Forest Management
2006 Annual Audit
Report for:

Khammouane Provincial Forestry Section
in Khammouane Province, Laos

Certificate Code: SW-FM/CoC-1711
Audit Dates: 24th to 25th October 2006 and 30th October 2006
Auditors: Adam Grant
Soumphong Prixar
Operation Contact Address: Oupakone Alounsavath
Ministry of Agriculture and Forestry Department of Forestry
P.O. Box 6238, Vientiane, Lao PDR
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1. AUDIT PROCESS

1.1. Auditors and qualifications:

Adam Grant – Team Leader
Adam has conducted numerous Forest Management and Chain of Custody assessments and audits throughout the Asia Pacific Region. He has project and research experience in social forestry and community based natural resource management. From 1998 to 2003 he has worked in Southwest China in the province of Sichuan and the autonomous region of Tibet. Additionally, he has extensive experience working as a timber trader in the United Kingdom and working in production forestry and processing in Scandinavia.

Souksompong Prixar (Field Audit)
Lecturer and Head of Forest Research Office at the Faculty of Forestry (FOF), National University of Laos. Souksompong Prixar is responsible for forest research activities in FOF, providing support to teachers to carry out research and to develop the mandate of research work within FOF.

1.2. Audit schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Location/main sites</th>
<th>Main activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>24th October 2006</td>
<td>National Agriculture and Forestry Extension Service</td>
<td>Introduction Meeting</td>
</tr>
<tr>
<td>25th October</td>
<td>Provincial Agriculture and Forestry Office</td>
<td>Meeting and Interview with the State and Provincial forestry departments. Also the SUFORD staff</td>
</tr>
<tr>
<td>25th October</td>
<td>Ban Some Village</td>
<td>Village Meeting with the Group of Village Forestry Organisation (GVFO)</td>
</tr>
<tr>
<td>30th October 2006</td>
<td>NAFES</td>
<td>Wrap up Meetings</td>
</tr>
</tbody>
</table>

Total number of person days used for the audit: 4
= number of auditors participating 2 times total number of days spent for the audit 2

1.3. Sampling methodology:

<table>
<thead>
<tr>
<th>FMU (Sub-FMA) or Site audited</th>
<th>Rationale for selection</th>
<th>GVFO name of the FMU (Sub-FMA) and VFOs (village) represented</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ban Some Village</td>
<td>The main village for the Sub-Forestry Management Area (SFMA) in Khammouane. This SFMA is the only certified area in Khammouane</td>
<td>Some-Xokbo GVFO comprising 7 VFOs/villages</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Koktong</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Thamlay</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Some</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Kengpe</td>
</tr>
</tbody>
</table>
1.4. Stakeholder consultation process

<table>
<thead>
<tr>
<th>Stakeholder type (NGO, government, local inhabitant etc.)</th>
<th>Number of stakeholders informed</th>
<th>Number of stakeholders consulted or providing input</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Inhabitant</td>
<td>89</td>
<td>23 from the following villages</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Koktong</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Thamlay</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Some</td>
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<td></td>
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<td>• Kengpe</td>
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<tr>
<td></td>
<td></td>
<td>• Thakor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Thahat</td>
</tr>
</tbody>
</table>

1.5. Changes to Standards (if applicable)
No changes to the standard have occurred since the last evaluation. For the conduction of this audit as well as for the conduction of previous audit/assessment the following standard was used:
SmartWood Laos Interim Standard for Laos April 2003

2. AUDIT FINDINGS AND RESULTS

2.1. Changes in the forest management of the FMO

The main changes to have occurred since the original assessment conducted in 2003 was the finishing of the FOMACOP project which ran from 1996 – 2001. The successor project to the FOMACOP is the Sustainable Forestry and Rural Development Project (SUFORD) with one of its main objectives being the implementation of Participatory Sustainable Forest Management (PSFM) which will supersede the Village Forestry concept implemented by the FOMACOP project.

SUFORD was established to assist in Government of Lao PDR (GOL) efforts to put the country’s production forest areas (PFA) under participatory, sustainable forest management (PSFM) as one of the means for reducing poverty in rural areas. With SUFORD assistance GOL has identified 59 PFAs with a total area of about 3.6 million ha located in 17 provinces. Of these 59 PFAs, 8 PFAs which are located in the 4 SUFORD project provinces have been officially declared by the Prime Minister; the remaining 51 PFAs are to be declared in 2006-2007.
SUFORD is assisting GOL to put the 8 declared PFAs under PSFM and introduce to PSFM another 5 still undeclared PFAs. All 13 PFAs are located in the 4 SUFORD project provinces. SUFORD took over in providing technical assistance to forest certification in 2005 during the late stages of the process to help close out the pre-conditions. Forest certification is included in the SUFORD project design as a means to verify PSFM establishment in at least 60,000 ha of forests within the 8 declared PFAs.

In Khammouane, four districts will administer 23 sub-FMAs. One of these is certified Sub-FMA (Some-Xokbo) in Xebangfai district. The Some-Xokbo Sub-FMA is made of 7 villages which has created a Group VFO that works with the PFS that in turn represents all VFO’s in the sales negotiation.

Developing PSFM systems and then introducing and sustaining them in the country’s system of PFAs are part of SUFORD goals. PSFM constitutes the official system of PFA management adopting many important lessons learned from village forestry, which was piloted by FOMACOP in 1996-2001. In the process, PSFM has replaced village forestry as the SFM system in certified areas.

The change from village forestry to PSFM has not been smooth. In the beginning when the past project management of SUFORD pushed for an abrupt change, this lead to PSFM not being sufficiently developed, and thus de-marginalizing the FOMACOP village forestry system and creating gaps which in turn caused forest management field practices to suffer a decline. This has since been corrected when the new SUFORD project management: (a) declared village forestry practices, e.g. forest management plans and forest management agreements, to remain until replaced by PSFM, (b) worked for the completion of new forest inventories, (c) assisted DOF to complete 61 of 65 forest management plan formulation processes which also covered the certified areas (the 61 plans are now approved and will be implemented starting in 2006-2007), and (d) assisted the project districts and villages to establish PSFM institutions based on official policy (DAFEO-DFMU, VFO-VFC, and GVFO) replacing the village forestry related institutions (e.g. VFA) and to sign new PSFM agreements replacing any past village forestry agreements.

SUFORD also conducted a testing of a newly drafted internal control tool for a dual purpose of (a) refining it for wider application and (b) assessing the level of decline in forest management field practices caused by gaps in the process of replacing village forestry by PSFM. In a discussion of the control team findings in Vientiane, the provincial representatives disputed the generalized conclusions of the control team concerning the decline in SFM practices. They explained that discontinuation in some sites of the log marking practices introduced in village forestry would not mean that the logs were illegal, since the minimum legal practice of marking only the log serial number and dimensions was followed. Logs were harvested legally.
because harvesting was based on a still valid forest management plan, harvesting plan from pre-harvest inventory data, approved GOL quota, PAFO logging permit, tree marking, and log marking (not necessarily based on village forestry rules or rules that are still to be introduced, but on currently accepted log marking rules). Unfortunately, the uncorrected report was leaked to the activist press, which then provided the basis for a negative article circulated in the internet concerning Lao forest certification. Further discussion of the control team findings was done on other occasions, the last one in Savannakhet on 17 October 2006.

SUFORD continues to assist the two provincial groups on forest certification matters directly and also through DOF Technical Division. At present, direct communication in the English language between PFS of the two provinces and SmartWood is not possible. To solve this problem in the long run, SUFORD will provide intensive English language training to the two PFS, particularly their Group Management and Certification Unit (GMCU) staff. In the meantime, SmartWood is requested to copy all communications with the two PFS to DOF (DOFADM@laotel.com) and SUFORD (seppanen@laopdr.com, fmasfrdp@laotel.com, and pfasfrdp@laotel.com).

2.2. Stakeholder issues

There were no major stakeholder issues observed during the audit.

