Corrective Action Verification Audit (CVA) Report

Organization: Department of Forestry LAO P.D.R.
Cert/Ver/Val Code: RA-FM/COC-001711
Report Date: June 12, 2018

I. AUDIT PROCESS

Auditor, Qualifications: Gabriel Bolton, Bachelors of Science in Forestry from the University of Vermont (1996). Over 10 years of experience working as a forester in the Northeastern US with 15 years of experience related to forest certification. Employed by Rainforest Alliance since 2006 and currently is Rainforest Alliance’s global technical expert on forest management certification. Gabe has participated in more than 40 audits and assessments on six continents in addition to completing Rainforest Alliance CoC and FM Lead Assessor Training.

Pratama Bagus Kurniaj, Experienced in FSC FM/CoC assessments and audits in SE Asia countries and Indonesia mandatory forest certification audit (PHPL). He has completed FSC FM Lead auditor training, SAN lead auditor training, Trademark Training and FSC Chain of Custody lead auditor training. Currently work in Rainforest Alliance as FM and Verification service coordinator that managing clients in Asia Pacific.

Douangta BOUAPHAVON, is currently working as Academic instructor on Wood Utilization and Forest engineering in Department of Forest Economic and Wood Technology Faculty of Forest Science, National University of Laos. He is specialized in Wood Utilization/Engineering forest, Wood Science, survey forest, and Nature conservation.

Audit Date(s): May, 4, 2018 & May 24, 2018
CVA Type: Desk review ☐ On-site ☒ Location(s): Vientiane, Lao, P.D.R.

Audit Overview: The CVA was conducted in conjunction with the FSC FM scope expansion audit. DoF submitted documented evidence of corrective actions to address Major NCR 01/16 prior to the onsite opening meeting in Vientiane on May 2, 2018. The evidence was determined to be in adequate to address the NCR. DoF provided additonal evidence of corrective actions on May 23, 2018. This was evaluated at DoF offices in Vientiane on May 24, 2018.

Changes to Scope since last Audit: Not Applicable
## II. NON-CONFORMITY REPORT (NCR) EVALUATION

<table>
<thead>
<tr>
<th>MAJOR NCR#:</th>
<th>01/16</th>
<th>NC Classification:</th>
<th>Major X</th>
<th>Minor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Requirement:</td>
<td>FM-33 Rainforest Alliance/SmartWood Generic Non Timber Forest Products Certification Addendum (March 2012) 5.1 NTFP.3</td>
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<tr>
<td>Report Section:</td>
<td>APPENDIX II: Certification standard conformance checklist</td>
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### Description of Nonconformance and Related Evidence:

Indicator 5.1 NTFP.3 requires a plan to reduce dependency on external support in cases of externally supported NTFP harvest operations.

**Finding in 2016:**

The two rattan producing villages are heavily dependent on WWF for finding markets, training, funding of their activities, management, monitoring, etc. These villages have no resource or capacity outside of the WWF project to maintain the commercial rattan production, much less to maintain conformance to the FSC standard. The WWF project is supporting the rattan producing villages until 2017 and then SUFORD will support until 2018. After that, it is expected that PAFO and DAFO will be working with the villages. While WWF staff did articulate verbally what some elements of a plan towards self-sufficiency would be, this is not formalized in a plan.

### Corrective Action Request:

Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

### NCR Evaluation Type

On-site [Desk Review](x)

### Timeline for Conformance:

Within 3 months of finalization of this report.

### Evidence Provided by Organization:

**During audit 2017:**

- Exit plan for FSC certified villages in 2017 to 2020.
- DOF Forest Certification Development Thrust and Presidential Ordinance 001 on Timber Revenue Sharing.

**During CVA 2018:**

- DOF plan for continued support of rattan-based FMUs dated May 23, 2018 and signed by DoF Deputy Director General.
- Confirmation email from WWF Project Manager; Rattan and Bamboo Project; WWF-Laos
- Agreement between Swiss Agency for Development and Cooperation Vientiane and WWF Laos dated August 2017 on finding project.

### Findings for Evaluation of Evidence:

**Finding in 2017:**

The FME provided exit plan for FSC certified villages in 2017 to 2020 that formed in a matrix consists of information on objectives, responsible party and time schedule in monthly basis for year 2017 to 2020. The objectives
consists of two main parts, namely 1) capacity building/empower villagers in managing rattan forest and 2) group certification management.

However, auditors found that the plan is too general and not describing how DOF as group manager together with PAFO and DAFO will manage their resources (i.e. fund and human) in implementing and enhancing the system already developed and conduct all activities to maintain their FSC certification (i.e. finding markets, training, funding of their activities, management, monitoring, audit cost) based on the resources they have when the project supported by WWF has no longer continued.

Based on the finding above, this NCR is still remained open and upgraded into Major NCR.

