



ກະຊວງອຸດສາຫະກຳ ແລະ ການຄ້າ
Ministry of Industry and Commerce



**Strengthening forest governance
to preserve Laos' natural treasure**

Effective action to reduce illegal logging

Illegal logging causes serious environmental and social problems such as forest degradation, loss of biodiversity and increased greenhouse gas emissions, as well as loss of revenue of governments worldwide with an estimation of between \$10 billion and \$15 billion every year. This was recognized in a Group of Eight Industrialized Nations (G8) Summit in 1998, where measures to tackle illegal logging were discussed and an 'Action Programme on Forests' formally adopted.

Subsequently, in April 2002, the European Commission (EC) hosted an international workshop to discuss how the European Union (EU) could contribute to measures against illegal logging. At the World Summit on Sustainable Development (WSSD), held in Johannesburg the same year, the EC set out a strong commitment to combat illegal logging and trading in illegal timber. In 2003, the EU published its first proposal for a Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan to assist its member states to combat and tackle illegal logging in collaboration with timber producing countries.





What is FLEGT?

FLEGT stands for Forest Law Enforcement, Governance and Trade. The EU's FLEGT Action Plan promotes good governance in the forestry sector around the world, with the aim of reducing illegal logging and strengthening sustainable forestry. It is designed to prevent imports into the EU of illegal timber and wood-based products.

The EU FLEGT Action Plan focuses on seven broad areas and includes financial and technical support as well as advisory services to timber producing countries. Central to the scheme are Voluntary Partnership Agreements (VPAs) established between the EU and timber-producing countries.



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The Second Negotiation Meeting on FLEGT VPA between
Lao PDR and European Union

07 June 2018, Vientiane Capital



What is a VPA?

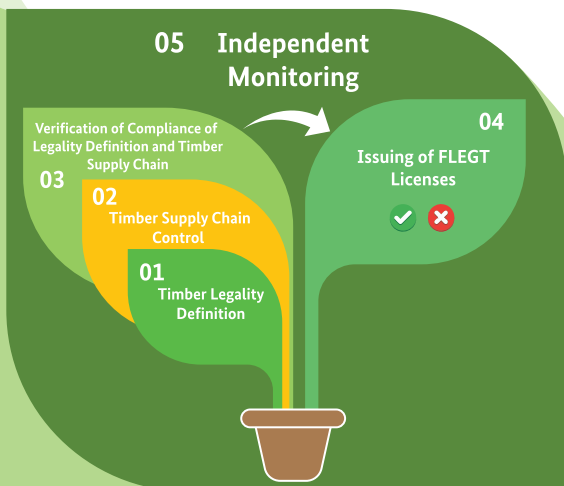
Voluntary Partnership Agreements (VPAs) are bilateral trade agreements between the EU and timber-exporting countries outside the EU. A VPA aims to guarantee that any wood exported from a timber-producing country to the EU comes from legal sources, and to help the partner country curb illegal logging by improving forest governance and regulation.

Entering negotiations of VPAs is voluntary for timber-exporting countries, but once a VPA has entered into force, it is legally binding on both sides. Each VPA is underpinned by a Timber Legality Assurance System (TLAS) designed to verify the legality of timber from its origin throughout the entire supply chain to the point of final sale or export. It develops credible legal and administrative structures and technical systems to verify that timber is produced in compliance with national laws.

What is a TLAS?

A Timber Legality Assurance System (TLAS) is the central element of VPAs between the EU and timber-exporting countries outside the EU. The purpose of such a system is to ensure that timber or timber products exported from partner countries to the EU have been produced in compliance with national legislations. There are five main components to a FLEGT TLAS:

- 1. Timber Legality Definition (TLD):** defines which laws and regulations need to be met and complied with by reflecting the three pillars of sustainability (economic, social and environmental);
- 2. Timber Supply Chain Control:** defines the mechanism to record, validate and reconcile timber or wood products throughout the entire supply chain in order to trace them back to their origin;
- 3. Verification of Compliance:** defines the methods used to verify both TLD and the supply chain control in order to issue FLEGT licenses to the exporters;
- 4. FLEGT License:** to be issued by partner countries to the exporter based on the auditing conducted by inspection authorities;
- 5. Independent Monitoring:** the Third Party Monitor, an external body, is assigned to check the effectiveness of all TLAS elements.