2.3. Compliance with applicable corrective actions

The section below describes the activities of the certificate holder to address each applicable corrective action issued during previous evaluations. For each CAR a finding is presented along with a description of its current status using the following categories. Failure to meet CARs will result in noncompliances being upgraded from minor to major noncompliances with compliance required within 3 months or face suspension or termination of the SmartWood certificate. The following classification is used to indicate the status of the CAR:

<table>
<thead>
<tr>
<th>CAR Status Categories</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>Certified operation has successfully met the CAR and addressed the underlying noncompliance.</td>
</tr>
<tr>
<td>Open</td>
<td>Certified operation has not met the CAR; underlying noncompliance is still present. CAR becomes a Major CAR with a 3 month deadline for compliance</td>
</tr>
</tbody>
</table>
CAR #: 01/06  Reference Standard #: 8.3

Non-compliance: Major ☒ Minor ☐

Before the annual audit 2006 SmartWood received complaints from stakeholders regarding the log tracking system implemented by the Savannakhet Provincial Forestry Group. There were made claims that timber from the FSC certified areas was sold illegally, allegedly due to insufficient log tracking systems applied in the forest operations.

Due to the importance of these complaints it was chosen to include this CAR in the report for Khammouane as well.

Corrective Action Request:
Khammouane Provincial Forestry Office Group Management and Certification Unit in Lao PDR shall not sell any forest products harvested from the certified area as FSC until such time as an on-site audit has occurred to ensure the integrity of the chain of custody and identification system for certified products is intact.

Timeline for Compliance: Effective immediately

Audit findings:
As the CAR was issued based on alleged sale of illegally harvested timber in Savannahket the audit team did not verify this CAR in Khammouane.

Status: Open

Follow-up Action (if applicable):
See major CAR 01/06 and major CAR 02/06


Non-compliance: Major ☒ Minor ☐

There was concern of the precondition audit team that the new group management, namely the PFS might not have the capacity to manage the certification process effectively.

Corrective Action Request:
Khammouane PFS and in particular the Production Forest Management and Forest Inventory members must be provided with training for implementing the group scheme, an understanding of the group policies, SmartWood interim standards and the certification report, including the preconditions and conditions. Within the two-month period, the names of the participants, subjects covered and the date of the training shall be documented and sent to SmartWood Asia Pacific office.

Timeline for Compliance: Within two months of certification

Audit findings:
Since early 2006 after the two GMCUs were granted certification, three training sessions on forest certification were organized:

- **Session 1.** This session took place twice, once for each province. The first time took place in 6-7 January 2006 in Khammouane. The second time was a bit delayed but took place in 9-11 March 2006 in Savannakhet.

- **Session 2.** Separate training sessions were provided to participants of the two groups in the week of 23 September. The main topic was the steps taken and progress towards closing the Conditions for certification.

- **Session 3.** This was a joint training session of the Savannakhet and Khammouane groups, which was held at the SUFORD Savannakhet Regional Center on 17 October 2006. Some 34 participants came from three levels of the two groups (9 from the two PFSs, 6 from the two DFMUs, and 19 VFO Chairpersons from 5 certified sub-FMAs). Topics included an orientation to forest certification and group membership for newcomers, the group certification policy, the 10 FSC Principles, policy statements of the two groups, progress in implementing PSFM in Lao PDR, efforts towards closing the Conditions, and assessment of current timber harvesting.
practices. Since time was limited it was agreed to hold a separate training on the criteria and indicators of the 10 FSC Principles as part of the 2007 training series.

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>It was found during the field work and interviews that the women in the villagers have been marginalized from the decision making process on how the forest will be managed and how the revenue gained from the resource will be used as there or no female members in any of the VFA</td>
</tr>
<tr>
<td>Major □ Minor ☒</td>
<td></td>
</tr>
</tbody>
</table>

Corrective Action Request:
The Khammouane PFS must ensure that each VFA has at least one female member.

Timeline for Compliance: Within the first year of the certification

Audit findings:
As a result of applying the official Government policy on PSFM, the VFAs which were established during the piloting of village forestry by FOMACOP in Savannakhet and Khammouane were transformed into VFOs. Aside from the change in name, other changes from VFA to VFO included merging of the Policy Committee and the Management Committee of each VFA into the Village Forestry Committee (VFC) of each VFO. A VFC consists of the officers of VFO with the village chief as Chairperson. Former VFA members retained their membership in VFO.

In general, all VFAs include a majority female membership. However, a VFC formed in 2005 could have zero female membership. As a result of gender mainstreaming in PSFM done by the DOF Gender Team, the VFO-VFC guidelines were changed in early 2006 so that VFC has at least one female member. Training to this effect started in February 2006. Reconstitution of the VFCs took place afterwards, so that now at least one member of the reconstituted VFCs is a female. VFC reconstitution is still going on (completed 185 out of 412 villages), but in certified areas all villages already have at least one female officer of VFO.

Status: Closed
Follow-up Action (if applicable):
None

<table>
<thead>
<tr>
<th>Condition 1</th>
<th>Reference Standard #: 1.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>In the first years VFAs sold timber, the FOMACOP project collected payment for log sales and then paid all relevant fees. In the past two years, buyers have paid all royalties and taxes directly to the Department of Commerce and other relevant offices. Without proof of payment, buyers cannot take possession of sold logs.</td>
</tr>
<tr>
<td>Major □ Minor ☒</td>
<td></td>
</tr>
</tbody>
</table>

Corrective Action Request:
Department of Commerce, PAFO and DAFO must ensure consistent and timely payment of allocated logging revenues to VFAs, GMCU, and other relevant agencies.

Timeline for Compliance: By the end of Year 1

Audit findings:
In 2006 no logging took place in Khammouane, but all revenues had been received from harvesting operations in 2005.

The table below shows the harvesting levels and payments made for the 2004 to 2005 season (Dong Phousoi and Nakathing are the PFAs in Khammouane. There are two PFA’s identified in this province containing 4 FMA’s which contain 23 sub FMA’s in fours districts. These four districts will administer
23 sub-FMAs. One of these is the certified Sub-FMA (Som-Xokbo):

<table>
<thead>
<tr>
<th>Production Forest Area</th>
<th>2004-2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quota m³</td>
</tr>
<tr>
<td>Phatumphone</td>
<td>0</td>
</tr>
<tr>
<td>Salivangveun</td>
<td>800</td>
</tr>
<tr>
<td>Dong Phousoi</td>
<td>2,800</td>
</tr>
<tr>
<td>Nakathing</td>
<td>800</td>
</tr>
<tr>
<td>Lao Ngam</td>
<td>0</td>
</tr>
<tr>
<td>Phou Talava</td>
<td>0</td>
</tr>
<tr>
<td>Dong Kapho</td>
<td>0</td>
</tr>
<tr>
<td>Dong Sithouane</td>
<td>3,600</td>
</tr>
<tr>
<td>TOTAL</td>
<td>8,000</td>
</tr>
</tbody>
</table>

Status: Closed

Follow-up Action (if applicable):
None

**Condition 2**

<table>
<thead>
<tr>
<th>Reference Standard #: 1.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance: Major [ ] Minor [x]</td>
</tr>
</tbody>
</table>

The level of conversion and harvesting is not known by local communities. As part of the Village Forest Management Contract, VFAs are responsible for monitoring levels of unplanned or illegal harvesting/conversion. However, monitoring activities appear inconsistent in some areas and not implemented in others.

Corrective Action Request:
VFAs shall monitor and document the harvesting of trees for home use, planned and unplanned forest conversion and other tree cutting or harvesting in their forest areas. Monitoring information should be integrated into commercial forestry activities – planning and harvesting.

Timeline for Compliance: Throughout the certification period

Audit findings:
As part of the Laos law each family can only use 5 m³ per house hold. The government has allocated forest land for domestic use and as such no felling of timber should be done in the Production Forest Areas. However if it is necessary that a household is to use the production areas for domestic use the new management plan covers this eventuality.

