



Illegal Logging Update in Laos Private Sector Perspective

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Problems of illegal logging and impact to Lao timber trade

- * Illegal logging and timber trade cause the low price by 25-30% of Lao timber compared to the world market price.
- * Government has lost huge revenues in the form of tax and royalties.
- * The laws and regulations on forest management are not effectively enforced;
- * The regulations of wood industries are not complied causing negative impacts on timber trade;
- * Overseas markets lack confidence and opportunities offered to further product development;
- * Local companies who comply with the laws are not competent;
- * Miss opportunities to develop skills, production and competitiveness;
- * Difficult to access financial sources for business;
- * The country is then recognized as high risk by international customers.

Cause of Problems

- The timber industry of neighboring countries such as Vietnam, Thailand and China are booming, who export a large part of their products to EU, US and Japan.
- These countries has taken steps to conserve its remaining forests, at the same time hugely expanding its wooden furniture production industry. That a number of them use Vietnamese and Thai timber traders collaborate with local people exploring the forests of neighboring Laos to obtain valuable hardwoods for its furniture industry.
- Status of the industry with limited international competitiveness
- The poverty.

Lao Government's Policies

- To achieve SDGs and integrate globally;
- To promote sustainable development and eradicate poverty for people;
- To pursue the Forest Strategy till 2020 and reach 70% of forest coverage;
- To promote production based businesses with environmental protection and constant increase of forest resources, boosting the national socio-economic growth; to strengthen local entrepreneurships for negotiation power with other overseas partners; and to support direct international orders to local producers

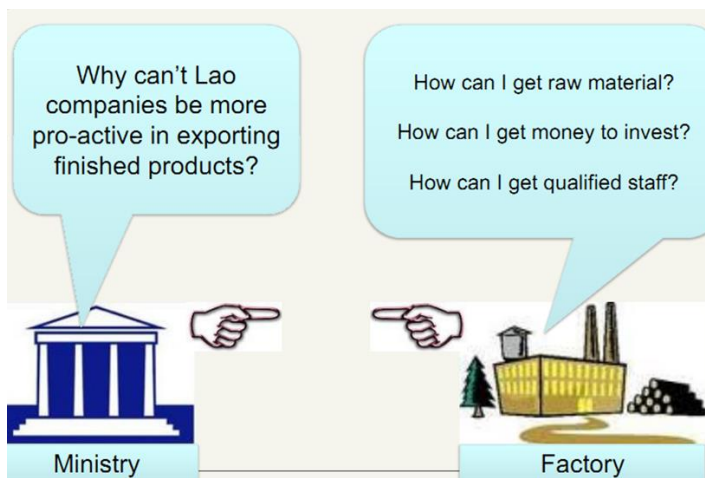
Lao Government's Policies

- New Prime-Minister Order No. 15/PM dated 13 May 2016 on Strengthening the logging management and inspection, log transportation and wood business; appointed an ad hoc committee to enforce a nationwide ban on illegal logging and mayors to implement strict measures to control and inspect the felling of trees, log transportation, and logging businesses to reduce rampant and widespread illegal shipment to neighboring countries.
- Efforts to combat illegal logging through the EU FLEGT Action plan.

Lao Government Initiatives

- Negotiation of FLEGT Voluntary Partnership Agreement;
- Legality definition;
- Timber Legality Assurance System.
- Lao Government recognized the private sector as a main actor;
- Private sector platform to be established in the associations facilitates the consultation process for timber legality definition (TLD) using the forestry legality compendium as a baseline.

Export of timber products



Challenges

- To open the market as quickly as possible and to promote a finished products and market to overseas identified as Lao products.