Why did Laos initiate FLEGT VPA negotiations?

One major strategy the Government of Lao PDR is embarking on is the FLEGT process to promote good governance in the forest sector, which will bolster poverty reduction and sustainable management of natural resources.

Since 2017, Laos has been negotiating a FLEGT VPA with the EU. This VPA sets out the commitments and actions of both sides in their effort to address illegal logging. Once signed and implemented, the VPA will ensure legality of timber exported and used domestically.

For Laos, the FLEGT VPA is more than just legality of wood. It's an opportunity to reform the forestry sector and strengthen its domestic wood processing industry.

By initiating a FLEGT VPA process, Laos aims to

- improve law enforcement, capacity and the overall governance regime in the forest sector
- make progress towards improving local livelihoods through sustainable forest management
- maintain Lao timber trade access to regional and EU markets

The negotiations are led by the Lao Ministry of Agriculture and Forestry under participation of representatives of government ministries and agencies, Lao private sector, and civil society organisations.

The content of the VPA is being decided through a dialogue process among national stakeholders. Laos has created a multi-stakeholder National Steering Committee for this purpose. Multi-stakeholder Thematic Expert Groups focus on specific issues of the TLDs. As a joint initiative of the Lao Government and the German development cooperation, GIZ has supported the VPA negotiation process between the EU and Laos since 2013.



Lao TLAS and its core element Timber Legality Definition



The TLAS in Laos consists of five main elements. It defines what constitutes legally produced timber, how to control the supply chain, how to verify legally sourced timber and how to issue licenses. It also requires independent monitoring to ensure that the system works well.

To help ensure good forest governance, Laos is working on eight Timber Legality Definitions (TLDs). Six TLDs relate to the origin of timber: 1) Natural Production Forest, 2) Conversion Areas, 3) Plantation, 4) Village Use Forest, 5) Confiscated Timber, and 6) Imported Timber. Two additional standards address cross-cutting issues: 7) Labour Obligations in Forestry and Wood Processing and Trading Operations, and 8) Wood Processing and Trading.

Timber Legality Definition (TLD) in Lao PDR

TLDs based on timber sources



Cross-cutting legality standards



- Supply chain control for customary use under development
- TLDs drafted and consulted



Supply Chain Control- Example of Natural Production Forest



1

Pre-harvesting Inventory/Tree Selection /Harvesting Planning



2

Harvesting / Skidding to Log Landing 1 (LL1)



7

Primary processing



3

Transportation



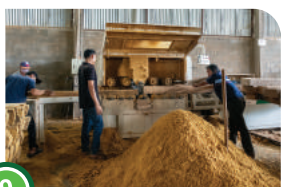
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Storage of semi-finished products



4

Log Landing 2 (LL2)



9

Secondary processing



5

Transportation



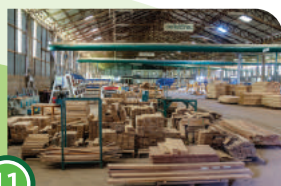
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Warehouse-storage of finished products



6

Log Landing 3 (LL3)



11

Delivery-exit from mill site

Verification of Compliance for timber from Production Forests in Laos

Supply chain control and compliance of operators and products with the legality definition need to be verified by the verification authority.

