



## Framework for Assessing Legality of Forestry Operations, Timber Processing and Trade Annex

**LAO PDR**

November 2013



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## Framework for Assessing Legality of Forestry Operations, Timber Processing and Trade - Principles, Criteria and Indicators for Lao PDR

<i>Indicator</i>	<i>Guidance Notes/Verifier</i>
<b>PRINCIPLE 1: ACCESS, USE RIGHTS AND TENURE</b>	
<b>Criterion 1.1: The company is legally registered with the relevant administrative authorities</b>	
<p><b>Indicator 1.1.1:</b> The timber harvest unit or enterprise must be approved and legally registered.</p>	<p>Verify that timber harvest unit or enterprise has been approved and licensed by the Ministry of Agriculture and Forestry, based on the necessary documentation, including:</p> <ol style="list-style-type: none"> <li>1. Economic statement approved by Department of Forestry</li> <li>2. Internal Code of Conduct</li> </ol> <p>Verify that company, timber harvesting unit, or timber harvesting enterprise has obtained proper registration certificate from the Ministry of Industry and Commerce or their provincial authorities, based on the approval of the appropriate documentation for each type of business, including some or all of the following:</p> <ol style="list-style-type: none"> <li>1. Investment approval</li> <li>2. Investment incentives</li> <li>3. Tax certificate/Taxpayer identification number Business operation approval</li> </ol> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2007 NA on Forestry, 24 December 2007, Article 45 on the requirement of logging operators to register their enterprise according to the Law No. 11/2005 NA on Enterprise, and Article 55 on approval of logging units</li> <li>• Agreement No. 0182/2009 MAF on the Establishment and Management of Timber Harvest Units and Enterprises, 23 February 2009, Articles 3, 4, 5, 6, and 7 on timber harvesting units, Articles 13, 14, 15, 16 and 17 on timber harvesting enterprises, and Articles 22, 23, 24, and 25 on unit and enterprise establishment and approval</li> <li>• Law No 11/2005 NA on Enterprise, 9 November 2005, Articles 12 and 13 on registration of enterprises, Articles 32, 33 and 34 on partnership enterprises,</li> </ul>

	<p>Articles 78, 79 and 81 on companies, Article 86 and 92 on limited companies, Articles 191, 192 and 193 on state-owned companies, and Article 224 on joint (state with non-state-owned) companies</p> <ul style="list-style-type: none"> <li>• Law No. 02/2009 NA on Investment Promotion, 8 July 2009, Article 19 on enterprise registration certificate and Article 21 and 22 on application for investment in concession</li> <li>• Decree No. 229/2011 PM on the Implementation of the Investment Law, 20 April 2011, Articles 8 and 9 on enterprise registration certificate and taxpayer identification number</li> </ul>
<p><b>Criterion 1.2: Clear evidence of forest and/or land use, access and tenure rights shall be demonstrated in accordance with laws and regulations</b></p>	
<p><b>Indicator 1.2.1:</b> The company must hold permission for operation in natural forest area</p>	<p>Verify that company has documents proving legal operation in natural forest area: Commercial timber harvest in natural forest is only permitted a) to clear-cut land for government approved infrastructure development, or b) to selectively cut timber in state-owned classified production forest areas in which inventory, survey and forest management plan have been conducted and on the basis of a pre-logging survey.</p> <p>If operation occurs on land to be cleared for hydropower dam reservoir areas, verify that supervision committee on logging management and reservoir cleaning (appointed by the Prime Minister following a proposal by MAF, and including the Deputy Minister of MAF and the Vice Provincial Governor as committee chair and deputy) has obtained the following documentation:</p> <ol style="list-style-type: none"> <li>1. A survey of existing tree species and volume</li> <li>2. A contract for the specific harvesting operation, with the committee responsible for logging management and reservoir cleaning (appointed by the government), that grants the right to clear-cut the defined reservoir area in designated infrastructure construction sites approved by the government.</li> <li>3. A logging and reservoir cleaning permit issued on basis of a logging plan and post-logging cleaning plan, budget and manpower requirement plan, approved by the committee responsible for logging management and reservoir cleaning</li> </ol>

	<p>(appointed by the government)</p> <p>If company operates on state-owned production forestland, company must obtain permission from Ministry of Agriculture and Forestry and from forest management authority to operate forestry business,, and keep the following records proving permission to operate in production forest area:</p> <ol style="list-style-type: none"> <li>1. A contract for the specific harvesting operation and timber harvesting licence for the production forest area.</li> </ol> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Regulation No. 0112/2008 MAF on Logging and Post-Logging Cleaning in the Reservoir Area of a Hydropower Dam, 25 November 2008, Articles 1 and 2 on the definition of permission to clear cut reservoir areas and selectively log in production forest areas, Articles 6, 25, 26, 27, and 28 on documentation and supervision requirements</li> <li>• Order No. 17/2008 PM on Strengthening the Forest Management, Protection and Coordination of Forest Management and Forestry Business, 22 September 2008, Articles 3 and 5 on the restriction of commercial logging to production forest areas with inventory and management plans, and permission and supervision requirements for harvesting timber in infrastructure development areas</li> <li>• Law No. 06/2007 NA on Forestry, 24 December 2007, Articles 43 and 49 on natural forest areas permitted for commercial logging, and Articles 45 and 55 on the requirement of logging operators to obtain permission from Ministry of Agriculture and Forestry</li> <li>• Agreement No. 0182/2009 MAF on the Establishment and Management of Timber Harvest Units and Enterprises, 23 February 2009, Articles 3, 4, 5, 6, and 7 on timber harvesting units, and Articles 13, 14, 15, 16, and 17 on timber harvesting enterprises</li> </ul>
<p><b>Indicator 1.2.2:</b> The company must hold valid approvals for land use in concessions or converted forest land areas.</p>	<p>Verify that company has documents proving legal operation in concession or converted forest area:</p> <p>If company operates plantation on state-owned concession land, verify that the</p>

appropriate level authority for the size of the concession awarded concession:

1. On degraded forestland, concessions are approved by the Provincial Administration Authority for up to 150 ha, by the Government for up to 15,000 ha, and the standing committee of the National Assembly for areas over 15,000 ha.
2. On barren land, concessions are approved by the Provincial Administration Authority for up to 500 ha, by the Government for up to 30,000 ha, and the standing committee of the National Assembly for areas over 30,000 ha.

If company operates on land converted from forestland to other use, verify that the appropriate level authority for the size of the converted parcel awarded permission:

1. On degraded forest land, conversion of parcels up to 100 ha are approved by the Provincial Administration Authority, parcels up to 1000 ha are approved by the Government, and parcels over 1000 ha are approved by the National Assembly.
2. On barren forest land, conversion of parcels up to 30 ha are approved by the District Administration Authority, up to 200 ha are approved by the Provincial Administration Authority, parcels up to 10,000 ha are approved by the Government, and parcels over 10,000 ha are approved by the National Assembly.

**Legal references:**

- Law No. 04/2003 NA on Land, 21 October 2003, Articles 64, 65, 66, and 67 on awarding land concessions to foreigners
- Decree No. 88/2008 PM on the Implementation of the Land Law, 3 June 2008, Articles 21 and 22 on concessions
- Law No. 06/2007 NA on Forestry, 24 December 2007, Articles 33 and 69 on restricting tree plantations to degraded and barren land, Articles 70, 71, 72 and 73 on conversion of forest land to other purposes such as infrastructure, Articles 74, 75 and 76 on conditions for awarding land concession for reforestation
- Instruction No. 20/2010 NLMA, on Implementation of Decree of State-owned Land for Concession, 9 April 2010, Chapter 1, Article 3 on general principles

	for state-owned land approval for lease and concession
<p><b>Indicator 1.2.3:</b> The company or individual holds valid land use permission for the plantation land</p>	<p>If company or individual operates on land not awarded through concession, verify that valid documentation authorizing tree planting and harvest. Required documentation will be one of the following:</p> <ol style="list-style-type: none"> <li>1. Tree planting parcel certificate and grown timber certificate, OR one of the following:</li> <li>2. Land use certificate, land survey certificate, land certificate, certificate of land ownership history, land development certificate, land tax payment receipts, OR,</li> <li>3. Land title</li> </ol> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 04/2003 NA on Land, 21 October 2003, Article 17 on scope of agricultural land use rights and maximum area assignment per household, Articles 18 and 43 on land registration, Article 22 on allocation of forest land use rights, Article 48 on land certificate and 49 on land title, and Articles 77 and 78 on control of land use and land use control organizations, and</li> <li>• Instruction No. 564/2007 NLMA on Adjudications Pertaining to Land Use and Occupation for Land Registration and Titling, 6 August 2007, Article 1.25 on the definition of land title, 1.2.7 on the definition of land certificate, 1.2.8 on the certificate of development of the land, 1.2.9 on the certificate on land ownership history, 1.2.10 on the declaration of land tax payment, 1.2.11 on the receipt of land tax payment, 4.11 on classification of land and proof of ownership and 8.1 on land title.</li> <li>• Law No. 06/2007 NA on Forestry, 24 December 2007, Article 35 on promoting tree plantations, Article 90 on allocation of use rights to forestlands, and Article 95 on rights to use forest and forestland areas.</li> <li>• Decree No. 03/2008 PO on Fees and Service Charges.</li> <li>• Instruction No. 3204/2008 PMO.NLMA on the Collection of Fees and Service Charges by the Land Management Sector, 9 December 2008, Articles 2 and 3 specify the process and amount for fees associated with land registration.</li> </ul>

	<ul style="list-style-type: none"> <li>• Directive No. 1849/AF, Concerning the Registration of Tree Planting Parcels, 10 July 1999, Article 2 on document requirements for plantation registration, and Article 5 on tree planting parcel certificate.</li> <li>• Decree No. 88/2008 PM on the Implementation of the Land Law, 3 June 2008, Article 16 on land certificate and land title.</li> <li>• Instruction No. 1668/2008 NLMA.CAB on the Use of New Formats of Land Titles and New Registration Book, 29 April 2008, Article III on land title for individual or legal entity.</li> <li>• Notification No. 1374/2010 MAF.MC on the Application for Registering Tree Planting Parcels and Grown Timber Certificate, 24 August 2010, Article 3 on issuance of certificates .</li> </ul>
<p><b>Indicator 1.2.4:</b> In production forest area, 15-20 year forest management plan based on inventory has been approved and is current</p>	<p>Verify that harvest areas in designated production forest areas have approved 15-20 year forest management plan based on forest inventory.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Guideline No. 2156/2006 DOF, on Sustainable Production Forest Management Planning, 6 November 2006, Part III and IV, Article 4.6 on the outline of the forest management plan, and approval requirements.</li> <li>• Regulation No. 0108/2005 MAF on Forest Inventory, 20 April 2005, Part II, Article 8 on production forest inventory.</li> </ul>
<p><b>Criterion 1.3: Use, access and tenure rights applications are subject to stated pre-conditions within the laws and regulations</b></p>	
<p><b>Indicator 1.3.1:</b> Concession approval is based on legal guidelines.</p>	<p>If company operates plantation on state-owned concession land, verify that land awarded was degraded or barren forestland as defined in the Forestry Law (2007), after completion of a land survey, land map and land use plan based on zoning and land classification regulations.</p> <p>Conditions for approval include completion of socio-economic and site suitability study as well as business feasibility study and operational plan.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2007 NA on Forestry, 24 December 2007, Articles 33 and 69 on restricting tree plantations to degraded and barren land, Articles 70, 71, 72 and</li> </ul>