The new 15 year management plan had not been received by the Savannakhet PFS at the time of the audit. However the draft management plan shown to the auditors clearly states that all cutting must be recorded and fed back into the annual cutting plan including felling for domestic use in the Production Areas. In addition, if the VFO is to cut in the production areas, they must have permission from the DFO and all timber cut must be included as part of the AACI if these are harvested in annual coupes.

It was found that the CAR had not been fully met as the new Management Plan has not yet been implemented. Due to the fact that this CAR was originally issued with a timeline defined as “throughout the certification period” the CAR is kept open but given a new defined timeline for conformance to be verified during the next annual audit in accordance with new SW procedures.

Status: Open

Follow-up Action (if applicable):
The CAR is kept open but remains a minor non-conformance as CAR 02/05 and will be verified by the next annual audit.
Over the last two years, the determination of quota, the final selection of harvested trees, the negotiation with buyers and the contracting of timber harvesting and sales has been conducted by District and Provincial officers without (or with very reduced) participation of the villagers. For example during one meeting a PFO official mentioned that “During FOMACOP, the government office and the villagers decided jointly which trees would be harvested. Now, the villagers send their inventory to the office, which decides which trees will be felt, and then villagers do the marking”. This was confirmed during interviews with the VFA members.

Corrective Action Request:
The GMCU will involve representatives of the VFAs in decision-making over: the selection of trees for harvesting; securing timber harvesting quotas; contracting timber harvest and log transport; as well as all activities related to timber sales such as buyers’ selection, negotiation and contracting.

Timeline for Compliance: Throughout certification

Audit findings:
The new PSFM system that is now being applied in SUFORD areas, which include the certified areas, provides for VFO participation in decision-making in all relevant aspects of forest management as follows:

- VFO teams do the pre-harvest inventory using a PHI design prepared by DFMU. PHI data provide the basis for calculating timber harvesting quotas.
- DFMU prepares the harvesting plan and discusses this (including the list of trees selected for harvesting) with VFOs in the sub-FMA prior to tree marking.
- VFO teams do the marking of trees selected for harvesting. They may replace a tree included in the tree list by marking another tree for a valid reason, e.g. if the listed tree appears to be unsound. Therefore the VFO team has a final say on which tree is to be harvested. (Note: Replacement of marked trees is allowed but is now discouraged in Savannakhet.)
- VFO teams are responsible for ensuring that only those trees marked are harvested by the logging crews during logging.
- The Group of VFO (GVFO) established for every sub-FMA (the smallest FMU in PSFM) consists of the heads of all VFOs in the sub-FMA. All GVFOs in the province are members of the Provincial PSFM Group. A major function of the Provincial PSFM Group is to participate in province-led activities such as in securing harvesting quotas, contracting logging, timber sale, and revenue sharing. For any of these purposes the Group Management Officer will create a committee consisting of DFMU and GVFO representatives. It is of course not possible to have all VFOs represented in these activities because of their large number.

In Khammouane there are two PFA’s identified containing 4 FMA’s which contain 23 sub FMA’s in fours districts. These four districts will administer 23 sub-FMAs one of these is certified Sub-FMA (Som-Xokbo).

The Sub-FMA of 7 villagers has created a Group VFO that works with the PFS that represents all VFO’s in the sales negotiation. The head of the VFO’s is from Village Kengpea a Mr Khaen. Mr Khaen is head of the GVFO with two deputies from other villages. Mr Khaen will hold this position for one year. This system has just been created thus nothing has happened to date but in the future it is planned that the GVFO will work with the PFS on all aspects of the forest operations including negations for sales.

It is planned that more of the provincial staff will move to the district level and thus be able to work more closely with the GVFO’s. It is a state policy to strengthen the district level forestry offices from
the provincial offices.

**Village comments:**
The villagers during the interviews said that they are involved in all aspects of forestry operations. They explained that these activities where only undertaken during the FORMACOP project because they have not had any felling during the SUFORD project. However they are expecting that it will be the same.

**Status:** Closed

**Follow-up Action (if applicable):**

None

<table>
<thead>
<tr>
<th>Condition 4</th>
<th>Reference Standard #: 3.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>Sacred forests are included in the participatory village land use mapping procedure and identified as a component of conservation forests. However, no sacred areas were mentioned in the maps and FMPs of the villages surveyed. In one case, the villagers mentioned that the sacred area was part of the village protected area, although it was not specifically identified and marked on the map. In another case, the sacred area was located within the boundaries of production forest, although the villagers mentioned they did not use it for timber production.</td>
</tr>
<tr>
<td>Major ☐ Minor ☒</td>
<td></td>
</tr>
</tbody>
</table>

**Corrective Action Request:**
The GMCU shall establish and start implementing, in all certified VFAs, a procedure to identify the location and boundaries of all sacred areas or areas of special spiritual or cultural importance to the community, based on consultation with the village population.

**Timeline for Compliance:** By the end of Year 1

**Audit findings:**
The new management plan that has been created for the next 15 years has used data from the Management Inventory and (Pre-harvesting Inventory). The MI was conducted by the DFO and community members from the VFC and one of the VFC is the ‘village forester’. The management plan clearly showed the sacred forest areas and burial areas (Map 2 Land use map in management plan).

**Village Comments:**
They have been part of the village culture and laws these have always been understood by the villagers. However the FORMACOP project asked that these cultural institutions be recorded and written down. This was done May 2006 and submitted to the DFO.

**Status:** Closed

**Follow-up Action (if applicable):**

None

<table>
<thead>
<tr>
<th>CAR #: Condition 6</th>
<th>Reference Standard #: Criterion 3.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>Sacred forests are included in the participatory village land use mapping procedure and identified as a component of conservation forests. However, no sacred areas were mentioned in the maps and FMPs of the villages surveyed. In one case, the villagers mentioned that the sacred area was part of the village protected area, although it was not specifically identified and marked on the map. In another case, the sacred area was located within the boundaries of production forest, although the villagers mentioned they did not use it for timber production.</td>
</tr>
<tr>
<td>Major ☐ Minor ☒</td>
<td></td>
</tr>
</tbody>
</table>

**Corrective Action Request:**
On revision of the Village Management Plans they shall include the identification of the location, area, status, boundaries, as well as rules use and access to all sacred areas or areas of special spiritual or cultural importance to the community.

**Timeline for Compliance:** On revision of the Village Management Plans
Audit findings:
All sites have been identified and at the time of the assessment the village rules were being formalized – as per the requirements of the PSFM plan. Once these rules have been formalized they will be included to the management plan as an annex.

Village Comments:
They have been part of the village culture and laws these have always been understood by the villagers. However the FORMACOP project asked that these cultural institutions be recorded and written down. This was done May 2006 and submitted to the DFO.

Status: Closed
Follow-up Action (if applicable):
None

CAR #: Condition 7  |  Reference Standard #: 4.1
---|---
Non-compliance:
Major ☑ Minor ☒
The village forestry project has increased the degree of participation of local communities in forest management activities. Villagers received extensive training on all aspects related to forest management, including land use mapping and planning, as well as conservation issues. Logging, however, is mostly contracted out by the government units to private companies, often from Vietnam. These companies employ the local villagers to conduct tasks related to logging, such as road cleaning. Some of the logging companies also contract out tree felling to local villagers, but often they bring their own logging crew, including Vietnamese workers. In one of the communities visited, the VFA members wished they could be given more opportunities to conduct logging activities, including tree felling, but that the forestry offices had been refusing this, on the grounds that the villagers don’t have the capacity to conduct logging. The villagers didn’t agree with this, and insisted that they feel that after having been trained by the project in forest management and having been involved in logging activities they now have the capacity to conduct logging, including the capacity to finance logging equipment from the funds earned through the harvesting of timber.

Corrective Action Request:
The GMCU will have designed and implemented measures to increase the participation of local companies and community members into logging operations, including felling.