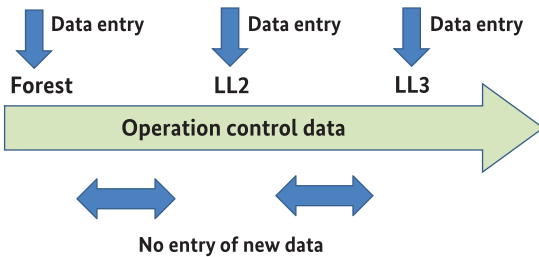
■ Compliance Verification of TLD



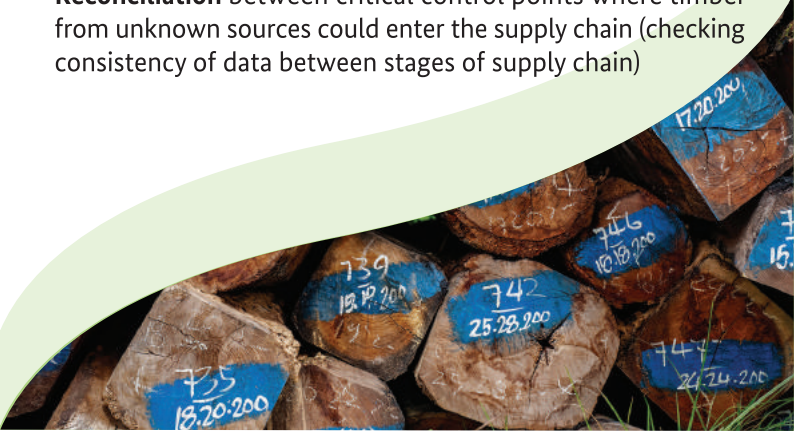
- Checking of normative and/or regulatory controls, e.g. process of establishing a village forest management agreement between management unit and the Village Forestry Organisation
- Checking that the existing verifiers are authentic and valid

■ Compliance Verification of Supply Chain Control

Validation of operational control data (checking that data including timber species and physical products match)



Reconciliation between critical control points where timber from unknown sources could enter the supply chain (checking consistency of data between stages of supply chain)



FLEGT VPA and PM Order No. 15

In 2016, Laos' Prime Minister (PM) issued Order No. 15 on “Strengthening Strictness of Timber Harvest Management and Inspection, Timber Transport and Business” in an effort to clamp down on the illegal trade of logs and semi-finished products to neighbouring countries. The order aims to strengthen the implementation of sustainable forest management, timber harvesting and processing, and timber trade to ensure strict compliance to the laws and regulations in Laos.

The Lao FLEGT VPA process supports the direction and enforcement of PM Order 15 in a number of ways:

- As part of the FLEGT process, a master plan to strengthen the Lao Wood Processing Industry is developed and a training centre is under development to enhance the capacity of its companies on value adding processes, thereby supporting the Prime Minister's Order to modernise the domestic timber sector.
- A mandatory national input-output monitoring system for timber is developed and being tested to strengthen the operations at company level, thereby contributing to the modernisation of the domestic timber sector.
- The regulation No. 0112/MAF 2008 on timber harvesting and post-harvesting assessment in reservoir areas of hydro-power dams is being revised and extended to all types of conversion areas. Guideline No. 0962/DOF 2010 on Chain of Custody (CoC) for Production Forest is extended to conversion areas and tested in pilot provinces to improve demarcation of the logging areas, pre-harvest inventory and monitoring of harvesting operations.



Benefits of Laos' commitment to FLEGT

Laos' participation in the FLEGT VPA process can entail a number of political, economic and environmental benefits:

- **Political benefits:** Laos' commitment to the FLEGT VPA process provides an excellent opportunity to improve forest governance within the country while connecting with other countries in the region and globally.
- **Economic benefits:** Participating in a FLEGT VPA also better the conditions for an expansion of the wood processing industry by increasing the access to EU and other export markets. Additionally, it fosters domestic and foreign investment in Laos' wood product industry.
- **Environmental benefits:** Environmentally, engaging in FLEGT VPA negotiations supports the implementation of the Lao Forest Strategy 2020 to expand forest cover to 70%. By tackling illegal logging, forest destruction and degradation can be decreased and the release of greenhouse gases emission in Laos minimized. This, in turn, will decrease negative impacts from climate change.
- **Social benefits:** In parallel with the above-mentioned benefits, Lao PDR's commitment to FLEGT creates opportunities to improve the capacity and skills of Lao workers. In addition, a decrease in negative impacts from illegal timber harvesting will lead to improved livelihoods, particularly for rural populations who depend on intact forests and forest products.





Supported by



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