

FLEGT

ກົມກວດກາປ່າໄມ້
ແຜນງານ Lao-EU FLEGT VPA
ການຄ້າໄມ້ ທີ່ຖືກຕ້ອງຕາມກົດໝາຍ

Policy Brief

PILOTING OF VERIFICATION AND LICENSING FOR THE LAO TLAS

Introduction

The Timber Legality Assurance System (TLAS) is a chain of custody, a verification of timber sources and timber products from surveyed, harvested, disposition of timber, imported, traded, proceed, sale in domestic and international markets, ensuring that harvesting, transportation, processing and trading of timber are legal, timber supply chain does not contain material from unknown or illegal sources and only legal timber products are sold on the domestic market and exported for the EU and other international markets. TLAS is a core annex of FLEGT VPA, consisting of five elements as: 1) Timber legality definition (TLDs), 2) Timber supply chain control, 3) Verification of compliance, 4) FLEGT licencing and 5) Independent monitoring.

Laos and EU have set aside all 8 Timber Legality Definitions (TLD): 1) Natural production forest, 2) Conversion areas, 3) Plantation, 4) Natural timber from village use forest and land of individuals, legal entities or organizations 5) Confiscated timber, 6) Imported timber, 7) Labour obligations in forestry, wood processing and trading operation and 8) Wood processing and trading in Fourth Joint Expert Meeting (JEM 4) and Department of Forest Inspection (DOFI) and Provincial Office of Forest Inspection (POFI) have been agreed to fulfil the function of the verification body to systematically check compliance at different steps of the supply chain. The documented and archived compliance evidence allows the licensing authority, Department for Import Export (DIMEX) and Provincial Industry and Commerce Division (POIC) to assess the legality of a timber sales consignment before licenses are issued.

This policy brief summarizes some key points and recommendations that have been documented during the piloting from October 2020 to March 2021. FLEGT Standing Office (FSO) and stakeholders at central and provincial level with support from Protection and sustainable use of forest ecosystems and biodiversity (ProFEB) and European Forest Institute (EFI) has led a stepwise approach for the development of future verification and licensing and piloted verification procedures for timber from plantations (TLD 3, 7 & 8)¹ and timber from conversion areas (TLD 2, 7 & 8)² in selected operations in Vientiane Capital, Saravan and Attapeu provinces (picture 1).

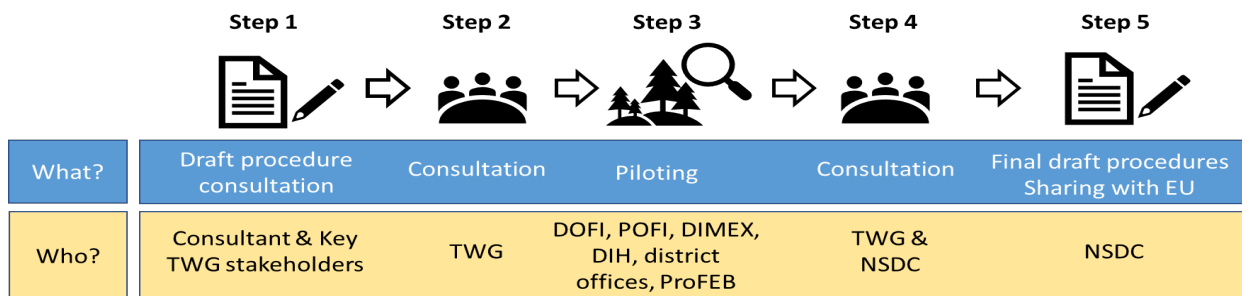


Figure 1 Concept for consultation and piloting of the development of the TLAS elements Verification and Licensing

Compliance verification

The objective of piloting is to ensure the effectiveness of the verification body (DOFI and POFI) in actual verification of compliance with TLD and supply chains. Next to the actual verification procedures, the management system needs to consist of specific topics regarding organizational structure, impartiality from the subject of verification, transparency of the verification process, internal quality control and verification resources. While those topics are subject to future adjustment of the mandate and structural procedures of DOFI, the consultation focused on the drafting of the verification procedures and planning under the verification manual. It is suggested in the manual and confirmed during piloting that the verification manual needs to include clear guidance on the **scheduling** of verification missions, nomination of verification team, recording of verification findings, handling of non-compliances and actual **verification procedures** including step-by-step checklists (see Figure 2).