Timeline for Compliance: By the end of Year 1

Audit findings:
The PFS and SUFORD staff states that it would not be possible to carry out this work because the VFC do not have any equipment or experience to do this. However the VFO act as supervisors of the logging crews to ensure that the logging crews work to the harvesting plans.

To safe guard the communities’ interest and participation a contract is signed between the PFS, VFO and the logging contractor. The logging contract clearly states that the communities are responsible for supervising the work of the logging crew.

Village comments:
They would like to participate in the logging operations but they do not have the equipment or experience to do so.

While it was found that the CAR had not been fully met, it should be underlined that SW appreciates the challenges of involving local communities directly in felling operations. The villagers that are interested in logging have expressed they now have the capacity to finance the logging equipment from the funds they’ve earned and to conduct the logging. If they choose to do this and PFS and SUFORD refuse to
CAR #: **Condition 8** | **Reference Standard #: 4.2**
---|---
**Non-compliance:** | **Workers interviewed indicated that they had received training on logging operations and were found to be aware of the risks. They mentioned that they usually ensured that some form of transport was always available in case evacuation was required. The villagers were also aware of the need to build an escape way as part of the preparations before felling a tree. Medical personnel with medical supplies are posted in the villages.**

The VFAs, however, were found to be deficient in the following aspects linked to workers’ safety as mentioned in the Lao PDR’s labour law:

- the law mentions that workers should receive “free of charge, such personal protection equipment and clothing as may be required by workers engaged in the production process”. This was not found to be the case.
  - Loggers used tight-fitting clothes and sport shoes to make their work easier and safer, but used none of the safety equipment needed for logging.
- crews in the forest did not have a first-aid kit with them.
- the VFA pays the workers 50% of the medical expenses of the workers in cases of work-related injuries, while the law requires 100%.

**Corrective Action Request:**
All VFA members who are employed by logging contractors shall be provided, free of charge, with personal protection equipment, including a hard hat and access in the field to a safety kit. Whenever VFA members are engaged in other forestry work, such as inventory, then the VFA shall be responsible for personal protection equipment. The VFA shall ensure that all workers receive 100% coverage of their medical expenses in case of work-related injuries.

**Timeline for Compliance:** By the end of Year 1

**Audit findings:**
The VFO is supplied with a medical kit and some safety equipment was supplied by Savannakhet but has not been used as of yet because no harvesting has taken place.

**Village Comments:**
The GVFO said that if any community members is injured very badly that they can pay 50% of the medical bills. If it is only a small injury they will cover 100% of the cost. They have a written village agreement that covers this issue. They will determine what is bad and slight at the time of the injury however there has been no instances of injury.

**Status:** Closed

**Follow-up Action (if applicable):**
Observation 01/06: The compensation given by the VFO’s to community members should be formalized within an Operational Health and Safety plan.
**Condition 9**

<table>
<thead>
<tr>
<th>Non-compliance:</th>
<th>Reference Standard #: 4.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major ☐ Minor ✗</td>
<td>Although Lao PDR is not a signatory of ILO Conventions 87 and 98, the Lao PDR’s Labor Law stipulates that workers have the right to organize and to belong to any mass and social organization that has been formed lawfully, and that such organizations have the right to “adopt their rules, elect their representatives, organize their administration, carry out their activities independently, and to belong to any labour federation or confederation within the country.” However, the only national workers’ organization is The Lao Federation of Trade Union (LFTU), established in 1966, which is heavily under control of the government</td>
</tr>
</tbody>
</table>

**Corrective Action Request:**
The GMCU shall review the conditions of employment of all workers employed in logging operations, with particular reference to foreign workers, and shall ensure that they are compliant with all aspects of the labor laws of Lao’s PDR and with ILO conventions 29, 87 and 98.

**Timeline for Compliance:** By the end of Year 1

**Audit findings:**
It is expected that the logging crews are working within the laws of Laos but there is little understanding at the PFS level. The ILO conventions and the Lao laws governing labour are not understood.

This condition has not been adequately addressed and more work needs to be done to ensure that there is full understanding of the requirements of Laos and International Labour law requirements.

**Status:** Open

**Follow-up Action (if applicable):**
The CAR is kept open and up-graded to major CAR 09/05.

---

**Condition 10**

<table>
<thead>
<tr>
<th>Non-compliance:</th>
<th>Reference Standard #: 5.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major ☐ Minor ✗</td>
<td>During FOMACOP, project staff provided the necessary technical and management support to develop and maintain the village forestry silvicultural system. At the completion of the project technical expertise was handed over to VFA and PFO, DFO personnel trained during the project. However, the assessors have concluded that the lack of capacity at the recently created GCMU and PFO/DFOs is insufficient for the managerial and administrative needs of the existing pilot certification VFAs, let alone for the envisaged expansion of certification to the remaining VFAs.</td>
</tr>
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</table>

**Corrective Action Request:**
The GMCU must have assumed responsibility for selecting harvesting sites.

**Timeline for Compliance:** By the end of Year 1

**Audit findings:**
The PFS is responsible for all inventory work and management planning however it is not possible to take the role of the DoF as responsible for the national planning process. It is the PFS role to ensure that the correct FMU’s are harvested. DoF consults the PFS in this process. Regulation108/MAF 2004 Forestry Inventory.

It is a legal requirement that DoF allocate harvesting site as per inventory data. It would not be possible for the GMCU to circumnavigate this regulation and if it were to do so then it would be contradictory to Laos’ Forestry Law and thus in contravention of Principle One of the FSC standard.

**Status:** Closed

**Follow-up Action (if applicable):**
None
### Condition 11

<table>
<thead>
<tr>
<th>Non-compliance:</th>
<th>Reference Standard #: 5.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major □ Minor ✔</td>
<td>While this system ensures that logs sales generate sufficient funds to pay all due royalties and fees, the current low harvest rates (due to the log and sawn timber ban) threaten the long-term viability of this system. Revenues received by local communities from forest management have dropped substantially since the log ban. In fact, many VFAs have received no revenues from management in one or both of the last two years. Further, VFAs that were not selected for harvesting were not compensated for inventory costs. As economic incentives for participation in forest management in conservation decrease, local community support for collaborative and planned forest management will weaken.</td>
</tr>
</tbody>
</table>

**Corrective Action Request:**
GMCU and VFAs should work with DAFO, PAFO, and Department of Forestry to develop strategies to improve marketing conditions for VFA products.

**Timeline for Compliance:** By the end of Year 1

**Audit findings:**
The Ministry of Agriculture and Forestry and Department of Forestry have conducted a market research and created a Market Strategy for PFA’s in four provinces. There was a seminar from this report in October 2006.

The actual participation of the GMCU and VFO’s was minimal in this work, which is understandable due to the capacity at this level in regard to the international market trade.

A Seminar was run on marketing of forest products October 2006 which SUFORD and PFS. No strategy has been devised to date but they will continue to work with DoF on this.

**Status:** Closed

**Follow-up Action (if applicable):**
None

### Condition 13

<table>
<thead>
<tr>
<th>Non-compliance:</th>
<th>Reference Standard #: 5.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major □ Minor ✔</td>
<td>Data collected during measurements in 1997-1999 reveal different trends in growth than information provided in VFMPs to develop long-term allowable cut estimates. New information shows net growth rates decreasing with increasing stocking levels – rather than the increasing net growth trend shown within the VFMP. Thus, VFMP calculations may overestimate growth rates in well-stocked forest areas and thus overestimate the sustainable annual cut. However, this new data and analysis has not yet been used to revise the VFMP or annual harvest planning.</td>
</tr>
</tbody>
</table>

**Corrective Action Request:**
The GCMU (group manager) and VFAs must calculate Annual Allowable Cut (AAC) based upon the most accurate and up-to-date information on forest growth.