	<p>73 on conversion of forest land to other purposes such as infrastructure, Articles 74, 75 and 76 on conditions for awarding land concession for reforestation.</p> <ul style="list-style-type: none"> <li>• Instruction No. 20/2010 NLMA, on Implementation of Decree of State-owned Land for Concession, 9 April 2010, Chapter 1, Article 3 on general principles for state-owned land approval for lease and concession.</li> <li>• Decree No. 135/2009 PM on State Land Lease or Concession, 25 May 2009, Article 6 on requirements for land survey, map and land use plan prior to awarding the concession, Articles 26, 27, 28 and 29 on conditions for state land concessions for tree plantations and approval.</li> </ul>
<p><b>Indicator 1.3.2:</b> Concession approval is based on completion of all documentation requirements</p>	<p>Verify that company has submitted investment proposal, and holds required approvals and documentation:</p> <ol style="list-style-type: none"> <li>1. Investment proposal (including application form, basic information about project, feasibility study, joint company contract and memorandum on initial field surveys, where applicable).</li> <li>2. Certificate of state-owned land lease or concession registration certificate, issued by the Ministry of Planning and Investment or Provincial Office of Planning and Investment, depending on their scope of responsibilities</li> <li>3. Concession agreement, between the investor and the government.</li> </ol> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Decree No. 02/2009 NA on Guidelines for Land Lease Rates by Concessions.</li> <li>• Law No. 02/2009 on Investment Promotion, 8 July 2009, Article 25 on concession registration certificate and Article 26 on concession agreement.</li> <li>• Instruction No. 20/2010 NLMA, on Implementation of Decree of State-owned Land for Concession, 9 April 2010, Chapter IV, Article 1 on concession agreement.</li> <li>• Law No. 06/2007 NA on Forestry, 24 December 2007, Articles 74, 75 and 76 on conditions for awarding land concession for reforestation.</li> </ul>

**PRINCIPLE 2: HARVESTING REGULATIONS**

**Criterion 2.1:** Harvesting/timber license with stated conditions in accordance with government policies, guidelines and regulatory requirements, approved by relevant authority

**Indicator 2.1.1:** Harvest plans have been approved by the appropriate government authority

Verify that the company has approved harvest plans and maps based on inventory according to guidelines on conducting pre-harvest inventory, tree marking, and post-harvesting assessment.

*Note: For harvesting in production forest area, MAF issues a national annual logging quotas, and then designates harvesting volumes for each province based on the proposed harvesting plan from each province. Based on these quotas, DAFO prepare harvesting plan based on pre-harvesting inventory report approved by DOF. PAFO submits summary harvesting plans to MAF for approval each year before June 30.*

**Legal references:**

- Law No. 06/2007 NA on Forestry, 24 December 2007, Article 49 on harvest in production forest.
- Guideline No. 2157/2006 DOF Guideline on Timber Harvesting in Production Forest, 6 November 2006, Part IV, on harvesting plan and approval.
- Order No. 17/2008 PM on Strengthening the Forest Management, Protection and Coordination of Forest Management and Forestry Business, 22 September 2008, Article 4 on the requirement for compliance with annual logging quota and government annual logging plan; Article 7 specifies that MAF is to issue specific rules to manage plantation timber, particularly to survey and register tree plantations by individuals and juridical entities in each locality; to establish regulations on harvesting and the preparation of annual logging plans.
- Regulation 112/2008 MAF Regarding the Logging and Post-Logging Cleaning in the Reservoir Area of a Hydropower Dam, 25 November 2008, Article 34 on an evaluation of the actual logging compared to the strategic plan and technical instructions, Section 1, Articles 5 and 6 on logging planning and logging plan approval.

	<ul style="list-style-type: none"> <li>Guideline No. 2155/2006 DOF on Participatory Forest Inventory, 6 November 2006, Articles 3 and 4 on scope and implementation of forest inventory and reporting requirements.</li> </ul>
<b>Criterion 2.2: The Company implements harvest operations in accordance with the legally prescribed silvicultural system and relevant legislation</b>	
<b>Indicator 2.2.1:</b> Harvesting operations for natural forests comply with official requirements	<p>Verify that area harvested has slopes of no more than 35 degrees, and that streamside buffers of 30-50 m and other buffers to village-designated NTFP areas are maintained. Verify that roads are no steeper than 12 degrees and that in road construction a 30-50 m buffer zone to streams is maintained.</p> <p>Verify that forest roads and skid trails are no wider than 4 m. Verify that stream crossings comply with operational logging plan, and are constructed at narrowest point of the stream. Verify that log yards are on sites with no more than 5-degree slope, and that size does not exceed 0.5 ha, and that a 30 m buffer to streams is maintained. Verify that rutting does not exceed 50 cm in depth or 20 m in length along forest roads.</p> <p>In production forest areas, verify that the harvesting operations comply with official silvicultural procedures: selection cutting for production forest areas according to government-issued annual quota. Verify that pre-logging stocking in harvesting block was equal or more than 70 m<sup>3</sup>/ha based on pre-harvesting inventory. Verify that no restricted species were cut and that minimum diameter limits were followed.</p> <p>In infrastructure development areas, verify that harvesting operations are based on clear-cutting for infrastructure development areas based on special quota.</p> <p>Verify that operation is based on valid and correct logging contract between PAFO and operator.</p> <p>Verify that the company has valid logging license issued by PAFO.</p> <p>Verify that logging equipment has valid licenses.</p>

	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Order No. 17/2008 PM on Strengthening the Forest Management, Protection and Coordination of Forest Management and Forestry Business, 22 September 2008, Article 20 on approval documentation requirements for logging equipment.</li> <li>• Guideline No. 2157/2006 DOF Guideline on Timber Harvesting in Production Forest, 6 November 2006, Part IV, on logging contract and timber quotas, Part X, on silvicultural system and operations, and Part XIII on restrictions.</li> <li>• Regulation 112/2008 MAF Regarding the Logging and Post-Logging Cleaning in the Reservoir Area of a Hydropower Dam, 25 November 2008, Article 16 on clear-cutting, Article 34 on an evaluation of the actual logging compared to the strategic plan and technical instructions, Section 3 on the guidelines for logging operation.</li> <li>• Decision No. 0080/2012 MAF on Procedures for Importation, Management and Utilization of Chainsaw (Wood-Cutting Machine), 19 June 2012, Article 4, on requirement for import licence, Article 8 on registration and article 9 on notification of use.</li> </ul> <p>Annual and special logging quotas issued on a yearly basis, such as:</p> <ul style="list-style-type: none"> <li>• Notice No. 135/2013 GO on the Implementation of Tree Plantation &amp; Forest Regeneration Plan and the Timber Logging and NTFP Harvesting Plan for the Year 2012 – 2013, 30 January 2013, Article 1 on timber quota, and associated tables.</li> </ul>
<p><b>Indicator 2.2.2:</b> All boundaries of licensed harvesting areas for natural forests are clearly demarcated on maps of an appropriate scale and on the ground</p>	<p>Verify that boundaries are clearly marked on maps and crosscheck on the ground that all boundaries conform to official regulations.</p> <p>Harvesting plans consist of:</p> <ol style="list-style-type: none"> <li>1. Topographic map with scale 1:25.000-1:50.000</li> <li>2. Forest management map with scale 1:10.000-1:25.000</li> <li>3. Tree location map with scale 1:1.000 or 1:2.000</li> </ol>

	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Guideline No. 2157/2006 DOF Guideline on Timber Harvesting in Production Forest, 6 November 2006, Part IV, on harvest plans and maps</li> <li>• Regulation 112/2008 MAF Regarding the Logging and Post-Logging Cleaning in the Reservoir Area of a Hydropower Dam, 25 November 2008, Section 2 on the guidelines for pre-logging preparations.</li> </ul>
<p><b>Indicator 2.2.3:</b> Data for all trees harvested are checked and logs marked and stamped</p>	<p>Verify that logs are clearly marked with indications of PFA, SPFA, compartment, base line, strip line, tree number, and log number. However, for logs from clear-cut site, it may be enough to only mark the log number, length and diameter.</p> <p>Check that operator records conform to official data.</p> <p><i>Note: the forestry sector (PAFO, DAFO) supervises harvesting and is required to record log information to cross-check the logs against the harvesting plan, and subsequent stamping.</i></p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Guideline No. 2157/2006 DOF Guideline on Timber Harvesting in Production Forest, 6 November 2006, Part X on log marking requirements and documentation requirements</li> <li>• Regulation 112/2008 MAF Regarding the Logging and Post-Logging Cleaning in the Reservoir Area of a Hydropower Dam, 25 November 2008, Article 19 and 21 on log marking.</li> </ul>

<p><b>Indicator 2.2.4:</b> Relevant authority conducts an evaluation to measure actual harvest vs. harvest design</p>	<p>Verify that PAFO certifies that monitoring of implementation during logging and after logging have been done and actual logging has been compared to the harvest plan and any issues with logging outside designated areas, any logging not compliant with regulation, issues with soil erosion, or with village complaints have been resolved.</p> <p>Verify DOFI or line agency summary reports on forest land inspection on issues and their resolution.</p> <p>Verify that the post-logging evaluation of proposed hydropower reservoir areas has been conducted by comparing implementation to strategic plans and technical guidelines specific to logging in hydropower areas, and deficiencies have been addressed.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Guideline No. 2157/2006 DOF Guideline on Timber Harvesting in Production Forest, 6 November 2006, Part X on log marking requirements and documentation requirements.</li> <li>• Regulation No. 0108/2005 MAF on Forest Inventory, 20 April 2005, Part II, Article 8 on production forest inventory.</li> <li>• Guideline No. 0396/208 DOF on Monitoring the Implementation of Production Forest Management, 11 March 2008, Article 4 on monitoring procedure</li> <li>• Regulation 112/2008 MAF Regarding the Logging and Post-Logging Cleaning in the Reservoir Area of a Hydropower Dam, 25 November 2008, Article 34 on an evaluation of the actual logging compared to the strategic plan and technical instructions.</li> <li>• Instruction No. 0142/2009 MAF on the Inspection of Forest, Forest Products, Forest Land, Non-Timber Forest Products (NTFPs), Aquatic Animal and Wildlife, 7 October 2009, Article III on inspection procedures, Article III.3 on summary and reporting requirements on inspection, and Article IV on inspection procedure for each type of forest management and forest product manufacture.</li> </ul>
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<b>PRINCIPLE 3: TRANSPORTATION OF LOGS AND WOOD PRODUCTS</b>	
<b>Criterion 3.1: Clear evidence of documents and licences for companies and carriers involved in timber products transportation shall be demonstrated by companies and carriers in accordance with the laws and regulations</b>	
<b>Indicator 3.1.1:</b> Organizations or enterprises have transportation enterprise licence, and hold approvals to operate logging and timber transport vehicles	Verify the existence of a valid transport enterprise license, and approvals for import, registration and use of logging and timber transport vehicles from MAF and MPWT
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2007 NA on Forestry, 24 December 2007, Article 53 provides the legislative basis for the importation and use of forestry and timber transport vehicles, the establishment and operation of timber transport businesses and the transport of forest products</li> <li>• Law No. 03/1997 NA on Transportation, 12 April 1997, Articles 13, 14 and 15 on establishment of transport enterprise and licence</li> <li>• Agreement No. 0019/2008 MAF-No. 2139/2008 MPWT, 14 February 2008</li> <li>• Notification No. 1440/2008 MOIC.DIMEX on Management of Wood Transport Vehicle, Wood Extraction Machinery, and Wood Processing Machinery in Consistency with the Laws and Regulations, 4 September 2008, Articles 1 and 3 on approval for importing and registration of wood extraction and transport vehicles</li> <li>• Agreement No. 0182/2009 MAF on the Establishment and Management of Timber Harvest Units and Enterprises, 23 February 2009, Articles 11 and 21 on vehicles, and Article 27 on import permission requirements for timber cutting and transport machinery</li> </ul>
<b>Indicator 3.1.2:</b> Organizations, individuals operating vehicles for transporting forest products from the forest have relevant licenses and documentation	Verify payment of annual road usage fees by checking receipts, and verify possession of valid registration and license documents made out to the actual company and vehicles, which are: <ol style="list-style-type: none"> <li>1. Registration as transport vehicle</li> <li>2. Vehicle use permit</li> </ol>