¹ TLD3-Plantation, TLD7-Labor obligations, TLD8 Wood processing and trade

² TLD2-Conversion areas

Notice from piloting on verification of compliance:

Timber from conversion areas (TLD 2, 7, 8), it is suggested to schedule verification along logical steps in the supply chain in order to formulate an annual schedule of verification for POFI and to address possible non-compliances and implement remedial actions before the next steps continues. This ensures that non-compliances are addressed before the timber is licensed and therefore eases the actual licensing procedure. The piloted checklist for conversion timber were appropriate in terms of structure and content.

For timber from plantations (TLD 3, 7, 8) a regular verification of wood processing companies is suggested, using regulatory inspection under Decision 0777/MOIC (2020) as data source to keep visits to a minimum. Verification of plantation registration and on-site plantation compliance is suggested to be based on a sampling approach for smallholder plantations while concessions would undergo a full verification. Like for conversion areas, this approach requires an annual verification plan and detailed planning.

Piloting has shown that operators may not always have a comprehensive set of objective evidence (verifiers) demonstrating their status of compliance. Documentation of verifiers involves many actors and is complex depending on the level of the subject of verification (e.g. central level project or provincial projects) and actual responsible sectors and verifier owners (see chapter on information management system).

Key points and recommendations compliance verification:

- Verification procedures (frequency, intensity, where, whom to involve) for conversion timber and plantation timber have been drafted and tested and will serve as a model for other timber sources.
- DOFI needs to revise their mandate towards regular and systematic inspection to be able to carry out verification.
- Piloting of verification procedures for Village use Forests and Land of Individuals Legal Entities and Organizations (TLD 4), confiscated timber (TLD 5) and imported timber (TLD 6) is recommended. Procedures can be drafted easier once key gaps in supply chain control of those TLDs is addressed first.
- For verification of supply chain control acceptable discrepancies for validation and reconciliation need to be defined (esp. clarification of statistical methods for pre-harvesting methodology for reconciliation with log landing data).
- Piloting showed that some TLD-verifiers are not applicable and need to be reviewed by TWGs.