**Timeline for Compliance:** By the end of Year 1

**Audit findings:**
Calculation of AAC is being done by DOF with PFS participation during the preparation of forest management plans. When plans are implemented, the calculation of the AAC in annual coupes is done by DFMU and checked by PFS. The role of VFOs is in providing the pre-harvest inventory information used in calculating the maximum level of production.

Permanent sample plots (PSP) data from Dong Sithouane PFA (Savannakhet) have been used in developing new models on forest growth and mortality. In the absence of a similar model for other provinces, the Savannakhet model has been used in calculating the maximum annual sustainable level of
production in forest management plans developed for adjacent provinces. However, SUFORD has provided assistance to the National Agriculture and Forestry Research Institute (NAFRI) to continue PSP establishment and re-measurement so that similar province-specific models can be developed.

Training has been provided to NAFRI staff in 2005 and in 2005-2006 NAFRI re-measured the PSPs in Dong Kapho and Dong Sithouane PFAs (Savannakhet) and established 200 PSPs in two PFAs in Salavan. The NAFRI AWP 2006-2007 provides for the establishment of another 200 PSPs in 2 PFAs in Champasak and 200 PSPs in 2 PFAs in Khammouane (including Dong Phousoi PFA where the certified sites are located).

It should be noted that the AAC quota in Laos for the 2005 – 2006 season was mainly allocated to the Nam Theun project this allocation, and sales. This will continue until the stock harvested from the project site has been cleared. The reduced quota has impacted the PFS’ ability to harvest at their desired levels and thus generate sufficient income in 2006.

| Status: Closed |
| Follow-up Action (if applicable): None |

**Condition 14**

| Reference Standard #: 5.6 |
| Non-compliance: Major [ ] Minor [x] |
| VFAs, GMCU, and collaborating DAFO/PAFO offices are not consistently following all VFA rules for selecting sub-compartments and individual trees suitable for harvesting. Live trees within subcompartments with a stocking level of less than 120 m³ per hectare are not allowed to be harvested. However, assessors observed within maps and records, several areas harvested with insufficient stocking levels. Further, VFAs were not consistently calculating and/or documenting calculations regarding the standing volume of each sub-compartment and the number of individual trees of each species selected for harvesting. Without this information, managers cannot select suitable areas and trees for harvesting consistent with selection rules. |

Corrective Action Request:
The GCMU (group manager) and VFAs must consistently adhere to all VFA rules regarding site selection and tree selection for commercial tree harvesting operations (e.g. calculating and recording stock levels and volume or number).

Timeline for Compliance: By the end of Year 1

Audit findings:
The new PSFM rules and guidelines created and approved in 2005 and reviewed in 2006 by DoF are the rules that govern forest management in Laos. These are the rules outlined in the new management plan which clearly state how site selection is carried out and all harvesting selection. Again as in condition 10 if the VFO was to conduct its own laws and regulations for FM it would be in contravention of the Laws of Laos and thus in conflict with Principle one of the FSC standard.

The VFM and DFMU will follow the new PSFM rule and regulations part 4 of the Management plan Sub-FMA Management Plan Implementation.

| Status: Closed |
| Follow-up Action (if applicable): None |
**Condition 17**

<table>
<thead>
<tr>
<th>Non-compliance:</th>
<th>Reference Standard #: 6.5</th>
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</thead>
</table>

### Non-compliance: Major ☑ Minor ☒

Although a Code of Logging Practice has been drafted, it has not been nationally endorsed and neither SFMG have formally adopted this or any other code. However, the operational procedure adopted is highly selective and incorporates all the principles of reduced-impact logging (VFH Task 2.9). However, there is currently no assurance that logging contractors abide with VGA rules and the Management Plans, even though VFA members are usually present during logging. It is important that a mechanism is put in place which formalizes the responsibilities of the contractor and stipulates penalties for lack of conformance. Foreign logging crews are often used by the log buyers and it will need to be the buyers' responsibility to ensure that the contractors are fully aware of the contractual requirements.

**Corrective Action Request:**
The GMCU/PAFO shall ensure that all logging contractors are subject to formal contracts with provisions covering all aspects of RIL, waste management, hunting and NTFP collection and compensation in case of accidental damage to VFA resources due to logging operations. Contracts for logging subcontractors shall specifically include a prohibition on hunting and trading in wildlife. The contracts should contain appropriate penalty provisions for non-compliance.

**Timeline for Compliance:** By the end of Year 1

**Audit findings:**
There is a new Logging contract between PFS/VFO and contractor. This contract covers aspects of waste management, hunting and NTFP collection. Aspects of RIL have not been covered and neither have compensation for any damage incurred be logging crew.

A draft code of harvesting is being created in Laos by the FAO this should be added and referenced to the logging contract.

**Status:** Open

**Follow-up Action (if applicable):**
The CAR is kept open and up-graded to major CAR 17/05.

**Condition 19**

<table>
<thead>
<tr>
<th>Non-compliance:</th>
<th>Reference Standard #: 7.1</th>
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</thead>
</table>

### Non-compliance: Major ☑ Minor ☒

No information regarding species observed during the forest inventory is provided and the results of PRA activities are not incorporated within the management plan. See Conditions and recommendations below.

**Corrective Action Request:**
The 10 year Village Forest Management Plan should provide information on the ecology of the FMU; rare, threatened, and endangered species that are known to occur or may occur within the FMU; and strategies to protect these species.

**Timeline for Compliance:** When revised

**Audit findings:**
The 10-year village forest management plans prepared during FOMACOP have recently been revised (approved by DOF in October 2006) into 15-year sub-FMA forest management plans based on the PSFM system that has replaced the village forestry system. All sub-FMA forest management plans now include sections on HCVs/HCVFs including their identification, mapping, monitoring, and maintenance. HCV 1 pertains to rare, threatened, and endangered species; HCV 2 to landscape forests, and HCV 3 to endemic species.

**Status:** Closed

**Follow-up Action (if applicable):** None
Condition 20

Reference Standard #: 7.3

Non-compliance:
Major ☐ Minor ☒

FOMACOP conducted extensive training of the villagers on all aspects relating to forest management and land use planning. Unfortunately, there has been no funding available for additional or refresher training since the completion of the project in 2001. Villagers were conscious of training needs and requested continuing training courses, although they were vague on particular topics other than “training to continue to improve our forest management”. The certification auditors checked inventory work, harvest activities, maps, previously harvested sites and log yards and were generally very impressed with the villagers’ work.

Two issues emerged:
- the measurement of DBH was consistently rather poor. This can have major impacts on the operation (in terms of lowering AAC calculations and underestimating # of seed trees 50+); and,
- DAFO and VFAs are not implementing all selection rules for harvest tree identification.

Villagers and forestry staff were familiar with many of the rules (but not all) and were not consistently implementing the two most important – 20% maximum harvest of trees of an individual species and ensuring that the stocking levels within a subcompartment were sufficient to allow logging.

Corrective Action Request:
The GMCU shall conduct a review of the needs for additional or continued training in the VFAs. By the end of Year 2, GMCU shall design and start to implement an on-going training programme for VFAs.

Timeline for Compliance: By the end of Year 1

Audit findings:
This has been done as part of SUFORD assistance to the 4 project provinces including Savannakhet and Khammouane. The table below shows in summary the identified training needs and schedule for the SUFORD AWP 2006-2007 training of staff and villagers on PSFM.