	<p>3. Vehicle licence plate  4. Vehicle technical inspection document  5. Vehicle insurance  6. Driver's licence</p> <p>If animals are used for moving logs, verify that registration documents are kept and correct.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 03/1997 NA on Transportation, 12 April 1997, Article 10 on requirements for vehicle drivers, and Articles 11, 16, 17 and 18 on vehicle requirements, Article 25 on international and cross-border transport</li> <li>• Law No. 06/2007 NA on Forestry, 24 December 2007, Article 53 on transport of timber and forest products</li> <li>• Agreement No. 0182/2009 MAF on the Establishment and Management of Timber Harvest Units and Enterprises, 23 February 2009, Articles 11 and 21 on vehicles</li> </ul>
<p><b>Criterion 3.2: Clear evidence of documents and corresponding markings of timber products for transport shall be demonstrated by companies and carriers in accordance with the laws and regulations</b></p>	
<p><b>Indicator 3.2.1:</b> All logs and timber transported are marked with an official stamp</p>	<p>Verify by sampling that logs transported from log landing II (outside the forest concession area) to log landing III or processing facility are hammer-stamped with F mark.</p> <p>Verify by sampling that logs, stump wood galls and sawn wood transported from log landing II to export are hammer-stamped with LF-mark</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Order No. 17/2008 PM on Strengthening the Forest Management, Protection and Coordination of Forest Management and Forestry Business, 22 September 2008, Article 16 on agency responsibilities and documentation requirements</li> <li>• Agreement No. 0182/2009 MAF on the Establishment and Management of Timber Harvest Units and Enterprises, 23 February 2009, Article 26 on timber</li> </ul>



	harvesting unit and timber harvesting enterprise stamp
<p><b>Indicator 3.2.2:</b> Complete and valid records are kept for all logs and timber products transported from harvest area to log landing I, from log landing I to log landing II, and from log landing II to processing facility or to export</p>	<p>Verify by sampling that timber resources correspond to documentation. Check that documentation is correct and complete and issued by the proper authority:</p> <ol style="list-style-type: none"> <li>1. Pre-harvest timber survey (DAFO, PAFO)</li> <li>2. Management plan for production forest area (DAFO, PAFO)</li> <li>3. Logging permit and contract (PAFO)</li> <li>4. Complete and correct log list from scaling at landing II, with log numbers, diameters, lengths, measured according to specific guidelines on scaling and grading (PAFO)</li> <li>5. Hand-over memorandum from transfer of logs at landing II (PAFO and POIC)</li> <li>6. Sale contract and calculation of timber royalties to be paid, registered by MoF and MAF (POIC)</li> <li>7. Receipt of sale and collection of revenue from timber sale (MoF)</li> <li>8. Removal permit from log landing II (POIC)</li> <li>9. Transport permit for timber commodities, finished and semi-finished timber products within the country and for export (POIC)</li> <li>10. Minutes of internal inspection related to incompliance and resolution</li> </ol> <p>Verify that shipment has been packaged and sealed for transport to avoid tampering.</p> <p>If timber is FSC certified, verify that the following documentation is marked clearly with the codes and marks of FSC or FSC-controlled wood, and is kept for at least 5 years, separately from documentation from other timber loads:</p> <ol style="list-style-type: none"> <li>1. Purchasing orders</li> <li>2. Timber transportation permits</li> <li>3. Invoice and receipt from buyers</li> </ol>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Order No. 17/2008 PM on Strengthening the Forest Management, Protection</li> </ul>

	<p>and Coordination of Forest Management and Forestry Business, 22 September 2008, Article 16 on agency responsibilities and documentation requirements and Article 25 on confiscated timber</p> <ul style="list-style-type: none"> <li>• Guideline No. 2297/2004 MOF on Bidding Regulations for Buying Timber and Other Forest Resources from State Standing Timbers, Infrastructural Areas and Production Forest Areas at Second Landings, 29 October 2004, Articles 2 and 6 on timber sale by bidding</li> <li>• Guideline No. 2157/2006 DOF Guideline on Timber Harvesting in Production Forest, 6 November 2006, Part X on log marking requirements and documentation requirements</li> <li>• Order No. 1765/2013 MOF on paying more attention in timber exports to collect revenue for the government budget in an accurate and timely manner, 4 July 2013, Article 1 on shipment inspection and sealing</li> <li>• Decision No. 1976/2010 MOIC on the sale of timber and timber movement under the standards of the International Board of Forestry (FSC), 6 October 2010, Articles 6, 7, and 8 on timber transport and wood selling management, and document records</li> <li>• Decision No. 0116/2007 MAF on the regulation of timber log scaling and grading, 17 May 2007</li> <li>• Guideline No. 0962/2010 DOF on the management of timber log transport from harvest area to log landing II, 9 April 2010, Article 4.2 on marking FSC certified timber, Article 5 on documentation requirements</li> </ul>
<p><b>Indicator 3.2.3:</b> Timber transport must be completed within the approved timeline</p>	<p>Verify that transport from log landing I to log landing II has been completed by May 31, or, in the case of timber harvested from infrastructure development areas, special permission can be granted by the government for hauling and transport between June 1 and October 31 in case of urgent construction projects</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Order No. 17/2008 PM on Strengthening the Forest Management, Protection and Coordination of Forest Management and Forestry Business, 22 September 2008, Article 11 on requirements for timber transport and sale</li> </ul>

<b>PRINCIPLE 4: PROCESSING REGULATIONS</b>	
<b>Criterion 4.1: Clear evidence of documents and licenses for companies involved in timber processing shall be demonstrated in accordance with the laws and regulations</b>	
<b>Indicator 4.1.1:</b> The timber processing (and trading) facility has the requisite legal business registration certificate and industrial and handicrafts processing operations licence	<p>Verify that company, timber harvesting unit, or timber harvesting enterprise has obtained proper registration certificate from the Ministry of Industry and Commerce (MOIC) or their provincial authorities, based on the approval of the appropriate documentation for each type of business, including some or all of the following:</p> <ol style="list-style-type: none"> <li>1. Investment approval</li> <li>2. Investment incentives</li> <li>3. Tax certificate/Taxpayer identification number</li> <li>4. Business operation approval</li> </ol> <p>Verify that the enterprise has obtained the following licence from MOIC:</p> <ol style="list-style-type: none"> <li>1. Industrial and handicrafts processing operations license</li> </ol>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 1/1998 NA on the Processing Industry, 3 April 1998, Article 9 on types of factories, Article 11 on operation licence requirement, and Article 44 on the responsibility of MOIC to issue licences for all types of factories defined in Article 9</li> <li>• Law No 11/2005 NA on Enterprise, 9 November 2005, Articles 12 and 13 on registration of enterprises, Articles 32, 33 and 34 on partnership enterprises, Articles 78, 79 and 81 on companies, Article 86 and 92 on limited companies, Articles 191, 192 and 193 on state-owned companies, and Article 224 on joint (state with non-state-owned) companies</li> <li>• Law No. 02/2009 NA on Investment Promotion, 8 July 2009, Article 19 on enterprise registration certificate</li> <li>• Decree No. 229/2011 PM on the Implementation of the Investment Law, 20 April 2011, Articles 8 and 9 on enterprise registration certificate and taxpayer</li> </ul>

	identification number
<b>Indicator 4.1.2:</b> The timber processing (and trading) facility has approval for their wood processing machinery	Verify that facility has correct documentation from MAF on import and ownership approval for all wood processing machinery
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Order No. 17/2008 PM on Strengthening the Forest Management, Protection and Coordination of Forest Management and Forestry Business, 22 September 2008, Article 20 on approval requirements for wood processing equipment</li> <li>• Notification No. 1440/2008 MOIC.DIMEX on Management of Wood Transport Vehicle, Wood Extraction Machinery, and Wood Processing Machinery in Consistency with the Laws and Regulations, 4 September 2008, Articles 1 and 3 on approval from MAF for importing and registration of wood extraction and transport vehicles</li> </ul>
<b>Criterion 4.2: Timber processing companies are subject to stated conditions within the laws and regulations</b>	
<b>Indicator 4.2.1:</b> The timber processing facility has production plan of manufacture	Verify that facility maintains production plan of manufacture, based on the capacity of the manufacture as basis for wood quota allocation, and including product distribution plan, raw material needs and projected prices, and reports on implementation of actual production. Plan must be submitted to MOIC before January 15 of each year, after inspection and verification from POIC.
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Decision No. 1415/2008 MOIC, Regulation on Form and Size of Wood Products, 28 August 2008, Article 6 on production plan of manufacture</li> <li>• Decision No. 0719/2009 MOIC 2009 on the Timber Processing Manufacture Standards, 3 April 2009, Article 15 on the production plan of manufacture</li> </ul>
<b>Indicator 4.2.2:</b> Timber processing entity is located outside conservation and protection forest boundaries.	Verify that timber-processing manufacture is located outside of conservation and protection forests, by checking maps and boundary markers.
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Decision No. 0719/2009 MOIC 2009 on the Timber Processing Manufacture</li> </ul>

	Standards, 3 April 2009, Article 6 on the standards for manufacture location
<p><b>Indicator 4.2.3:</b> Timber buying entity has followed regulations for bidding process, and has valid sale contract with Ministry of Industry and Commerce</p>	<p>Verify that entity has submitted proper documents for bidding process, and that sale was awarded to highest bidder by bidding committee (under direction of provincial governor). Documents include:</p> <ol style="list-style-type: none"> <li>1. Application letter for bid, with price offer</li> <li>2. Current permits or licenses for timber processing facility, current business licence and current tax licence</li> <li>3. Certificate of financial status issued by bank showing sufficient funds for bid</li> <li>4. Guarantees of payment of at least 2.5% of medium bid price</li> </ol> <p>Verify that entity has valid and correct sales contract from MOIC</p> <p>Verify that confiscated timber is sold at auction following bidding guidelines, and all revenue was transferred to customs department</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Order No. 17/2008 PM on Strengthening the Forest Management, Protection and Coordination of Forest Management and Forestry Business, 22 September 2008, Article 6 on bidding process for timber, Article 25 on confiscated timber</li> <li>• Guideline No. 2297/2004 MOF on Bidding Regulations for Buying Timber and Other Forest Resources from State Standing Timbers, Infrastructural Areas and Production Forest Areas at Second Landings, 29 October 2004, Articles 4, 5, and 6 on conditions and documents needed for submitting bids</li> <li>• Order No. 1765/2013 MOF on Paying More Attention in Timber Exports to Collect Revenue for the Government Budget in an Accurate and Timely Manner, 4 July 2013, Articles 4 and 6 on confiscation and sale of confiscated timber</li> </ul>