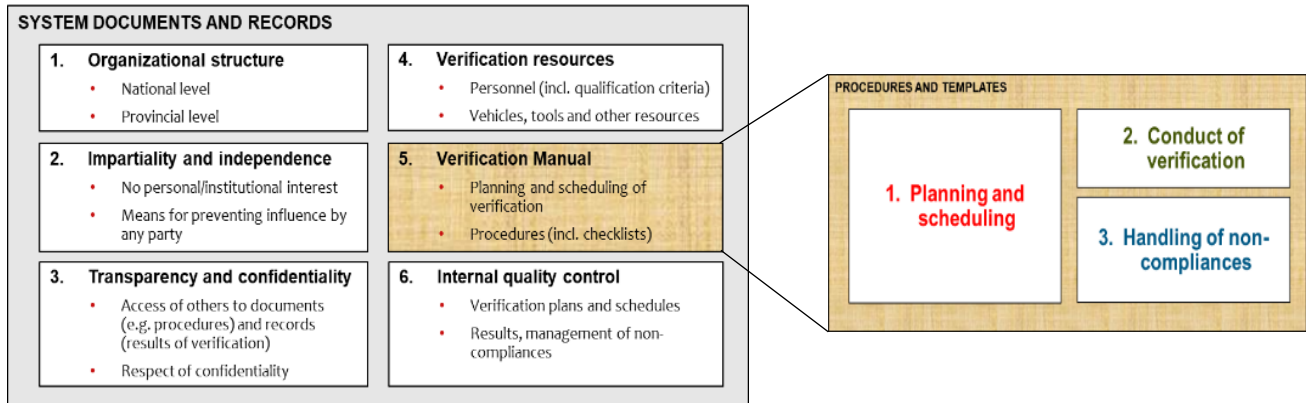


Figure 2 Suggested management system of DOFI as verification body

Export licensing

For future export licensing under FLEGT, the suggested approach requires the licensing authority and the verification body to cooperate on the decision of the approval of the license request. Ideally, the verification body has all the information on compliance available when the license is requested and can grant no-objection to the licensing authority in a short amount of time (for details, see Figure 3).

Key points and recommendations licensing:

- FLEGT / export licensing process requires use of information management systems based on which the verification body can quickly check the compliance of exporters and its suppliers with the Lao TLAS requirements.
- Licensing needs to be aligned with regulatory framework of MOIC.
- Physical inspection of wood products could be exempted once supply chain control and information management is operational.
- Loading certificate could become unnecessary in the future once licensing procedure is applied.

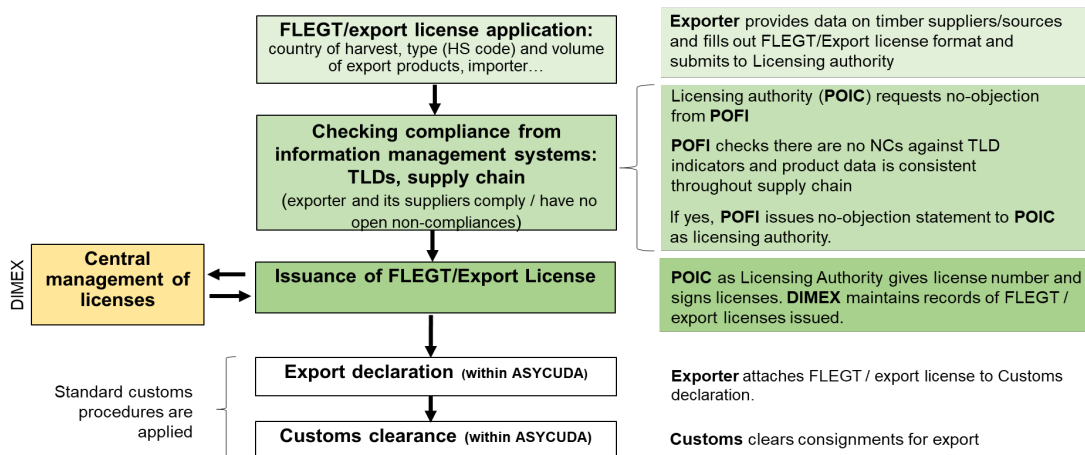


Figure 3 FLEGT Licensing System under Lao TLAS

The licensing procedures has been confirmed by the stakeholders to be practicable and can be applied regardless of the market destination, domestic and international markets. However, it shall be ensured that the process is aligned with the regulatory framework of Laos. A smooth FLEGT / export licensing process requires use of information management systems based on which the verification body can quickly check the compliance of exporters and its suppliers with the Lao TLAS requirements.

Information management system (IMS) and complementary function of verification

To speed up the verification process, the verification bodies should collect certain verifiers from the responsible inspection bodies that keep up-to-date registers on verifiers. To effectively implement the procedures for verifying compliance related to the control of the timbers supply chain, it requires a TLAS **information management system** that:

- enables the verification body to keep up-to-date data on the compliance of the operators with the relevant TLD indicators by legality profiles per operator and site
- manages (almost) real-time data on the timber supply chain to establish the basis for the decision-making on the eligibility of timber products,
- includes data on timber (trees, logs and processed products) declared by the operators,
- has functionalities for the verification body to enter sample-based inspection data for validation of operator declarations,
- has functionalities to reconcile data on timber between different stages of the supply chain and
- maintains the application for FLEGT / export licensing and the result of assessment of the applications