Training-workshop program on PSFM/VD/local institutions capacity building

<table>
<thead>
<tr>
<th>Training-workshop topic</th>
<th>2006</th>
<th>2007</th>
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<tbody>
<tr>
<td></td>
<td></td>
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<tr>
<td>Overall training-workshop frequency</td>
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<tr>
<td>Province/district orientation on AWP 06-07</td>
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<tr>
<td>Refresher training of trainers</td>
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<tr>
<td>Provincial PSFM Group organizing (2 prov)</td>
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<tr>
<td>Provincial PSFM Group strengthening (all)</td>
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<tr>
<td>GVFO/agreement signing (KMN/SLV)</td>
<td></td>
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<tr>
<td>HCVF/village rules (KMN/SLV)</td>
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<tr>
<td>PFS/DFMU capacity building</td>
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<tr>
<td>PAFEC/VDU capacity building</td>
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<tr>
<td>GVFO/VFC/VDC strengthening/LEAP</td>
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<tr>
<td>Gender mainstreaming in PSFM</td>
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<tr>
<td>Conflict management in PSFM</td>
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<tr>
<td>Pre-harvest inventory</td>
<td></td>
<td></td>
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<tr>
<td>Annual operational planning</td>
<td></td>
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<tr>
<td>Timber harvesting</td>
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<tr>
<td>Timber sale</td>
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<tr>
<td>HCVF/NTFP management</td>
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<tr>
<td>Post-harvest assessment and benefit sharing</td>
<td></td>
<td></td>
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<tr>
<td>Integrating SFMA to FMA/PFA plans</td>
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<tr>
<td>Wilding collection and care</td>
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<tr>
<td>Forest stand improvement</td>
<td></td>
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<tr>
<td>Orientation training of staff of new districts</td>
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<tr>
<td>Initial training of DFMU staff, new districts</td>
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<td></td>
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<tr>
<td>Sub-FMA boundary demarcation</td>
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<tr>
<td>Cross-province visits on PSFM</td>
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<tr>
<td>VD planning and assessment refresher</td>
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<tr>
<td>VDSP planning and assessment refresher</td>
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<tr>
<td>VD fund management</td>
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<tr>
<td>VDSP ME and VIDIS</td>
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<tr>
<td>Gender mainstreaming/ethnicity issues</td>
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<tr>
<td>Small-scale business enterprise management</td>
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<tr>
<td>NTFP domestication and small plantation</td>
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<tr>
<td>NTFP processing and marketing</td>
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<td></td>
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<tr>
<td>Livestock health and nutrition</td>
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<tr>
<td>Farm productivity and integrated pest control</td>
<td></td>
<td></td>
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<tr>
<td>Adult education, health, and sanitation</td>
<td></td>
<td></td>
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<tr>
<td>PSFM/VD study tour (regional destinations)</td>
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<tr>
<td>Training on internal control of logging</td>
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<tr>
<td>Training on LERS/CTS</td>
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<tr>
<td>Training on local FOMIS</td>
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<tr>
<td>Forest certification workshops</td>
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<td></td>
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<tr>
<td>Project M&amp;E and progress reporting</td>
<td></td>
<td></td>
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<tr>
<td>Annual work review and planning</td>
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</table>

**Village comments:**
Four training has taken place:
- January 2006 – Provincial (PAFO) – Certification process and the conditions set by SmartWood.
- September 2006 – District (DFO) – The implementation of conditions set by SmartWood
- October 2006 – Savannakhet – How to administer the Village Forest Organisation (VFO)
- In addition SUFORD has funded a training course on Veterinarian practice this was held in the DFO (2 people per village attended)
## Condition 21

**Reference Standard #: 7.4**

**Non-compliance:**
- Major [ ]
- Minor [x]

Neither the SFMG nor the GCMU have a specific document for this purpose. However, the VFA management plans are public documents, and the VFH which is available in both Lao and English has been distributed - although this not a summary. A summary would be very useful for all those wishing to understand the basics of the Village Forestry Model as the VFH is an enormous document and not designed for easy understanding and wide distribution.

**Corrective Action Request:**
A summary of the primary elements of the management plan including environmental and socio-economic assessments and monitoring, and the HCVF analysis shall be prepared and made publicly available.

**Timeline for Compliance:** By the end of Year 1

---

**Audit findings:**
Forest management plan for 61 out of a total of 65 sub-FMAs in 4 provinces assisted by SUFORD (including the certified areas) are now available (recently approved by DOF in October 2006). DOF is currently in the process of disseminating the new forest management plans in all sub-FMAs concerned (in groups of villages) in the four provinces (in middle to late October 2006). A public summary of these plans will be provided for posting in bulletin boards of PFS, DFMU, and VFO. The new plans include provisions for HCVs/HCVFs and environmental and socio-economic assessments and monitoring.

**Status:** Closed

**Follow-up Action (if applicable):**
None

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## Condition 23

**Reference Standard #: 8.2**

**Non-compliance:**
- Major [ ]
- Minor [x]

Information regarding forest management costs and revenues are not compiled in a transparent manner. The GCMU does not produce an annual report, available to members, that discusses the economic health of the organization.

**Corrective Action Request:**
GMCU members (i.e. VFAs) must receive at least an annual report on volumes of harvested forest products, including dead tree harvesting (permitted and unplanned) forest management costs and revenues, and marketing information.

**Timeline for Compliance:** By the end of Year 1

---

**Audit findings:**
This year no harvesting has been done in Khammouane however for future harvesting they will create a Summary report of Harvesting, Sales and Benefit Sharing that will be given to the VFO’s.

**Status:** Closed

**Follow-up Action (if applicable):**
None
Condition 26  |  Reference Standard #: 8.3
--- | ---
Non-compliance: Major □  Minor ✗

VFA members conduct a 100% inventory of trees greater than 50 cm DBH. During this activity, all trees of sufficient size are identified and measured (DBH, height, species, quality) and geo-referenced to the inventory strip. Each tree is assigned a unique number. In some areas, the tree number is painted onto the stem to ease future identification. However, this practice is not consistently implemented during all inventory work. A tree-map of the entire logging compartment is produced at an operational scale.

Corrective Action Request:
All logs must contain clear and lasting marks (e.g. paint or chops) to identify the village, strip, and log number.

Timeline for Compliance: By the end of Year 1

Audit findings:
For COC purposes, the system of marking the village, strip, tree, and log numbers on the two faces of each log, as well as the strip and tree numbers on the stumps, was introduced by FOMACOP and was in practice from 1999 until 2001 when FOMACOP ended. The practice still continues, but it has been on a decline since the end of FOMACOP for a number of reasons:

- In 2006 strict application of FOMACOP COC rules was not a concern since it was decided to market the logs without FSC marking and to local buyers who do not require COC.
- The minimum legal practice has been to mark only the log serial number and dimensions (diameter and length). Any system beyond the minimum is not mandatory.
- VFOs/GVFOs are able to identify their logs for revenue sharing purposes by means of log transport slips, or other forms of communication from the GVFO logging controllers to the GVFO representatives at the second landing and by then segregating by sub-FMA the logs in the second landing where no further movement was allowed before completion of sale.
- The FOMACOP COC system was considered a pilot system and a new PSFM practice was expected to replace it. The PSFM COC system has recently been introduced in 2005-2006 but training on the system will start only in early 2006-2007 when the recently approved 61 sub-FMA management plans start to be implemented.

It is important to address some of the concerns raised in the internal report written by SUFORD. In this report the issue of over-cutting, substitution of trees and sawmill quotas for dead trees were highlighted. The following are the remarks made by PFS and SUFORD:

- **Substitutions** – If this occurs then the villagers will mark it on the map and report the change to the DFO
- **Exceeding of quota** – The SUFORD staff states that sometimes this does happen but only in very few cases. It is not possible keep track of the logging crews all the time. There is a clause in the logging contract that if it is found that the logging crew is exceeding the quota they get one warning.
- **Dead Wood Quota Sawmills** – There is still a dead wood quota for Sawmills but it has been decreed by the Laos government that this practice will be stopped in 2006-2007.

The proposed new CoC system appear to be feasible and robust enough to track FSC timber but this will need to be verified at the time of harvesting (March 2007).

Due to the fact that the log tracking was found not to meet the requirements of the standards this CAR was kept open and up-graded to a Major CAR. In addition it was found that there are other issues related to CoC and log tracking that are not sufficiently met and two new CAR have been issued by the auditors.

Status: Open

Follow-up Action (if applicable):
The Condition is kept open and up-graded to major CAR 26/05.