<p><b>Indicator 4.2.4:</b> Timber products comply with form and size regulations and inspection and certification criteria</p>	<p>Verify facility records of timber product inspection and certification of compliance with wood product form and size by POIC.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Decision No. 1415/2008 MOIC, Regulation on Form and Size of Wood Products, 28 August 2008, Articles 9 and 10 on timber product inspection and certification</li> <li>• Notification No 0051/2009 MOIC, Notification to Implement the Decision on the Form and Size of Wood Products, 13 January 2009, Tables 1, 2, and 3 on size and form regulations</li> </ul>
<p><b>PRINCIPLE 5: IMPORT AND EXPORT REGULATIONS</b></p>	
<p><b>Criterion 5.1: Clear evidence of licence/permit of company involved in import and export shall be demonstrated in accordance with the laws and regulations</b></p>	
<p><b>Indicator 5.1.1:</b> The company has the requisite legal business registration certificates and import and export license to operate</p>	<p>Verify that the enterprise holds the following:</p> <ol style="list-style-type: none"> <li>1. Business registration certificates</li> <li>2. Tax certificate/taxpayer identification number</li> <li>3. Import or export license (issued by the Ministry of Industry and Commerce).</li> </ol> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No 11/2005 NA on Enterprise, 9 November 2005, Articles 12 and 13 on registration of enterprises, Articles 32, 33 and 34 on partnership enterprises, Articles 78, 79 and 81 on companies, Article 86 and 92 on limited companies, Articles 191, 192 and 193 on state-owned companies, and Article 224 on joint (state with non-state-owned) companies</li> <li>• Decree No. 229/2011 PM on the Implementation of the Investment Law, 20 April 2011, Articles 8 and 9 on enterprise registration certificate and taxpayer identification number</li> <li>• Notification No. 1940/2011 MOIC.DIMEX, on Procedure to Issue Export and Import License for Timber, 30 September 2011, Article 1, on import and export</li> </ul>

	<p>license for raw timber</p> <ul style="list-style-type: none"> <li>• Notification No. 1791/2011 MOIC.DIMEX on Import and Export Licence for Plantation Timber, 30 September 2011 stipulates the procedures to issue import and export licenses for plantation timber.</li> </ul>
<p><b>Criterion 5.2: Clear evidence of official documents of timber products for import and export shall be demonstrated by companies and carriers in accordance with the laws and regulations</b></p>	
<p><b>Indicator 5.2.1:</b> Documents required for timber import are current and correct</p>	<p>Verify that the enterprise possesses the following, approved by MOIC.DIMEX:</p> <ol style="list-style-type: none"> <li>1. Copy of enterprise registration certificate or concession registration certificate (for enterprises located in Lao PDR)</li> <li>2. Copy of enterprise registration certificate from country of export</li> <li>3. Export license from export country (if available)</li> <li>4. Copy of log list</li> <li>5. Certificate of origin (if available)</li> </ol> <p>Upon approval of these documents, the ministry of commerce issues import licence</p> <p>For plantation timber, verify that company has import license based on approval of specific request</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Notification No. 1940/2011 MOIC.DIMEX, on Procedure to Issue Export and Import License for Timber, 30 September 2011, Article 1 and 4, on import license for raw timber</li> <li>• Notification No. 1791/2011 MOIC.DIMEX on Import and Export Licence for Plantation Timber, 30 September 2011, Article 2 on import licence</li> <li>• Decision No. 0451/2012 MOIC.DIMEX on Procedure for Timber Import, 1 March 2012, Article 2 on import licence</li> <li>• Decree No. 228/2010 PM on the Origin of Import and Export Goods, 22 April 2010, Articles 12, 13, and 14 on the verifying origin and the certificate of origin of import goods</li> </ul>

**Indicator 5.2.2:** Export documents are valid and up to date

For all timber, export company must have sales contract with foreign company, and must transact money via banking system of Lao PDR.

For plantation timber, verify that company has export license based on approval of specific request by POIC.

For wooden products complying with MOIC standards, verify that enterprise has obtained permission for exportation (no licence needed).

For controlled timber from lists 1, 2, and 3, that is harvested from government or provincial development zones, export is allowed as small logs (<19 cm diameter) or sawn wood if permitted by provincial authority.

For unprocessed or semi-processed items, verify that the enterprise possesses the export monitoring document, based on an application to the Department of Import and Export at MOIC, which considers the application and proposes it to the Government for approval. If granted, POIC issues the export monitoring document.

The application is based on the following documents:

1. Letter of intent for exporting round wood, sawn wood, semi-finished products, stumps, or roots
2. Copy of enterprise registration for timber business
3. Copy of tax registration
4. Timber payment receipt
5. Copy of log list
6. Sale purchase contract, legally registered
7. Customs declaration form
8. Certificate of origin (if available)

**Legal references:**

- Order No. 1765/2013 MOF on paying more attention in timber exports to collect revenue for the government budget in an accurate and timely manner, 4



	<p>July 2013, Article 3 on obligation to have sales contract with foreign company and use of banking system</p> <ul style="list-style-type: none"> <li>• Law No. 6/2007 NA on Forestry, 24 December 2007, Article 52 on timber export</li> <li>• Notification No. 1940/2011 MOIC.DIMEX, on Procedure to Issue Export and Import License for Timber, 30 September 2011, Article 1 and 4, on export documents and license</li> <li>• Order No. 23/2009 PM on the Authorization of the Right to the Provincial and Vientiane Capital to Approve the Exportation of Sawn Wood Under the List of Controlled Wood 1, 2, 3 and Stumps, 24 February 2009, Articles 2 and 3 on sawn wood from controlled timber</li> <li>• Delegation No. 0484/2010 PM of Authority to the Vientiane Capital and Provincial Divisions of the Industry and Commerce for Issuing Export License for Timbers Grown from Plantation Areas such as Eucalyptus, Acacia mangium and Acacia auriculiformis, Including Processed Timbers and Logs that are not the Prohibited or Special Species, 3 May 2010, Article 1 on right to issue exportation forms on provincial level</li> <li>• Notification No. 1791/2011 MOIC.DIMEX on Import and Export Licence for Plantation Timber, 30 September 2011, Article 1 on export licence</li> <li>• Notification No. 0403/2009 MoF.CD on Exemption of Determination of Customs Value of Exported Wood Products For Basis of Calculation of Export Royalties, 26 November 2009, Articles 1 and 2 on export licences and exemption</li> <li>• Decree No. 228/2010 PM on the Origin of Import and Export Goods, 22 April 2010, Article 11 on the certificate of origin of export goods</li> </ul>
<p><b>Criterion 5.3: Timber products import and export companies are subject to stated conditions within the laws and regulations</b></p>	
<p>Indicator 5.3.1: Stated conditions tariffs, phytosanitary and quarantine requirements, products and special requirements are adhered to</p>	<p>Verify or check the following documents as necessary:</p> <ol style="list-style-type: none"> <li>1. Export phytosanitary certificate, issued by relevant plant protection authority</li> <li>2. Receipts for tariffs or export duties paid in full, unless exempt</li> </ol>

	<p>3. Customs Department notification to all international checkpoint on approval of exportation of timber, sawn wood, and semi-finished wood products</p> <p>4. Application for import, export or re-export of CITES species to DOF</p> <p>5. Licence for import, export or re-export of CITES species from CITES authority within country or in origin/destination country</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Decree No. 229/2012 GOL Implementing the Law on Plant Protection, 31 May 2012, Article 26 on phytosanitary requirements for export</li> <li>• Notification No. 0403/2009 MoF.CD on Exemption of Determination of Customs Value of Exported Wood Products For Basis of Calculation of Export Royalties, 26 November 2009, Article 2 on duty exemption</li> <li>• Notification No. 1324/2010 MoF.CD on Exportation of Round Wood, Sawn Wood, Semi-Finished Wood Products Shall be Consolidated at the Customs Department to Issue Order of Implementation, 13 April 2010, Article 1 on requirement for centralized approval</li> <li>• Notification No. 0076/2012 MOIC.DIMEX on Goods Subject to Automatic and Non-Automatic Import and Export Licencing, 13 January 2012, Annex A and B on goods requiring licencing</li> <li>• Instruction No. 0142/2009 MAF on the Inspection of Forest, Forest Products, Forest Land, Non-Timber Forest Products (NTFPs), Aquatic Animal and Wildlife, 7 October 2009, Article IV.9.2.2 on CITES documentation requirements and inspection</li> </ul>
<p><b>Indicator 5.3.2:</b> Timber export is made at official international checkpoint</p>	<p>Verify that checkpoint is official and classified as international.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Order No. 1765/2013 MOF on paying more attention in timber exports to collect revenue for the government budget in an accurate and timely manner, 4 July 2013, Article 1 on export requirements</li> </ul>

**PRINCIPLE 6: ENVIRONMENTAL AND CONSERVATION REGULATIONS**

**Criterion 6.1: Institution conducts environmental impact assessments or other required assessments within the laws and regulations**

**Indicator 6.1.1:** The institution has a currently approved environmental compliance certificate where necessary

Verify that company submitted and obtained approval for the following documents from the WREA (included in MONRE since 2011):

1. Report on initial environmental examination, re-amended the report based on comments of the WREA if needed
2. Report on environmental impact assessment
3. Management and environmental monitoring plan
4. Management and social monitoring plan
5. Periodic reviewed and improvement of the environmental management and monitoring plan, and the social management and monitoring plan during project implementation
6. Environmental compliance certificate, including compliance with any conditions listed in certificate
7. Summary report of actual implementation of measures to mitigate and minimise impacts

In the case of a state land lease or concession, verify that company has submitted and received approval for the following documents:

1. Study on socio-economic data and site suitability
2. Social and environmental impact assessment
3. Operational plan on protection of water sources and environment

	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 02/1999 NA on Environmental Protection, 3 April 1999, Article 8 on the obligation for environmental assessments.</li> <li>• Decree No. 112/2010 PM on Environmental Impact Assessment, 18 February 2010, describes obligations and procedures in detail.</li> <li>• Regulation 112/2008 MAF Regarding the Logging and Post-Logging Cleaning in the Reservoir Area of a Hydropower Dam, 25 November 2008, Part I, Article 2, on the scope of application for environmental impact assessments; Part II, Chapter 3, on the requirements for the initial environmental examination, Part II, Chapter 4, on the requirements for the environmental impact assessment, and Part II, Chapter 5, on the process for obtaining environmental compliance certificates.</li> <li>• Decree No. 435/2011 PM, on the Establishment of MONRE, n.d., Chapter II, Article 4, on the responsibilities of MONRE.</li> <li>• Decree No. 135/2009 PM on State Land Lease or Concession, 25 May 2009, Article 27 on requirements for environmental and social impact assessment and operational plan.</li> </ul>
<p><b>Criterion 6.2:</b> Institution takes mitigation measures on negative environmental (and conservation value) parameters in accordance with the laws and regulations</p>	
<p><b>Indicator 6.2.1:</b> The institution implements fire control procedures following forest fire prevention and extinguishing regulations</p>	<p>Verify that company is following precautions as outlined in regulations below.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2007 NA on Forestry, 24 December 2007, Chapter 3, Article 29 on prevention and control of forest fires.</li> <li>• Guideline No. 2157/2006 DOF Guideline on Timber Harvesting in Production Forest, 6 November 2006, Part IX on forest fire prevention.</li> <li>• Regulation No. 112/2008 MAF Regarding the Logging and Post-Logging Cleaning in the Reservoir Area of a Hydropower Dam, 25 November 2008, Section 3, Article 12 on the prevention of fires in logging operations on proposed hydropower reservoir areas.</li> </ul>