Disadvantages:

- Absence of standard factories;
- Lack of advanced technology;
- Lack of management with international experience;
- Lack of skillful workforce;
- No access to sea (Landlocked country);

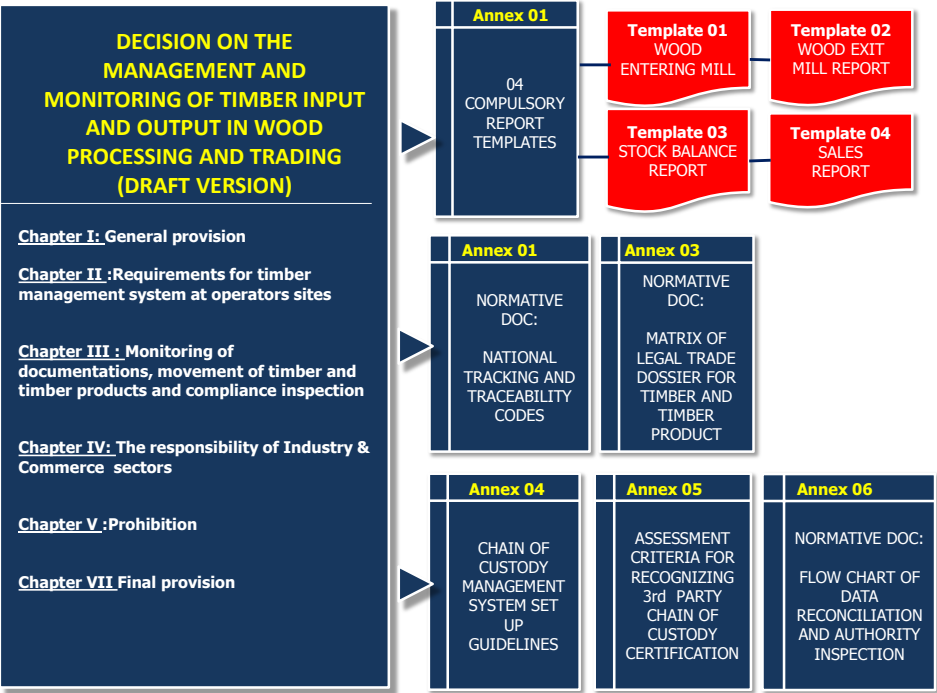
Private sector initiatives

- Promoting to create a Chain of Custody system in place;
- The producers will be self-sufficient, especially on product standard, quality, safety and health management, productivity, skilled training and marketing;
- There will supports for corporate social responsibility;
- Innovate products from LKTS and small diameters with higher value adding

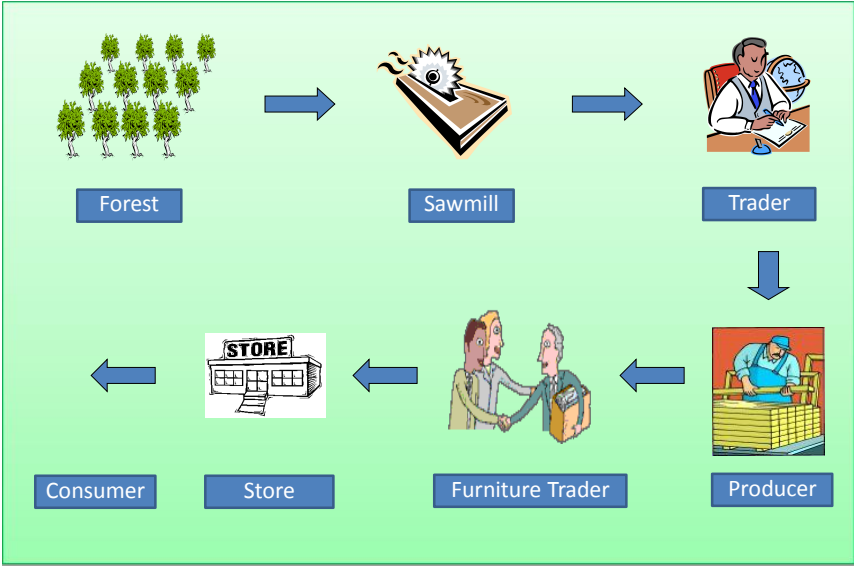
Collaboration with DoIH (MOIC)

Establish National Input-Output Control System (National CoC Standard) with minimum requirements as:

- Input/Output Monitoring (Species with Lao and scientific Name, Source, Volume, Grade, Product Type, etc.)
- Inventory System,
- Conversion Factors,
- Handbook with management procedures,
- Documentation,
- Training requirements.



Who needs CoC control system?



LAO FOREST, GLOBAL MARKET