<table>
<thead>
<tr>
<th>Condition 27</th>
<th>Reference Standard #: 8.3</th>
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</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>Prior to harvesting, VFA members conduct a 100% inventory of trees greater than 50 cm DBH. During this activity, all trees of sufficient size are identified and measured (DBH, height, species, quality) and geo-referenced to the inventory strip. Each tree is assigned a unique number. In some areas, the tree number is painted onto the stem to ease future identification. However, this practice is not consistently implemented during all inventory work. A tree-map of the entire logging compartment is produced at an operational scale.</td>
</tr>
</tbody>
</table>

Corrective Action Request:  
All logs within VFA log yards must be marked with information regarding the log’s source. This should include dead trees harvested under separate quotas. 

Timeline for Compliance: By the end of Year 1

Audit findings:  
See above Condition 26.  
As of next year the dead tree quota will be stopped and all trees will be part of the AAC.  

Status: Closed  
Follow-up Action (if applicable):  
None

<table>
<thead>
<tr>
<th>Condition 28</th>
<th>Reference Standard #: 8.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>Following harvesting, the strip and tree number are marked on tree stumps with chalk. Each log is then marked with information on the source and specifications of the log. Log marking is not consistent between Khammouane and Savannakhet. However, all VFAs include a village code, strip number, tree number, log number, and log length. VFAs within Khammouane have begun to include the compartment number as well. This allows for identification of the year harvested. However, this information was not recorded accurately on a number of observed logs in the log landing.</td>
</tr>
</tbody>
</table>

Corrective Action Request:  
A standard operating procedure for the documentation of forest management activities (including chain-of-custody) must be available and implemented. Standard documents should be used by all VFAs unless local conditions require separate documents. VFA, GMCU, and government agencies should be aware of where documents and copies are to be stored and sent. 

Timeline for Compliance: By the end of Year 1

Audit findings:  
At the time of the audit the new PSFM was still being developed with training sessions being conducted with approval of DoF. Thus operating systems are not in place and are still being developed.  
In the 2006 training on documentation was provided to VFO/GVFO at the same time when training on village rules documentation was provided. In 2007, strengthening the capacity of PFS, DFMU, and VFO/GVFO will be further addressed primarily by means of training and provision of required materials with SUFORD assistance (see SUFORD AWP 2006-2007). A comprehensive training program is provided and topics on documentation and tracing and storage of documents will be included in institutional capacity building trainings covering PFS at provincial level, DFMU at district level, and VFO/GVFO at district level.  

It is expected that for a standard operating procedure across the board to be in place will take one year.  
Status: Open  
Follow-up Action (if applicable):
The CAR is kept open and up-graded to major CAR 28/05.

### Condition 31

<table>
<thead>
<tr>
<th>Reference Standard #: 9.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance: Major □ Minor X</td>
</tr>
<tr>
<td>In the absence of new information findings are consistent with the Scoping Report. HCVF assessment comprises both biodiversity and socio-cultural attributes. As discussed under P&amp;C6.2, Robichaud et al (2002) provides a coarse level assessment of the faunal biodiversity attributes of Dong Phousoi. Vegetation mapping of Dong Phousoi PFA has been undertaken at a level which would enable identification and location of HCVF if the biodiversity values of the different forest types were better known and an assessment undertaken to define HCVF in the context of the biodiversity values and attributes of the different forest types present, and the scale of impacts.</td>
</tr>
</tbody>
</table>

**Corrective Action Request:**

The findings of the HCVF assessment should be integrated into management actions, where appropriate.

**Timeline for Compliance:** By the end of Year 1

**Audit findings:**

The new 15 year Management plan will include the findings of the HCVF assessment done for the certification site that was conducted in 2004.

There have been three training sessions conducted on HCVF March and October 2006 this was done with the VFOs. In addition there have been guidelines for the Identification of Biodiversity Value areas in PFAs.

DoF is planning to conduct a National HCVF assessment at the PFA level which will be completed by March 2007. At the Sub-FMA level HCVF 4,5,6 have already been identified.

The new 15 year management now takes into account HCVF in particular, at the current time, issues regarding 4, 5, 6 and how to manage these HCVF values.

**Status:** Closed

**Follow-up Action (if applicable):** None

### Condition 32

<table>
<thead>
<tr>
<th>Reference Standard #: Criterion 9.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance: Major □ Minor X</td>
</tr>
<tr>
<td>As noted in P&amp;C 9.1, the PRA undertaken at each village during the project development should be sufficient consultation to identify the social requirements in respect of HVCF. There are wildlife and environmental NGOs operating in Lao PDR with considerable experience, one of which has already undertaken work in the subject areas (refer P&amp;C 6.2), they along with the government's conservation authorities (STEA and FRC) should be consulted in respect of the HVCF assessment.</td>
</tr>
</tbody>
</table>

**Corrective Action Request:**

The HCVF analysis will have been circulated to the government's conservation authorities (STEA and FRC) and wildlife and environmental NGOs, with the intention of incorporating comments received into finalizing HCVF action.

**Timeline for Compliance:** By the end of Year 1

**Audit findings:**

In February 2004 a seminar was conducted to discuss findings on HCV/HCVF in the two certified areas. STEA, DOF-DFRC, other DOF divisions, the academe (NUL), NAFRI, and environmental NGOs (WWF, WCS, and IUCN) attended the seminar and they provided comments which were incorporated in subsequent actions related to HCV/HCVF. In 2006, with SUFORD assistance STEA and DFRC
conducted activities related to HCVF analysis. Draft guidelines on HCVF focusing on biodiversity values (HCV 1-3) have been prepared based on lessons learned, as well as on comments from environmental NGOs.

<table>
<thead>
<tr>
<th>Condition 33:</th>
<th>Reference Standard #: Criterion 9.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>Major [ ] Minor [x]</td>
</tr>
<tr>
<td>One of the objectives of the Village Management Plans is to maintain the potential of the forests to be used for the villagers’ daily needs, including sustainable collection of NTFPs, but management procedures in this respect have not be developed (refer P&amp;C6.2; Condition 16). While faunal surveys have been undertaken (refer P&amp;C 6.2) for the SFMG's and their circulation is not restricted, no HCVF assessment has been undertaken (refer P&amp;C 9.1). As noted above this is required and a summary of the HCVF attributes and management response will need to be prepared and incorporated into the management plan summary.</td>
<td></td>
</tr>
</tbody>
</table>

Corrective Action Request:
A summary of the HCVF attributes of the SFMG area and the management response will have been prepared and incorporated into the publicly available management plan summary.

Timeline for Compliance: By the end of Year 1

Audit findings:
The summary of the new 15 year management plan makes no mention of HCVF, this need to be added before the summary is made available.

<table>
<thead>
<tr>
<th>Condition 35</th>
<th>Reference Standard #: GC3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>Major [ ] Minor [x]</td>
</tr>
<tr>
<td>The group manager policy document describes VFAs (cooperating with the District Forestry Office FMTU) as the group member. The roles of several FMTU officials are outlined. The FMTU chief is will “organize the development of the sub-FMA management plan, secure plan approval, and mobilize plan implementation”. Descriptions of the responsibilities of VFAs are Acceptable Improvement required not as detailed as the role of the GMCU or FMTUs. The FMA manager and VFAs are responsible for developing the sub-FMA management plan and its implementation. The policy describes the role of the VFA Chairperson, manager, and village work teams. However, these descriptions are vague, stating that “village work teams are organized by the VFA manager to do different forest management activities”. There is insufficient information on VFA involvement and responsibilities regarding a number of forest management activities, including the selection of harvest sites, contracting timber harvest and log transport, and timber sales. The policy states that these activities will be implemented by the GMCU with representation of VFAs. However, there is no description of this involvement. Further, there is no description of the methodology for determining profit sharing mechanisms for the group manager and group members.</td>
<td></td>
</tr>
</tbody>
</table>

Corrective Action Request:
There will be no expansion of members of the certification group until such time as there is an adequate market for the timber of existing and the potential new members.

