control points need to be checked and be traceable with documentation, especially in wood processing factories where many sources of timber are mixed.

By setting-up an internal management system and complying with the requirements of the TLAS, wood processing companies are taking an important step towards the eligibility for FLEGT licensing, but also towards preparedness and competitiveness in the future market of legal timber supply.

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