	<ul style="list-style-type: none"> <li>Decision No. 0719/2009 MOIC on the Timber Processing Manufacture Standards, 3 April 2009, Article 9 on security and fire alarm systems.</li> </ul>
<p><b>Indicator 6.2.2:</b> The institution implements mitigation measures to combat environmental pollution</p>	<p>Verify that plantation sites comply with good harvesting, post-harvesting and agricultural management standards as well as national pollution standards by checking the following documents as necessary:</p> <ol style="list-style-type: none"> <li>1. Plantation management plan.</li> <li>2. Harvesting plan including definitions for stream buffer zones. Compliance is monitored by the Forest Management Units and PAFO.</li> <li>3. Records of good agricultural practices, and records of complaints and actions taken to resolve complaints are reviewed by the Department of Agriculture once a year.</li> <li>4. Check for evidence that company is complying with pesticide use as detailed in Regulation No. 2860/2010.</li> <li>5. Check for records and test results confirming compliance with wastewater and emissions standards as detailed in No. 2734/2009.</li> </ol>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>Law No. 02/1996 NA on Water and Water Resources, 11 October 1996, Chapter 5, stating the obligation to protect water sources from pollution and erosion, and Chapter 7, describing prohibitions.</li> <li>Law No. 02/1999 NA on Environmental Protection, 3 April 1999, Part III describing obligations for pollution management control.</li> <li>Guideline No. 2157/2006 DOF Guideline on Timber Harvesting in Production Forest, 6 November 2006, Part VI on forest road construction, Part X, Article 8 on post-harvesting practices to prevent soil erosion, and Part XIII on operation restrictions.</li> <li>Agreement No. 0538/2011 MAF on Good Agricultural Practices for Environmental Management Standards, 9 September, 2011, Articles 5, 6, 7, 8, 9, 10 and 12, detailing proper management of site, planting material, soil, fertilizer, water, chemicals and biodiversity. Articles 15 and 16 detailing record</li> </ul>

	<p>keeping and yearly review of practices and resolution of complaints.</p> <ul style="list-style-type: none"> <li>• Law No. 01/1998 NA on the Processing Industry, 3 April 1998, Articles 18, 19 and 20 on factory waste management and environmental standards.</li> <li>• Regulation No. 2860/2010 MAF on the Control of Pesticides in Lao PDR, 11 June 2010, Articles 20, 21, 23 and 24, detailing transportation, storage, use and disposal rules for pesticides.</li> <li>• Agreement No. 2734/2009 PMO.WREA on National Environmental Standards, 7 December 2009, Articles 5.1.4, 5.1.5 and 5.1.6, detailing wastewater pollution standards for pulp and paper processing industry, as well as air emission standards for general industry.</li> <li>• Regulation No. 0112/2008 MAF on the Logging and Post-logging Cleaning in the Reservoir Area of a Hydropower Dam, 25 November 2008, Section 3, Articles 8, 9, 11 and 13 on the guidelines for management of soil erosion in construction of roads, bridges and log landings, and management of pollutants in logging operations on proposed reservoir areas.</li> <li>• Decision No. 0719/2009 MOIC 2009 on the Timber Processing Manufacture Standards, 3 April 2009, Article 9 on security and environmental standards.</li> </ul>
<p><b>Criterion 6.3: Institution takes mitigating measures on negative conservation values in accordance with the laws and regulations</b></p>	
<p><b>Indicator 6.3.1:</b> The institution complies with wildlife corridor provisions as laid out in the management and harvesting plan</p>	<p>Verify that implementer complies with designated wildlife corridors defined in management plan.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 02/1999 NA on Environmental Protection, 3 April 1999, Article 15 outlining the obligation to ensure biodiversity protection</li> <li>• Law No. 07/2007 NA on Wildlife, 24 December 2007, Section II, defining the three management categories of wildlife and aquatic species, Section V describing prohibitions regarding wildlife and aquatic species</li> <li>• Guideline No. 2157/2006 DOF Guideline on Timber Harvesting in Production Forest, 6 November 2006, Part IV, Article 3 on determination of exclusion areas for timber harvesting</li> </ul>

<p><b>Indicator 6.3.2:</b> The institution complies with prohibitions on timber species harvested from natural forest areas.</p>	<p>Verify that logs and timber products or documentation do not include prohibited timber species from natural forest areas, and follow regulations on use of special and controlled timber species</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Order No. 17/2008 PM on Strengthening the Forest Management, Protection and Coordination of Forest Management and Forestry Business, 22 September 2008, Article 20 on prohibited timber species</li> <li>• Table No. 0008/2012 MAF of Prohibited, Special and Controlled Timber Species</li> </ul>
<p><b>PRINCIPLE 7: SOCIAL REGULATIONS</b></p>	
<p><b>Criterion 7.1: Institution maintains or strengthens socio-economic welfare of local communities/indigenous people in accordance with the laws and regulations</b></p>	
<p><b>Indicator 7.1.1</b> The Institution must, where required by law, compensate local communities and follow resettlement guidelines in development projects</p>	<p>Verify that state entity or company has conducted assessments and received approval from the relevant government agencies for the following documents, where required by law:</p> <ol style="list-style-type: none"> <li>1. Initial Social Assessment</li> <li>2. Social Impact Assessment</li> <li>3. Land Acquisition and Compensation Report</li> <li>4. Resettlement Plan (RP)</li> <li>5. Ethnic Minority Development Plan</li> </ol> <p>In case of a government-financed project, these documents should be submitted to the central-level agency (MONRE). In case of a foreign or domestic private or joint venture, the documents should be submitted to the relevant ministry in charge of the project, and the relevant local authority. The ministry will forward the documents to MONRE for final approval.</p> <p>Verify that state entity or company has paid compensation to local communities</p>

	<p>for land where applicable and at rates calculated according to relevant legislation. Verify that state entity or company has set up grievance mechanism according to relevant legislation.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 04/2003 NA on Land, 21 October 2003, Articles 71 on compensation for land used for public purposes</li> <li>• Decree No. 192/2005 on Compensation and Resettlement of Development Project, 7 July 2005, PM, Part I, Article 2, describing the scope of application for resettlement and compensation in development projects, Part III, Article 6, outlining compensation principles, and Part IV, Article 13 on grievance mechanisms, and Article 15 on the reporting and documentation requirements for development projects</li> <li>• Regulation No. 2432/2005 PM.STEA for Implementing Decree 192/PM, 11 November 2005, Part III, Article 4, on resettlement planning, documentation and reporting, Article 5 on Initial Social Assessment, Article 9 on Social Assessment, Article 11 on Land Acquisition and Compensation Report, Article 12 on Resettlement Plan, and Article 17 on Ethnic Minority Development Plan</li> <li>• Technical Guidelines 2005 PM.STEA, November 2005, on Compensation and Resettlement in Development Projects</li> <li>• Decree No. 135/2009 PM on State Land Lease or Concession, 25 May 2009, Articles 6 and 43 outlining compensation requirements for concessions on people's or individual lands</li> <li>• Instruction No. 20/2010 NLMA on Implementation of Decree of State-owned Land for Concession, Article 5 on calculation of people's land repayment under the lease and concession area</li> </ul>
<p><b>Criterion 7.2: Institution complies with the laws and regulations on its employees' and workers' rights and welfare</b></p>	<p><b>Indicator 7.2.1:</b> The institution permits its employees to join recognized trade unions</p> <p>Verify with workers that they are not prevented from creating or joining unions</p> <p><b>Legal references:</b></p>



	<ul style="list-style-type: none"> <li>• Law No. 06/2006 NA on Labour, 27 December 2006, Article 5 on the role of trade unions</li> <li>• Law No. 12/2007 NA on Trade Unions, 25 December 2007, Articles 5 and 10 on the role of trade unions in representing workers, Article 11 on the rights and duties of trade unions, and Article 31 on the obligation of labour units to allow trade union activity</li> </ul>
<b>Indicator 7.2.2:</b> When requested by a recognized trade union that represents its employees, the institution willingly enters into negotiations with that union and honours all agreements reached as a result of those negotiations	Review formal agreements with unions, records of union meetings and management meetings. Verify that the agreement is implemented by the institution.
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2006 NA on Labour, 27 December 2006, Article 62 on the resolution of labour disputes</li> <li>• Law No. 12/2007 NA on Trade Unions, 25 December 2007, Articles 11 on the rights and duties of trade unions, Articles 30 and 31 on the prohibitions for trade unions and labour units, Articles 38, 39 and 40 on the role of trade unions to coordinate labour disputes and conclude labour contracts, and Articles 44, 45, and 46 on dispute resolution mechanisms</li> </ul>
<b>Indicator 7.2.3:</b> The institution pays its employees' salaries and provides them with benefits according to national regulations	Verify evidence that salaries have been paid on time and benefits actually provided. <i>Note: All salaries must be equal to or higher than the minimum wage, or as stated in the employment contract and according to current legislation.</i>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2006 NA on Labour, 27 December 2006, Article 44, 45 and 46 on salary determination</li> </ul>
<b>Indicator 7.2.4:</b> The institution implements clearly defined safety procedures, maintains internal regulations on the responsible use of working materials and ensures labour	Verify that the institution has documented and disseminated procedures on safety and hygiene and that these are implemented. Procedures will include work instructions, information on proper use of safety equipment and staff training on safety and use of safety equipment.

<p>safety and hygiene as prescribed in national regulations</p>	<p>In timber processing enterprises, verify that protection guards from possible danger from machines are in place, and caution and warning sites at dangerous sites.</p> <p>Verify that company has submitted specific regulations for workers to PAFO and the Provincial Forestry Sector and Timber Exploitation Unit for acknowledgment</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2006 NA on Labour, 27 December 2006, Article 42 describing employer obligations on protective measures for labour and working conditions</li> <li>• Decision No. 0719/2009 MOIC 2009 on the Timber Processing Manufacture Standards, 3 April 2009, Article 9 on security systems and training, and Article 10 on standards for small household timber processing manufacture</li> <li>• Instruction No. 1035/2010 MAF of the Provincial Forestry Sector for Implementing the Enforcement of the Labour Law and Paying Attention to Guide Company/Timber Exploitation Division to Strictly Implement, 23 April 2010, Article 3 on safety measures</li> </ul>
<p><b>Indicator 7.2.5:</b> The institution ensures that all required safety and emergency first aid equipment is available and readily accessible for use at each work site</p>	<p>Verify that the institution provides safety equipment for use by workers, that emergency first aid is available on site and that, where required by safety and sanitation regulations, equipment is registered.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2006 NA on Labour, 27 December 2006, Article 42 describing employer obligations on protective measures for labour and working conditions and Article 43 on employer obligations for medical examination and health care</li> <li>• Decision No. 0719/2009 MOIC 2009 on the Timber Processing Manufacture Standards, 3 April 2009, Article 9 on security systems and training, and Article 10 on standards for small household timber processing manufacture</li> <li>• Instruction No. 1035/2010 MAF of the Provincial Forestry Sector for Implementing the Enforcement of the Labour Law and Paying Attention to Guide Company/Timber Exploitation Division to Strictly Implement, 23 April 2010, Article 3 on internal regulations regarding labour and health</li> </ul>

