



Forest Management Public Summary
for
Savannakhet Provincial Forestry Section

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This document was produced according to the guidelines of the Forest Stewardship Council (FSC) and the SmartWood Program. No part of the report should be published separately.

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ACRONYMS

AAC	Annual Allowable Cut
ALP	Annual Logging Plan
AOP	Annual Operational Plan
CBD	Convention on Biological Diversity
CIFOR	Centre for International Forest Research
CITES	Convention on International Trade in Endangered Species
cm	centimetres
DAFO	District Agriculture and Forestry Office
DBH	Diameter at Breast Height
DDC	District Development Committee
DDF	Dry dipterocarp forest (khok)
DFO	District Forestry Office
DoC	Department of Commerce
DoF	Department of Forestry
FCGP	Forest Certification Group Policy
FIPD	Forest Inventory and Planning Division, Dept.of Forestry
FMA	Forest Management Area (within a District), located within a PFA
FMO	Forest Management Organization
FMTU	Forest Management Technical Unit
FMU	Forest Management Unit
FOMACOP	Forest Management and Conservation Project
FRC	Forest Resources Conservation - division of MAF
FSC	Forest Stewardship Council
GMCU Group	Management and Certification Unit
GoL	Government of Lao Peoples Democratic Republic
HCVF	High Conservation Value Forest
ILO	International Labor Organization
LSFP	Lao-Swedish Forestry Programme
m ³	cubic metre
MAF	Ministry of Agriculture and Forestry
MAI	Mean Annual Increment
MDF	Mixed deciduous forest or high forest (dong)
MoC	Ministry of Commerce
NPA	National Protected Area [the Government's preferred term for the areas that were previously known as 'National Biodiversity Conservation Areas', or 'NBCAs']
NTFP	Non-timber forest product
OSH	Occupation Safety and Health
P&C	Principles and Criteria of the FSC
PAFO	Provincial Agriculture and Forestry Office
PFA	Production Forest Area
PFO	Provincial Forestry Office
PM	Prime Minister's Office
PMO	Prime Minister's Order
PSP	Permanent sample plot
RIL	Reduced impact logging
SFM	Sustainable Forest Management
SFMG	Sustainable Forest Management Group

SFMP	Sustainable Forest Management Plan
SFRDP	Sustainable Forest Rural Development Project (World Bank Project under Appraisal)
SVK	Savannakhet Province
STEA	Science Technology and Environment Agency
SubFMA	Part of an FMA that constitutes the area under VFA management
VDF	Village Development Fund
VFA	Village Forestry Association consisting of 1 to 4 villages
vfa	The generic term village forest areas is used in some GoL decrees
VFC	Village Forestry Committee
VFMA	Village Forest Management Area (equivalent to a subFMA)
VFMP	Village Forest Management Plan
VFO	Village Forest Organisation,
VFH	Village Forestry Handbook (FOMACOP model), 2001 distributed to all VFAs, DAFOs and PAFOs
VFU	Village Forest Unit, under the village economic committee (MAF 0535/AF.2001 of 18 June 2001

The currency of the Lao PDR is the Kip, which is not traded outside the country. At the time of the assessment, the value of the Kip was approximately 10,000/US\$.

INTRODUCTION

To earn SmartWood certification, a forest management operation must undergo an on-site field assessment. This Public Summary Report summarizes information contained in the initial assessment report, which is produced based on information collected during the field assessment. Annual audits are conducted to monitor the forest management operation's activities, to review the operation's progress toward meeting their certification conditions (corrective action requests), and to verify compliance with the SmartWood standards. Addenda providing the updated information obtained during these annual audits are included as attachments to the Public Summary Report.

This report presents the findings of an independent certification assessment conducted by a team of specialists representing the SmartWood Program of the Rainforest Alliance. The purpose of the assessment was to evaluate the ecological, economic and social sustainability of the forest management of the Savannakhet Provincial Forestry Office Group Management and Certification Unit in Lao PDR.