During the report writing phase, the FME provided additional evidence on documents of **DOF Forest Certification Development Thrust and Presidential Ordinance 001 on Timber Revenue Sharing was signed by the President of Lao PDR on 1 March 2012**.

The DOF Forest Certification Development Thrust described that the objectives of DOF in pursuing FSC forest certification are:

1. To raise sustainable forest management as practiced in FMUs to DOF accreditation standard and shortly to internationally certifiable standard.
2. To initiate the development of a national forest certification scheme as a tool to improve forest management standard and to prepare FMUs for FSC FM Certification.
3. To expand the scope of the FSC FM Certification to include timber and several qualified FMUs, as well as FSC CW Certification.
4. To promote FSC COC Certification of local forest processing enterprises and the production of FSC certified products for the export market. 5. DOF Forest Certification Development Action Plan

To attain the objectives of the DOF forest certification development thrust, DOF will pursue the following activities:

1. **Maintain the FSC Forest Management Certification** over the third period (2016-2021) and in subsequent periods.
2. **Expand the scope of FSC Forest Management Certification** to comprise at least 150,000 ha by 2018. Three FMAs that contained formerly certified Sub-FMAs have been identified for this activity.
3. **Promote COC certification** in the local forestry industry.
4. **Resume the FSC Controlled Wood Certification** to comprise at least 250,000 ha by 2018. Seven FMAs have been identified on the basis of the 2016 internal audit reports.
5. **Continue the internal audit of FMUs** as a provincial activity and as a second party audit of FMUs by assigning the trained auditors of one province to audit the FMUs of another province.
6. **Develop third-party audit of FMUs** by training auditors coming from outside the MAF-DOF-PFS-DFU (PFS stands for Provincial Forestry Section, DFU for District Forestry Unit) forest management hierarchy, e.g. from the forestry schools of the country.

7. **Transform the third-party audit of FMUs into a national forest certification scheme.** The FSC standards will be used for the national forest certification. A national consultative process to secure FSC accreditation of a national forest certification standard will be sought in the future.

Based on this document, the following resources will be provided for the pursuit of the DOF forest certification development thrust:

1. **Internal auditors and peer reviewers.** Already recruited from DOF, PFS, and DFU.
2. **Third-party auditors and peer reviewers.** To be recruited from different forestry schools.
3. **Technical assistance.** To be provided by the WWF Rattan Project and by SUFORD-SU until August 2018 and then by succeeding projects supporting the PSFM from 2019 onward. The WWF Rattan Project has been extended for at least another three years and will work for an increase in scope of NTFP forest certification to include bamboo.
4. **Funding.** Present funding in developing the capacity for raising the forest management standard, internal monitoring and audit, and forest certification is being provided by SUFORD-SU together with the WWF Rattan Project, which is specifically supporting forest certification involving rattan production in a 2-6 villages. After SUFORD-SU ends in August 2018, another project is expected to support the Department of Forestry in the development of PSFM, village forestry, and forest certification.

The document also provided the indicative schedule of the activities under the DOF forest certification development thrust for fiscal year 2018 as shown in the table below.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Q1 FY18</th>
<th>Q2 FY18</th>
<th>Q3 FY18</th>
<th>Q4 FY18</th>
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<tbody>
<tr>
<td>Maintain FSC Forest Management Certification</td>
<td>Address NCRs</td>
<td>→</td>
<td>Annual audit</td>
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<tr>
<td>Expand FSC Forest Management Certification</td>
<td>Inform RA Preparation</td>
<td>→</td>
<td>Annual audit</td>
<td></td>
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<tr>
<td>Promote COC certification</td>
<td>Promote in local industry</td>
<td>→</td>
<td>COC audits</td>
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<tr>
<td>Resume FSC Controlled Wood Certification</td>
<td>Preparation</td>
<td>CW audit</td>
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<tr>
<td>Conduct internal audit of FMUs (10 FMAs)</td>
<td>Internal audits &amp; reports</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Train auditors on forest certification</td>
<td>Workshop Trial practice</td>
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<tr>
<td>Develop the national forest certification framework</td>
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<td></td>
<td>Formulate &amp; evaluate</td>
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With the ending of external funding support such as funding from project activities supported by WWF and SUFORD-SU, FME is expected to continue its activities with other funding sources more independently.

Another source of funding will be the Forest Development Fund (PDF). PDF is being managed by DOF and will be replenished annually from timber revenue share particularly after timber production in PFAs resume, which is
expected to happen in 2018 thus allowing logging to resume in PFAs in the 2019 logging season. Presidential Ordinance 001/2012 on timber revenue sharing provides for 70% of the net timber revenue (net of logging costs) to go to the National Treasury as stumpage and 30% to be shared by forest management stakeholders with 12% going to participating villages and 18% for funding the forest management maintenance and operating costs of the DOF-PFS-DFU forest management hierarchy, which will be used to finance the conduct of pre-harvest inventories, logging planning, forest harvesting operations, and forest restoration. Forest certification is explicitly mentioned as an activity that can be financed from the 70% share for stumpage.