Piloting has also shown that there is a need to clarify the overlap of regulatory inspection with future verification esp. in wood processing sector. The implementation of detailed inspection procedures of MOIC under Decision 0777 (2020) and related legislation for export of plantation timber are still but will in the future facilitate and ease the verification by DOFI. However, as wood processing is one of the final steps in all supply chains, close to real time product data will be required in the future and ideally being entered directly into the IMS, noting that there needs to be solutions for the different scales of operators.

Key points and recommendation Information management system (IMS):

- Information management and information sharing among line ministries is the key to a functional TLAS
- Procedures for sharing of legality compliance information (documents, database access, etc.) between regulatory inspection bodies and the verification body should be eased
- Line agencies need to increase their resources to fulfill the inspection mandate to make TLAS operational
- MOIC need to consider the frequency of reporting by the wood processing operator under Decision 0777 as the current reporting cycle appears too long for verifying the integrity of the supply chain of sales consignments.
- It would be advisable to ensure that the reporting of timber input and output captures also logs and other timber used for processing, output of processing and timber products in stocks, which would allow for a more comprehensive analysis of timber flows of processing mills and verification of the quantitative consistency between (i) timber entered into the mill site, (ii) timber used for processing, (iii) output of processing and (iv) sales of processed products.

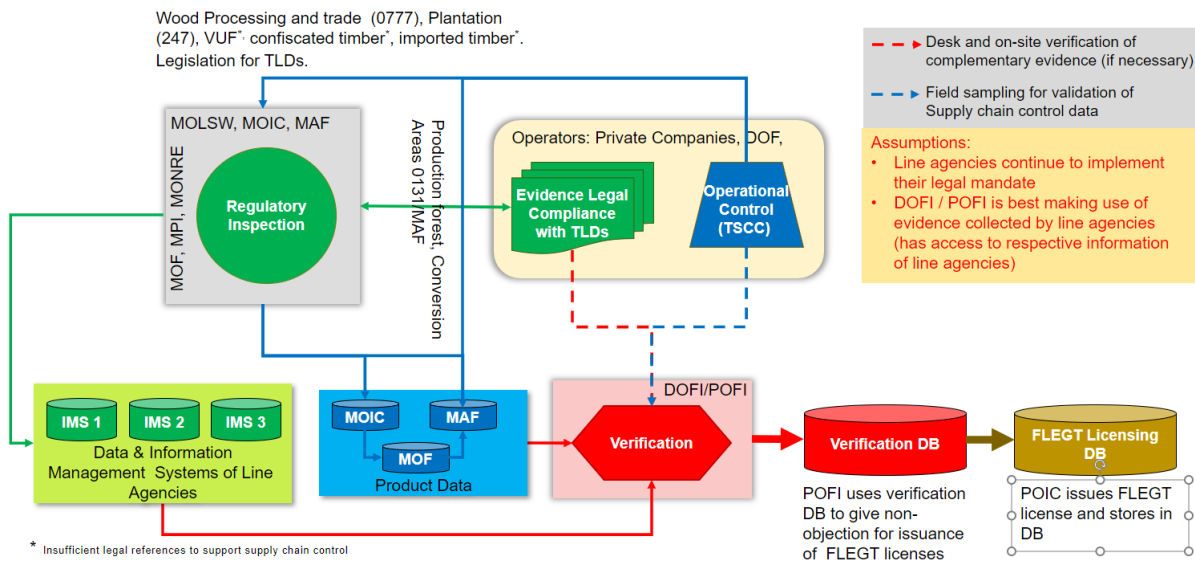


Figure 4 Suggested complementary function of verification. Note that is a tentative technical proposal for the information and data sharing between operators, regulatory inspection bodies and verification body.

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