Timeline for Compliance:

Audit findings:
There remains a large market for uncertified timber locally and in the neighboring countries of Thailand, Vietnam, and China. Hence, the availability of markets should not constrain the expansion of members in the certified pool of the two Provincial PSFM Groups. Concerning certified logs, however, interest being generated, such as in Vietnam factories with COC, is influenced by the availability of an adequate volume of certified logs of preferred species. There are already many inquiries from foreign markets about certified timber from Lao PDR especially on available volumes and species. However, with only a small number of sub-FMAs in the certified pool, it will be difficult to produce such volumes to be able to access these markets. A market study has recently been conducted as mentioned above and further studies will be made in 2007 focusing on marketing certified timber.

This condition is very much a chicken or egg situation and thus it is the auditors view it should be closed and monitored in line with SmartWood’s normal auditing programme.

| Status: Closed |
| Follow-up Action (if applicable): None |
## 2.4. New corrective actions issued as a result of this audit

<table>
<thead>
<tr>
<th>CAR #: 01/06</th>
<th>Reference Standard #: 8.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>Major ☒ Minor ☐</td>
</tr>
<tr>
<td>Before the annual audit SmartWood received complaints from stakeholders regarding the log tracking system implemented by the Savannakhet Provincial Forestry Group. There were made claims that timber from the FSC certified areas was sold illegally, allegedly due to insufficient log tracking systems applied in the forest operations. Due to the importance of these complaints it was chosen to include this CAR in the report for Khammouane as well.</td>
<td></td>
</tr>
<tr>
<td>Corrective Action Request:</td>
<td>Khammouane Provincial Forestry Office Group Management and Certification Unit in Lao PDR shall not sell any forest products harvested from the certified area as FSC until such time as an on-site audit has occurred to ensure the integrity of the chain of custody and identification system for certified products is intact.</td>
</tr>
<tr>
<td>Timeline for Compliance:</td>
<td>By the time of harvest in 2007 or when wood will be handled and sold as certified. Implementation will be verified 6 months from the finalization of this report.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAR #: 02/06</th>
<th>Reference Standard #: 8.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>Major ☒ Minor ☐</td>
</tr>
<tr>
<td>The new CoC system devised by the CoC system is comprehensive but does not have a complete Documented Control System to explain the whole process and how it is to be implemented.</td>
<td></td>
</tr>
</tbody>
</table>
| Corrective Action Request: | A complete Documented Control System shall be created that describes the whole CoC system from harvesting to point of sale and shall address:  
- Shipping and sales documentation  
- Labeling and logo use  
- Monthly and annual summaries of FSC sales |
| Timeline for Compliance: | Within 6 months from the finalization of this report. |

<table>
<thead>
<tr>
<th>CAR #: 02/05</th>
<th>Reference Standard #: 1.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Was Condition 2</td>
<td></td>
</tr>
<tr>
<td>Non-compliance:</td>
<td>Major ☐ Minor ☒</td>
</tr>
<tr>
<td>The level of conversion and harvesting is not known by local communities. As part of the Village Forest Management Contract, VFAs are responsible for monitoring levels of unplanned or illegal harvesting/conversion. However, monitoring activities appear inconsistent in some areas and not implemented in others</td>
<td></td>
</tr>
<tr>
<td>Corrective Action Request:</td>
<td>VFAs shall monitor and document the harvesting of trees for home use, planned and unplanned forest conversion and other tree cutting or harvesting in their forest areas. Monitoring information should be integrated into commercial forestry activities – planning and harvesting.</td>
</tr>
<tr>
<td>Timeline for Compliance:</td>
<td>By the time of the next annual audit.</td>
</tr>
</tbody>
</table>
CAR #: 09/05  
Was Condition 9  
Reference Standard #: 4.3  

Non-compliance:  
Major ☒ Minor ☐  

Although Lao PDR is not a signatory of ILO Conventions 87 and 98, the Lao PDR’s Labor Law stipulates that workers have the right to organize and to belong to any mass and social organization that has been formed lawfully, and that such organizations have the right to “adopt their rules, elect their representatives, organize their administration, carry out their activities independently, and to belong to any labour federation or confederation within the country.” However, the only national workers’ organization is The Lao Federation of Trade Union (LFTU), established in 1966, which is heavily under control of the government.

Corrective Action Request:  
The GMCU shall review the conditions of employment of all workers employed in logging operations, with particular reference to foreign workers, and shall ensure that they are compliant with all aspects of the labor laws of Lao’s PDR and with ILO conventions 29, 87 and 98.

Timeline for Compliance:  
Within 6 months from the finalization of this report.

CAR #: 17/05  
Was Condition 17  
Reference Standard #: 6.5  

Non-compliance:  
Major ☒ Minor ☐  

Although a Code of Logging Practice has been drafted, it has not been nationally endorsed and neither SFMG have formally adopted this or any other code. However, the operational procedure adopted is highly selective and incorporates all the principles of reduced-impact logging (VFH Task 2.9). However, there is currently no assurance that logging contractors abide with VGA rules and the Management Plans, even though VFA members are usually present during logging. It is important that a mechanism is put in place which formalizes the responsibilities of the contractor and stipulates penalties for lack of conformance. Foreign logging crews are often used by the log buyers and it will need to be the buyers’ responsibility to ensure that the contractors are fully aware of the contractual requirements.

Corrective Action Request:  
The GMCU/PAFO shall ensure that all logging contractors are subject to formal contracts with provisions covering all aspects of RIL, waste management, hunting and NTFP collection and compensation in case of accidental damage to VFA resources due to logging operations. Contracts for logging subcontractors shall specifically include a prohibition on hunting and trading in wildlife. The contracts should contain appropriate penalty provisions for non-compliance.

Timeline for Compliance:  
Within 6 months from the finalization of this report.

CAR #: 26/05  
Was Condition 26  
Reference Standard #: 8.3  

Non-compliance:  
Major ☐ Minor ☒  

VFA members conduct a 100% inventory of trees greater than 50 cm DBH. During this activity, all trees of sufficient size are identified and measured (DBH, height, species, quality) and geo-referenced to the inventory strip. Each tree is assigned a unique number. In some areas, the tree number is painted onto the stem to ease future identification. However, this practice is not consistently implemented during all inventory work. A tree-map of the entire logging compartment is produced at an operational scale.

Corrective Action Request:  
All logs must contain clear and lasting marks (e.g. paint or chops) to identify the village, strip, and log number.
2.5. Audit observations

Observations are very minor problems or the early stages of a problem that does not of itself constitute non-compliance, but which the auditor considers may lead to a future non-compliance if not addressed by the client.

<table>
<thead>
<tr>
<th>Observation</th>
<th>Reference Std #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Observation 01/06: The compensation given by the VFO’s to community members should be formalized within an Operational Health and Safety plan.</td>
<td>4.2</td>
</tr>
<tr>
<td>Observation 02/06: Currently the SmartWood auditing times are do not coincide with the harvesting season. It would be better to audit at the time of harvesting to better assess the...</td>
<td></td>
</tr>
</tbody>
</table>
systems and process that are in place.

It is observed that that in March 2007 the implementation of the CoC system will be verified at the time of harvesting this and it should be considered the 2007 main audit and thereafter all subsequent audits should be held at the same time of year.

Observation 03/06:
It should be noted that the AAC quota in Laos for the 2005 – 2006 season was mainly allocated to the Nam Theun project this allocation, and sales. This will continue until the stock harvested from the project site has been cleared. The reduced quota has impacted the PFS’ ability to harvest at their desired levels and thus generate sufficient income in 2006.

5.1

2.6. Audit decision

Khammouane Provincial Forestry Section are clearly committed to meet their CARs and to maintain FSC certifiable management. The audit team recommends that Khammouane Provincial Forestry Section retain their SmartWood/FSC certification.