<p><b>Indicator 7.2.6:</b> The institution arranges for all workers to undergo medical examination at least once a year</p>	<p>Verify that company provides yearly medical examinations for all workers.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2006 NA on Labour, 27 December 2006, Article 43 on employer obligations for medical examination and health care</li> <li>• Instruction No. 1035/2010 MAF of the Provincial Forestry Sector for Implementing the Enforcement of the Labour Law and Paying Attention to Guide Company/Timber Exploitation Division to Strictly Implement, 23 April 2010, Article 3 on yearly medical examinations</li> </ul>
<p><b>Indicator 7.2.7:</b> The institution ensures that all its employees are 14 years old or above and that employees between 14 and 18 years old do not engage in heavy work or tasks dangerous to their health</p>	<p>Verify that all employees are older than 14 years from institution records that identify employee by registration of date of birth by identity card or birth certificate.</p> <p>Verify that employees between 14 and 18 years old do not engage in any tasks prohibited for child labour in the Labour Law or Child Protection Law.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2006 NA on Labour, 27 December 2006, Article 41 on the employment of child labour</li> <li>• Law No. 05/2006 NA on Child Protection, 27 December 2006, Article 87 on fines for using child labour in hazardous sectors</li> </ul>
<p><b>Indicator 7.2.8:</b> The institution provides appropriate care and payment for victims of labour accidents or occupational diseases who are not members of the social security organization</p>	<p>Verify with workers that institution provides help to victims of labour accidents and workers who suffer from occupational diseases, and that the institution pays for the actual cost of treatment for those workers not members of the social security organization. Verify that employer pays regular wages to victims of labour accidents and workers suffering from occupational diseases during medical treatment and rehabilitation for up to 6 months, and an allowance for periods exceeding 6 months, for workers who are not members of the social security organization.</p>

	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2006 NA on Labour, 27 December 2006, Article 55 outlining employer responsibility for care of victims of labour accidents and occupational diseases, and Article 56 on the obligation to pay allowance to such victims</li> </ul>
<p><b>Indicator 7.2.9:</b> The institution provides workers with a legal labour contract and complies with the provisions contained therein</p>	<p>Verify that workers should have a valid, signed labour contract, are assigned to work or positions that are stipulated in the contract, and that contents of contracts complies with current regulations.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2006 NA on Labour, 27 December 2006, Chapter 4, Article 23 on employment contracts, Article 24 on the form and duration of employment contracts</li> <li>• Instruction No. 1035/2010 MAF of the Provincial Forestry Sector for Implementing the Enforcement of the Labour Law and Paying Attention to Guide Company/Timber Exploitation Division to Strictly Implement, 23 April 2010, Article 2 on written contract</li> </ul>
<p><b>Indicator 7.2.10:</b> The institution provides workers with a pension or one-time allowance, or severance allowance upon termination of labour contracts as appropriate</p>	<p>Verify that institution protocols on pensions and allowances entitle workers to pensions, allowances or severance payments appropriate to social security contributions. For workers who are not members of the social security organization, the labour unit shall pay in accordance with regulations.</p> <p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2006 NA on Labour, 27 December 2006, Chapter 4, Article 28 on termination and expiration of employment contracts, Article 29 on the termination of employment contract by dismissal, Chapter 10, Article 59 on pension system, and Article 60 on receipt of one-time allowance</li> </ul>
<p><b>Indicator 7.2.11:</b> The institution does not require any of its employees to work more than six days per week, and 8 hours per day or 48 hours per week, pays employees correct overtime</p>	<p>Verify by interview with workers that the institution does not require regular work in excess of 48 hours per week and that voluntary overtime is correctly paid and does not exceed 45 hours per month or three hours per day, and that each worker is given 15 days off per year in addition to national holidays.</p>

<p>rates and allows each employee to take paid annual leave and sick leave in addition to statutory holidays</p>	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2006 NA on Labour, 27 December 2006, Article 16 on the regulations for hours of work, Article 18, on overtime rates, Article 20, on sick leave, and Article 21, on annual leave regulations</li> </ul>
<p><b>Indicator 7.2.12:</b> The institution has internal regulations on labour practices that are in accordance with the law on labour of the Lao PDR</p>	<p>Check internal regulations for conformity with Lao law, and check that institution has received approval for their internal regulations from the labour administration agency. Verify that internal regulations have been posted openly and disseminated among workers.</p>
	<p><b>Legal references:</b></p> <ul style="list-style-type: none"> <li>• Law No. 06/2006 NA on Labour, 27 December 2006, Article 15 on the rules of work and internal regulations</li> <li>• Instruction No. 1035/2010 MAF of the Provincial Forestry Sector for Implementing the Enforcement of the Labour Law and Paying Attention to Guide Company/Timber Exploitation Division to Strictly Implement, 23 April 2010, Article 3 on internal regulations regarding labour and health</li> </ul>

**PRINCIPLE 8: TAXES, FEES AND ROYALTIES**

**Criterion 8.1: Clear evidence of current paid taxes, fees and royalties in a timely manner shall be demonstrated by the company in accordance with the laws and regulations**

**Indicator 8.1.1:** The company demonstrates that all payments of fees, state owned land and concession fees), royalties (export royalties, and timber revenue), and taxes (land tax, state-owned land rental and concession fees) that are due are current

Verify from the company's fees and amount of timber extracted are up to date for the year and cross-check from a sample of harvesting records that value of payments reconcile with volume harvested.

Verify that company has paid land tax from company records, except where exempt.

If company operates on concession land, verify that company has paid land parcel registration fees and service charges, and state-owned land lease and concession rates by checking payment receipts.

Verify that timber revenue has been transferred to state treasury, to be divided according to timber sharing decree.

Verify that company has paid exporting and importing tariffs and royalties as required, including special export royalties for controlled wood., and special rates for small logs.

**Legal references:**

- Guideline No. 0092/2009 MoF for the Managing the Collection of Revenue from the Sale of Timber and NTFPs, 13 January 2009, Articles 1 and 4 on timber fee payment
- Guideline No. 2297/2004 MoF on Bidding Regulations for Buying Timber and other Forest Products from State Standing Timbers, Infrastructural Areas and Production Forest Areas at Second Landings, 29 October 2004, Article 6 on payment
- Directive No. 1849/AF Concerning the Registration of Tree Planting Parcels, 10 July 1999, Article 4 on exemption rules for registered tree planting parcels
- Decree No. 01/2007 PO on Land Tax, 8 May 2007, Articles 3, 4, and 6 on land tax obligation, tax rates, and collection, and Article 5, on land tax exemptions
- Instruction No. 20/2010 NLMA, on Implementation of Decree of State-owned

	<p>Land for Concession, 9 April 2010, Chapter IV, Article 2 on collection of state-owned land rental and concession cost, Article 3 on the valuation of state-owned land rental, and Article 4 on payment of state-owned land rental and concession cost</p> <ul style="list-style-type: none"> <li>• Decree No. 135/2009 PM on State Land Lease or Concession, 25 May 2009, Articles 37, 41, 42 on land evaluation for concession fees, settlement of fees and yearly fee increases</li> <li>• Decree No. 001/2012 PRO on Sharing of Revenue from Timber Harvests in Production Forest Areas, 31 December 2012, Articles 2 and 3 on the definition of timber revenue and scope of applications, and Articles 4 and 5 on the division of revenue.</li> <li>• Notification No. 0403/2009 MOF.CD on the Exemption of Determination of Customs Value of Exported Wood Products for Basis of Calculation of Export Royalties, 26 November 2009, Article 1, on exemption of plywood, furniture and products from wood roots from export royalties</li> <li>• Instruction No. 3204/2008 PMO.NLMA on Collection of Fees and Service Charges by the Land Management Sector, 9 December 2008, Articles 1, 2, 3, 4 and 6 on fee and service charge determination and payment.</li> <li>• Order No. 23/2009 PM on the Authorization of the Right to the Provincial and Vientiane Capital to Approve the Exportation of Sawn Wood Under the List of Controlled Wood 1, 2, 3 and Stumps, 24 February 2009, Article 2 on special royalties from sawn wood from controlled timber</li> <li>• Edict No. 25/2012 PM on the List of Goods and Export Duty Rates, 27 April 2012, Article 2 on duty rates by article</li> <li>• Regulation No. 0710/2008 MOIC on Wood Fees for Small Logs, 7 May 2008, Article 3 on royalties and Articles 7 and 8 on small logs of controlled species</li> </ul>
<p><b>Indicator 8.1.2:</b> The Company demonstrates that payments of Value Added Tax (VAT), profit tax, contracted tax and income tax are current where applicable</p>	<p>Verify from the company's payment receipts that all of the following taxes due are paid to date and cross-check from a sample of harvesting or production records that value of payments reconcile with volumes harvested or volume of product manufactured:</p>

1. VAT: An indirect tax collected on proportion of value added to goods and services and on goods and services imported. To be paid in full to the state budget for the preceding month by the 15<sup>th</sup> of each month, or at time of import of goods. Oversight and collection by Tax Department and district- and provincial-level tax divisions.
2. Contracted tax: A direct tax levied on businesses and individuals not under the VAT system that pay taxes to the Tax Administration according to contracts made between entity and Tax Administration in a lump sum.
3. Profit tax: A direct tax collected on the basis of profit generated by business activities. Paid quarterly to the Tax Administration.
4. Income tax: A direct tax collected on the basis of income. Paid by employer by withholding or by the individual to the Tax Administration on a monthly or yearly basis as specified in the relevant legislation.

Note on exemptions:

*Exempt from VAT are goods and services for export, and activities of sapling nurseries, afforestation and operations relating to industrial plantations*

**Legal references:**

**VAT**

- Law No. 04/2006 on Value Added Tax, 26 December 2006, Article 5 and 6, on the value-added tax obligation of individuals and organizations and scope of application, Article 10, on exemptions from value-added tax, and Articles 16, 17 and 19 on the rates and calculation of value added tax, and Articles 40 and 41 on the roles of Ministry of Finance and Tax Departments

**Contracted tax**

- Law No. 05/2011 NA on Taxes (amended), 20 December 2011, Articles 54, 55,



and 56 on scope, application and calculation of rates for contracted tax

**Profit tax**

- Law No. 05/2011 NA on Taxes (amended), 20 December 2011, Articles 26, 27, 28, 29, 30, 31, 32, 36 and 38 on the scope, application, calculation and declaration of profit tax rates, Article 34 on exemptions from profit tax, and article 33 and 34 on deductible and non-deductible expenses

**Income tax**

- Law No. 05/2011 NA on Taxes (amended), 20 December 2011, Section 2, Articles 43, 44, 45, 46, 47, 48, 49, 50, 51, 52 and 53, on the scope, application, calculation and declaration of income tax