The documents described the objectives, plan and financial support scheme for DOF forest certification development, however, the documents do not provide clear information on how the FME will manage and organize the financial and human resources in the rattan management operations when there is no more external support, such as in handling activities of marketing, monitoring, training, planning. There is no detail information on steps and time schedule of how the responsibility and scope of activities will be transferred from external party (i.e.WWF) into DOF organization structure, management and staffs.

Therefore, this NCR is still remain open and upgraded into Major NCR.

**Finding on CVA 2018:**

During the CVA, DOF provided a plan for continued support of rattan-based FMUs. The plan has addressed preparation toward self-sufficiency of rattan based FMUs and DOF plan for transition anticipating the ending of WWF support.

The plan mentioned that WWF has agreed to extend their support until 2020. This was confirmed directly by the WWF project manager. As additional evidence of the extension, WWF also provided agreement with Swiss Agency for Development and Cooperation as the donor for the project.

In the plan, it is mentioned that between the audit and 2020, DOF will assess and meet any further need for support for the sustainable management and certification of the rattan-based FMUs in Bolikhamsay Province. The expected results of the DOF plan are:

- Forestry officers assigned to the DOF Forest Certification Unit, Bolikhamsay Province Forestry Section, and Bolikhman District Forestry Unit understand well and take added responsibility in supporting the rattan-based FMUs in 2018-2021.

- By 2021 the rattan-based FMUs are able to undertake rattan resources management and marketing operations on their own in coordination with DOF, Bolikhamsay PFS, and Bolikhman DFU.
The expectation will be met by undertaking the following:

- **Training.** Participation by DOF, Bolikhamxay PFS, and Bolikhana DFU forest officers in a series of training courses to be organized by WWF in 2018-2020.

- **Technical assistance.** Continued technical assistance in 2018-2021 by DOF to the rattan-based FMUs in coordination with WWF and expected in-coming projects.

- **Oversight.** Continued oversight by DOF, Bolikhamxay PFS, and Bolikhana DFU in 2018-2021 and beyond of the rattan-based FMUs as part of their responsibilities and functions.

- **Forest certification.** Continued support in 2018-2021 and beyond for the FSC FM Certification of the DOF Group of FMUs that include the rattan-based FMUs.

The Plan also included clear time table until 2021 for the implementation of transition from WWF to DOF and involvement of DOF, PAFO and DAFO. Interviewed staff mentioned that the plan will be adjusted and enhance as the DOF assess need throughout the year.

Based on provided evidence, confirmation of WWF support until 2020 and DOF plan to assess as well as meet the need for support for the sustainable management and certification of the rattan-based FMUs, the auditor concluded that the FME has sufficient plan to reduce dependency on external support and has demonstrated conformance with this indicator.

<table>
<thead>
<tr>
<th>NCR Status:</th>
<th>CLOSED</th>
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<tr>
<td>Comments (optional):</td>
<td></td>
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### III. CONCLUSIONS

<table>
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<tr>
<th>NCRs Closed:</th>
<th>☒ No follow-up required related to closed NCRs</th>
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<tbody>
<tr>
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<td>Original NCRs closed and new NCR(s) issued, see section IV below</td>
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<tr>
<th>NCRs Open:</th>
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<tr>
<td></td>
<td>☐ Certification/Verification/Validation not approved; conformance with NCRs required</td>
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<td></td>
<td>☐ Major NCRs not closed; suspension of certification/verification required</td>
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<td></td>
<td>☐ Minor NCRs are upgraded to Major; see section IV below</td>
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<tr>
<td></td>
<td>☐ New NCR(s) issued, see section IV below</td>
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| Comments/Follow-up Actions: | |

### IV. OPEN NCRs

Newly issued or upgraded NCRs:

NA
V. AUDIT REPORT APPROVAL

**Note:** a formal Q-09 Report Review and Approval (RRA) Checklist conducted by an independent, authorized reviewer is required when the CVA results in certificate/verification/validation issuance or suspension/termination, or when there is a change in scope. In all other cases, the report may be approved with the 2nd checkbox below by an authorized RRA reviewer which may be the CVA auditor, or by a Senior Auditor.

- [ ] Refer to separate Q-09 RRA Checklist
- [x] Report approved by way of this checkbox
  
  Approved by: Indu Sapkota
  
  Date: June 12, 2018

- [ ] Salesforce has been completed with applicable files uploaded, and is updated based on any changes to the Organization details or other areas relevant to the CVA.