## **Laws and Regulations Related to the Principles:**

### **Principle 1: Access, Use Rights, and Tenure**

1. Law No. 06/2007 NA on Forestry, 24 December 2007
2. Law No 11/2005 NA on Enterprise, 9 November 2005
3. Law No. 04/2003 NA on Land, 21 October 2003
4. Law No. 02/2009 NA on Investment Promotion, 8 July 2009
5. Decree No. 119/2011 PM on the Implementation of the Investment Law, 20 April 2011
6. Decree No. 88/2008 PM on the Implementation of the Land Law, 3 June 2008
7. Decree No. 135/2009 PM on State Land Lease or Concession, 25 May 2009
8. Decree No. 02/2009 NA on Guidelines for Land Lease Rates by Concessions
9. Decree No. 03/2008 PO on Fees and Service Changes
10. Order No. 17/2008 PM on Strengthening the Forest Management, Protection and Coordination of Forest Management and Forestry Business, 22 September 2008
11. Agreement No. 0182/2009 MAF on the Establishment and Management of Timber Harvest Units and Enterprises, 23 February 2009
12. Regulation No. 0112/2008 MAF on Logging and Post-Logging Cleaning in the Reservoir Area of a Hydropower Dam, 25 November 2008
13. Regulation No. 0108/2005 MAF on Forest Inventory, 20 April 2005
14. Instruction No. 20/2010 NLMA, on Implementation of Decree of State-owned Land for Concession, 9 April 2010
15. Instruction No. 564/2007 NLMA on Adjudications Pertaining to Land Use and Occupation for Land Registration and Titling, 6 August 2007
16. Instruction No. 1668/2008 NLMA.CAB on the Use of New Formats of Land Titles and New Registration Book, 29 April 2008
17. Instruction No. 3204/2008 PMO.NLMA on the Collection of Fees and Service Charges by the Land Management Sector, 9 December 2008
18. Directive No. 1849/1999 AF, Concerning the Registration of Tree Planting Parcels, 10 July 1999
19. Notification No. 1374/2010 MAF.MC on the Application for Registering Tree Planting Parcels and Grown Timber Certificate, 24 August 2010
20. Guideline No. 2156/2006 DOF, on Sustainable Production Forest Management Planning, 6 November 2006

## **Principle 2: Harvesting Regulations**

1. Law No. 06/2007 NA on Forestry, 24 December 2007
2. Order No. 17/2008 PM on Strengthening the Forest Management, Protection and Coordination of Forest Management and Forestry Business, 22 September 2008
3. Regulation 112/2008 MAF Regarding the Logging and Post-Logging Cleaning in the Reservoir Area of a Hydropower Dam, 25 November 2008
4. Regulation No. 0108/2005 MAF on Forest Inventory, 20 April 2005
5. Decision No. 0080/2012 MAF on Procedures for Importation, Management and Utilization of Chainsaw (Wood-Cutting Machine), 19 June 2012
6. Instruction No. 0142/2009 MAF on the Inspection of Forest, Forest Products, Forest Land, Non-Timber Forest Products (NTFPs), Aquatic Animal and Wildlife, 7 October 2009
7. Guideline No. 2157/2006 DOF Guideline on Timber Harvesting in Production Forest, 6 November 2006
8. Guideline No. 0396/2008 DOF on Monitoring the Implementation of Production Forest Management, 11 March 2008
9. Guideline No. 2155/2006 DOF on Participatory Forest Inventory, 6 November 2006
10. Notice No. 135/2013 GO on the Implementation of Tree Plantation & Forest Regeneration Plan and the Timber Logging and NTFP Harvesting Plan for the Year 2012 – 2013, 30 January 2013

## **Principle 3: Transportation of Logs and Wood Products**

1. Law No. 03/1997 NA on Transportation, 12 April 1997
2. Law No. 06/2007 NA on Forestry, 24 December 2007
3. Order No. 17/2008 PM on Strengthening the Forest Management, Protection and Coordination of Forest Management and Forestry Business, 22 September 2008
4. Order No. 1765/2013 MOF on Paying More Attention in Timber Exports to Collect Revenue for the Government Budget in an Accurate and Timely Manner, 4 July 2013

5. Decision No. 1976/2010 MOIC on the Sale of Timber and Timber Movement under the Standards of the International Board of Forestry (FSC), 6 October 2010
6. Decision No. 0116/2007 MAF on the Regulation of Timber Log Scaling and Grading, 17 May 2007
7. Agreement No. 0019/2008 MAF-No. 2139/2008 MPWT, 14 February 2008
8. Agreement No. 0182/2009 MAF on the Establishment and Management of Timber Harvest Units and Enterprises, 23 February 2009
9. Notification No. 1440/2008 MOIC.DIMEX on Management of Wood Transport Vehicle, Wood Extraction Machinery, and Wood Processing Machinery in Consistency with the Laws and Regulations, 4 September 2008
10. Guideline No. 2297/2004 MOF on Bidding Regulations for Buying Timber and Other Forest Resources from State Standing Timbers, Infrastructural Areas and Production Forest Areas at Second Landings, 29 October 2004
11. Guideline No. 2157/2006 DOF Guideline on Timber Harvesting in Production Forest, 6 November 2006
12. Guideline No. 0962/2010 DOF on the Management of Timber Log Transport from Harvest Area to Log Landing II, 9 April 2010

#### **Principle 4: Processing Regulations**

1. Law No. 1/1998 NA on the Processing Industry, 3 April 1998
2. Law No 11/2005 NA on Enterprise, 9 November 2005
3. Law No. 02/2009 NA on Investment Promotion, 8 July 2009
4. Decree No. 229/2011 PM on the Implementation of the Investment Law, 20 April 2011
5. Order No. 17/2008 PM on Strengthening the Forest Management, Protection and Coordination of Forest Management and Forestry Business, 22 September 2008
6. Order No. 1765/2013 MOF on Paying More Attention in Timber Exports to Collect Revenue for the Government Budget in an Accurate and Timely Manner, 4 July 2013
7. Decision No. 1415/2008 MOIC, Regulation on Form and Size of Wood Products, 28 August 2008
8. Decision No. 0719/2009 MOIC 2009 on the Timber Processing Manufacture Standards, 3 April 2009
9. Notification No. 1440/2008 MOIC.DIMEX on Management of Wood Transport Vehicle, Wood Extraction Machinery, and Wood Processing Machinery in Consistency with the Laws and Regulations, 4 September 2008
10. Notification No 0051/2009 MOIC, Notification to Implement the Decision on the Form and Size of Wood Products, 13 January 2009

11. Guideline No. 2297/2004 MOF on Bidding Regulations for Buying Timber and Other Forest Resources from State Standing Timbers, Infrastructural Areas and Production Forest Areas at Second Landings, 29 October 2004

#### **Principle 5: Import and Export Regulations**

1. Law No 11/2005 NA on Enterprise, 9 November 2005
2. Law No. 03/1997 NA on Transportation, 12 April 1997
3. Law No. 6/2007 NA on Forestry, 24 December 2007
4. Decree No. 229/2011 PM on the Implementation of the Investment Law, 20 April 2011
5. Decree No. 229/2012 GOL Implementing the Law on Plant Protection, 31 May 2012
6. Decree No. 228/2010 PM on the Origin of Import and Export Goods, 22 April 2010
7. Order No. 1765/2013 MOF on Paying More Attention in Timber Exports to Collect Revenue for the Government Budget in an Accurate and Timely Manner, 4 July 2013
8. Order No. 23/2009 PM on the Authorization of the Right to the Provincial and Vientiane Capital, to Approve the Exportation of Sawn Wood under the List of Controlled Wood 1, 2, 3 and Stumps, 24 February 2009
9. Delegation No. 0484/2010 PM of Authority to the Vientiane Capital and Provincial Divisions of the Industry and Commerce for Issuing Export License for Timbers Grown from Plantation Areas such as Eucalyptus, Acacia mangium and Acacia auriculiformis, Including Processed Timbers and Logs that are not the Prohibited or Special Species, 3 May 2010
10. Notification No. 1940/2011 MOIC.DIMEX, on Procedure to Issue Export and Import License for Timber, 30 September 2011
11. Notification No. 1791/2011 MOIC.DIMEX on Import and Export Licence for Plantation Timber, 30 September 2011
12. Notification No. 0403/2009 MoF.CD on Exemption of Determination of Customs Value of Exported Wood Products For Basis of Calculation of Export Royalties, 26 November 2009
13. Notification No. 1324/2010 MoF.CD on Exportation of Round Wood, Sawn Wood, Semi-Finished Wood Products Shall be Consolidated at the Customs Department to Issue Order of Implementation, 13 April 2010
14. Notification No. 0076/2012 MOIC.DIMEX on Goods Subject to Automatic and Non-Automatic Import and Export Licencing, 13 January 2012
15. Decision No. 0451/2012 MOIC.DIMEX on Procedure for Timber Import, 1 March 2012
16. Decision No. 1415/2008 MOIC.DOI on Form and Size of Wood Products, 28 August 2008

1. Instruction No. 0142/2009 MAF on the Inspection of Forest, Forest Products, Forest Land, Non-Timber Forest Products (NTFPs), Aquatic Animal and Wildlife, 7 October 2009

#### **Principle 6: Environmental and Conservation Regulations**

1. Law No. 02/1996 NA on Water and Water Resources, 11 October 1996
2. Law No. 02/1999 NA on Environmental Protection, 3 April 1999
3. Law No. 07/2007 NA on Wildlife, 24 December 2007
4. Law No. 06/2007 NA on Forestry, 24 December 2007
5. Decree No. 112/2010 PM on Environmental Impact Assessment, 18 February 2010
6. Decree No. 135/2009 PM on State Land Lease or Concession, 25 May 2009
7. Decree No. 435/2011 PM on the Establishment of MONRE, n.d.
8. Order No. 17/2008 PM on Strengthening the Forest Management, Protection and Coordination of Forest Management and Forestry Business, 22 September 2008
9. Decision No. 0719/2009 MOIC on the Timber Processing Manufacture Standards, 3 April 2009
10. Regulation No. 2860/2010 MAF on the Control of Pesticides in Lao PDR, 11 June 2010
11. Regulation No. 0112/2008 MAF on the Logging and Post-logging Cleaning in the Reservoir Area of a Hydropower Dam, 25 November 2008
12. Agreement No. 2734/2009 PMO.WREA on National Environmental Standards, 7 December 2009
13. Agreement No. 0538/2011 MAF on Good Agricultural Practices for Environmental Management Standards, 9 September, 2011
14. Guideline No. 2157/2006 DOF Guideline on Timber Harvesting in Production Forest, 6 November 2006
15. Table No. 0008/2012 MAF of Prohibited, Special and Controlled Timber Species

## **Principle 7: Social Regulations**

1. Law No. 04/2003 NA on Land, 21 October 2003
2. Law No. 06/2006 NA on Labour, 27 December 2006
3. Law No. 05/2006 NA on Child Protection, 27 December 2006
4. Law No. 12/2007 NA on Trade Unions, 25 December 2007
5. Decree No. 192/2005 on Compensation and Resettlement of Development Project, 7 July 2005
6. Decree No. 135/2009 PM on State Land Lease or Concession, 25 May 2009
7. Decision No. 0719/2009 MOIC on the Timber Processing Manufacture Standards, 3 April 2009
8. Instruction No. 1035/2010 MAF of the Provincial Forestry Sector for Implementing the Enforcement of the Labour Law and Paying Attention to Guide Company/Timber Exploitation Division to Strictly Implement, 23 April 2010
9. Regulation No. 2432/2005 PM.STEA for Implementing Decree 192/PM, 11 November 2005
10. Instruction No. 20/2010 NLMA on Implementation of Decree of State-owned Land for Concession, 9 April 2010
11. Technical Guidelines 2005 PM.STEA, November 2005

## **Principle 8: Taxes, Fees and Royalties**

1. Law No. 05/2011 NA on Taxes (amended), 20 December 2011
2. Law No. 04/2006 on Value Added Tax, 26 December 2006
3. Decree No. 135/2009 PM on State Land Lease or Concession, 25 May 2009
4. Decree No. 001/2012 PRO on Sharing of Revenue from Timber Harvests in Production Forest Areas, 31 December 2012
5. Decree No. 01/2007 PO on Land Tax, 8 May 2007
6. Order No. 23/2009 PM on the Authorization of the Right to the Provincial and Vientiane Capital, to Approve the Exportation of Sawm Wood under the List of Controlled Wood 1, 2, 3 and Stumps, 24 February 2009
7. Edict No. 25/2012 PM on the List of Goods and Export Duty Rates, 27 April 2012
8. Directive No. 1849/AF Concerning the Registration of Tree Planting Parcels, 10 July 1999
9. Instruction No. 20/2010 NLMA, on Implementation of Decree of State-owned Land for Concession, 9 April 2010
10. Instruction No. 3204/2008 PMO.NLMA on Collection of Fees and Service Charges by the Land Management Sector, 9 December 2008

11. Notification No. 0403/2009 MOF.CD on the Exemption of Determination of Customs Value of Exported Wood Products for Basis of Calculation of Export Royalties, 26 November 2009
12. Guideline No. 0092/2009 MoF for the Managing the Collection of Revenue from the Sale of Timber and NTFPs, 13 January 2009
13. Guideline No. 2297/2004 MoF on Bidding Regulations for Buying Timber and other Forest Products from State Standing Timbers, Infrastructural Areas and Production Forest Areas at Second Landings, 29 October 2004
14. Regulation No. 0710/2008 MOIC on Wood Fees for Small Logs, 7 May 2008



## The Law in Laos

The land and forestry law are currently in the process of revision, which is hoped to remove overlap, contradictions, clarify various items such as REDD, carbon ownership, timber legality, among others. A draft of the new forestry law has been in preparation since 2011 and is currently under discussion at the ministry level. The original timeline for finalization of the draft new forestry law was the July 2013 session of the National Assembly, but the forestry law cannot be finalized before the approval of the national land policy and the revised land law. It is unclear if these two pieces of legislation can be finalized before the December 2013 session.

## Legal System

The Lao legal system is based on the following hierarchy of legal documents, based on the Presidential Order No. 02/PO on Legislative Drafting from 20 October 2003.

<b>Text</b>	<b>Corresponding Authority</b>
<b>Constitution</b>	<b>National Assembly</b>
<b>Law</b>	<b>National Assembly</b>
<b>Resolution of the National Assembly</b>	<b>National Assembly</b>
<b>Resolution/Directive of the National Assembly Standing Committee</b>	<b>National Assembly Standing Committee</b>
<b>Presidential Ordinance (Edict)</b>	<b>President</b>
<b>State Decree</b>	<b>President</b>
<b>Resolution</b>	<b>Government</b>
<b>State Decree</b>	<b>State</b>
<b>Prime Minister Decree, Directive, Order, Decision</b>	<b>Prime Minister</b>
<b>Decision</b>	<b>Heads of Relevant State Organizations</b>
<b>Order</b>	<b>Heads of Relevant State Organizations</b>
<b>Directive</b>	<b>Heads of Relevant State Organizations</b>
<b>Notification</b>	<b>Heads of Relevant State Organizations</b>
<b>Village Regulation</b>	<b>Village Authorities</b>

## Summary explanation of the legal system in the Lao PDR

### 1. Contents of the legal documents, according to the Presidential Order No. 02/PO 2003 on the Establishment of Legal Acts:

- a. Laws: legal documents defining principles, policies, procedures, regulations, and measures for nation-wide and long-term implementation
- b. Resolution of the National Assembly: stems from subjects considered in the National Assembly relating to socio-economic development, budget plans, adoption of laws, or other subjects within the purview of the National Assembly
- c. Resolution of the National Assembly Standing Committee: stems from subjects considered in the National Assembly concerning implementation of resolutions of the National Assembly, monitoring and examination of implementation of constitution and laws
- d. Presidential Ordinance (Edict): edit defining principles, policies, procedures, regulations and measures alongside the law, endorsed by the president and based on the recommendation of the National Assembly
- e. State Decree: presidential order with a specific term, for example for promulgation of laws, appointment and removal of officials
- f. Resolution of the government: decision of the government regarding an issue considered in this session and approved by the majority of attending members
- g. State Decree and Prime Ministerial Decree: provision with generic or specific term, defining principles, regulations, policies and measures, issued by the state or the prime minister according to their scope of rights and duties:
  - i. Decree on implementation of law – elaborates law into detailed implementation plans
  - ii. Decree with generic term - relates to issues of governance and socio-economic issues.
  - iii. Decree with specific term – relates to management and administration issues
- h. Decision: provision with generic term that elaborates and implements legal acts of higher government authorities, or provision with specific term relating to management and administration
- i. Order: provision with generic term to implement plans, laws, presidential ordinances, regulations, or specific-term provisions for management and administration
- j. Directive: provision with generic term giving instructions on method, understanding, process, use of equipment and resources and timeframe of implementation of economic plans, state budgets, laws, regulations, work plans, or certain tasks
- k. Notification: document informing relevant organizations on implementation of a certain task
- l. Village Regulation: provision with generic term issued by village authorities to implement orders, directives and notifications of higher authorities; or a provision with specific term on management and administration

## 2. Application of legal documents

The hierarchy of legislation follows the order listed above. In addition, higher priority is awarded to legal documents passed more recently.

### Legal definition glossary

#### **State and derived agencies:**

**DAFO** – *District Agriculture and Forestry Office* – district-level state institution, which assists PAFO, MAF and DOF in implementation and oversight of production forest and plantation management.

**DIMEX** – *Department of Import and Export* – division within MOIC in charge of import and export regulations and their implementation.

**DLMA** – *District Land Management Office* – included into DONRE in 2011.

**DOF** – *Department of Forestry* – department within MAF, providing technical expertise, developing guidelines and instructions for implementing MAF decisions.

**DOFI** – *Department of Forest Inspection* – department within MAF, in charge of protection of forest resources nation-wide.

**DONRE** – *District Office of Natural Resources and the Environment* - district-level state institution, which assists PONRE in performing provincial management of land and environmental.

**MAF** – *Ministry of Agriculture and Forestry* – ministry in charge of management of production forest resources as well as agriculture.

**MOIC** – *Ministry of Industry and Commerce* – ministry in charge of all aspects of business enterprises, processing, investment, import and export.

**MoF** – *Ministry of Finance* – ministry in charge of state budget, taxes, customs, service charges, fees and royalties

**MONRE** – *Ministry of Natural Resources and Environment* – created in 2011 to perform state management of environment, natural and land resources nation-wide. Previous institutions, such as WREA, NLMA, and provincial- and district level LMA were included into MONRE. In charge of management of protection forests and conservation forests.

**MPWT** – *Ministry of Public Works and Transport* – ministry in charge of regulating transportation and infrastructure.

**NA** – National Assembly – elected chamber of the government of Laos. Discusses and passes laws, and drafts resolutions.

**NLMA** – National Land Management Authority – included into MONRE in 2011.

**PAFO** – Provincial Agriculture and Forestry Office – a provincial-level state institution, which assists MAF and DOF in implementing production forest management and oversight.

**PLMA** – Provincial Land Management Office – included into PONRE in 2011.

**POFI** – Provincial Office of Forest Inspection – a provincial-level state institution, which assists DOFI in forest inspection and forest resource protection.

**PONRE** – Provincial Office of Natural Resources and the Environment - a provincial-level state institution, which assists MONRE in performing state management of land and natural resources.

**Timber Harvest Enterprise** - a business unit established by MAF, but with independent financial management, to undertake timber harvesting based on bids.

**Timber Harvest Unit** – an organisation established under license and with approval from MAF to undertake timber harvesting and transport to log landing II, operating in production forest areas and tree plantations.

**WREA** – Water Resource and Environment Authority – included into MONRE in 2011.

**Other terms that may require explanation in the Lao context:**

**Bill of lading** is evidence of loading or constituting a load or cargo, freight or lading of a ship

**Enterprise registration licence** – the enterprise registration certificate is granted by the State as lawful recognition of an individual or legal entity established and operating a business in the Lao PDR.

**Certificate of origin** – document specifying where good was manufactured or grown, issued by competent body of exporting country

**Certificate of state-owned land lease, concession registration certificate** – document issued by the MOIC or POIC, defining use rights for a given time frame for the land parcel in question.

**EIA/EIAR** – Environmental Impact Assessment/Report – the analysis and prediction of potential impacts of specific investment projects on the environment in order to propose measures to protect the environment when the implementation of projects takes place. MONRE issues an environmental compliance certificate upon approval of initial environmental assessment, EIAR or environmental and social management and monitoring plans following EIAR.

#### **Forest types –**

**Protection forests**, which are used mainly to protect water sources and land, prevent erosion and desertification, restrict natural calamities and regulate climate, thus contributing to environmental protection

**Conservation forests**, which are used mainly for conservation of nature, specimens of the national forest ecosystems and forest biological gene sources; for scientific research; protection of historical and cultural relics as well as landscapes; in service of recreation and tourism in combination with protection

**Production forests**, which are used mainly for production and trading of timber and non-timber forest products in combination with protection

**Hammer stamp (for timber)** – stamp applied to all timber during scaling process at log landing II according to destination:

F- mark– for logs transported from log landing II to log landing III, or to processing facility.

LF-mark– for logs transported from log landing II to export

**Harvesting plan** – DAFO develops plan to describe area to be logged, including information from pre-harvesting inventory, volume to be cut and retain and species, definition of log landings I and II, skid trails and logging roads. PAFO summarizes and submits harvesting plans to MAF. MAF proposes national quota to the National Assembly for approval, then MAF provides provincial quota.

**Import/export licence** – import license is issued by DIMEX based on specific application for raw material import. Export license is issued by DIMEX for round wood, sawn wood, semi-finished products, stumps and tubers based on application for export licence by enterprise. No export permit is needed for exportation of wooden products.

**Land use certificate**, or land title – is a legal document certifying land utilization rights by an individual or organization. Land use certificates convey provisional land use rights. Land titles convey permanent land use rights, and the right to use the land as collateral, and to sell or lease the land.

**Log list** – complete list of logs harvested, in accordance with trees marked for harvest and harvesting plan, and containing scaling information from log landing II.

**Phytosanitary certificate** – document issued by the Plant Protection Authority based on importer/exporter application, inspection and testing. Certifies that consignment meets importing or exporting requirements.

**Plantation registration certificate** – document that serves as proof of plantation ownership, issued by DAFO and grants exemption from land tax in some cases.

**Production plan of manufacture** – compiled by wood processing companies. Contains production plan, distribution plan, need for raw materials, and prices for finished products, and is approved by POIC.

Verify that facility maintains production plan of manufacture, based on the capacity of the manufacture as basis for wood quota allocation, and including product distribution plan, raw material needs and projected prices, and reports on implementation of actual production.

**Sales contract** – evidence of agreement issued by POIC on the volume of timber and price to be paid, registered by MoF and MAF.

## **Taxes**

**Contracted Tax** – is a direct tax imposed on individuals and legal entities conducting small and medium-scale production and business activities not in the value-added tax system, and that are contracted to pay tax according to the contract made between tax authority and tax payer, and not covered by income tax.

**Income Tax** – is a direct tax imposed on the income of individuals and legal entities that earn income in the Lao PDR.

**Land Tax** – is a direct tax imposed on individuals and legal entities holding and using all land within the Lao PDR.

**Profit Tax** – is a direct tax imposed on the profit of enterprises that undertake production and business activities.

**VAT** – Value Added Tax: is tax calculated on portion of increased value of goods and services in production, circulation, services and consumption.

**Transport permit** – issued by POIC for removal of logs from log landing II for further transport to log landing III, processing facility, or export.