The purpose of the SmartWood program is to recognize conscientious land stewardship through independent evaluation and certification of forestry practices. Forestry operations that attain SmartWood certification may use the SmartWood label for public marketing and advertising.

1. GENERAL SUMMARY

1.1.Name and Contact Information

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1.2.General Background

A. Type of operation

Several communities in Savannakhet Province of Lao PDR have obtained the right to manage forest areas for timber and non-timber forest products. Communities established Village Forestry Associations to prepare forest management and land-use plans and sign the contracts for forest management with the Provincial government. All VFAs collaborate with the Provincial Group Management Certification Unit (GMCU) to obtain harvesting permits, plan harvesting and sales, and to train local villagers on conducting sustainable forest management. The GMCU has been created and is managed by the Provincial Forestry Office. This collaboration, along with support from the District and Provincial Forestry offices, is described as a Sustainable Forestry Management Group (SFMG). VFA forest management activities are based upon similar management objectives and standardized guidelines and rules.

In Savannakhet Province, the 212,000 ha Dong Sithouane Production Forest is managed by 23 VFAs. Of these VFAs, the GMCU has selected six VFAs to be assessed for FSC certification. These VFAs manage a total of 39,007 hectares in Savannakhet Province. The GMCU hopes to include all VFA managed areas within the province in the GMCU certificate in the coming years.

B. Years in operation

The Government of Lao PDR, the Government of Finland and the World Bank, in a collaborative project, developed the Village Forestry Model between 1995-2000 as a component of the Forest Management and Conservation Project. Contractors logged these forest areas numerous times prior to VFA management. VFA commercial timber harvesting operations began in 1998. The GMCU and the SFMG were formed in 2002.

C. Date first certified

January 24, 2006

D. Latitude and longitude of certified operation

Savannakhet – Dong Sithouane Production Forest: 16°08'40"N/105°48'44"E

1.3.Forest and Management System

A. Forest type and land use history

Dong Sithouane, Savannakhet

Dong² Sithouane Production Forest Area (PFA), covering an area about 212,000 ha, is located in Songkhone and Thapanthong Districts of Savannakhet Province. The area primarily comprises dry dipterocarp, dry evergreen, and mixed deciduous forests that has been extensively logged in the past. Since 1995, the Forest Management and Conservation Project (FOMACOP) through its Forest Management Sub-program, piloted a ‘village forestry’ project in 47 villages in the area.

‘Village forestry’ is a partnership between the government and organized villages in the co-management of all forests within the traditional village territories, which aims to sustainably manage the forested land for the benefit of the villagers and the entire national community (Phanthanousy & Katila, 1999). This has resulted in the formation of 31 villages into 23 Village Forestry Associations. These associations have prepared land-use and forest management plans for the ‘village-owned’ sub-Forest Management Areas (subFMA) covering 77,000 ha of forest in Dong Sithouane PFA. These plans, which emphasise sustainable forest production, cover the management of all forest types and resources, and address production, conservation and protection of forest resources. Timber harvesting in accordance with the management plans have been undertaken since 1998-1999.

B. Size of forest management unit certified and forest use and area in production forest, conservation, and/or restoration

Land use	Area (ha)
	Dong Sithouane
Natural or Semi Natural Forest	32,312
Plantation	0
Protected area	2,658
Special Management Areas	0
Water	0
Infrastructure and other uses	Not estimated
Other uses (sacred forest)	9
Total ‘Pilot Area’ to be Certified	34,979
Total Potential Area for Certification	212,000

Table 1: Characteristics of Dong Sithouane Pilot Certification Forest Management Area

C. Annual allowable cut and/or annual harvest covered by management plan

All VFAs use a standard method to determine the maximum annual level of production (i.e. annual allowable cut). The maximum annual level of production is calculated separately for each year’s cutting block to reflect varying stocking levels of the compartments. This figure is calculated as the net annual tree volume increment (m³/hectare), considering tree growth and mortality, plus a harvest of dead trees and minus allowances for stand improvement and logging damage. Annual tree growth is calculated for all tree species and size classes and is estimated as 2.8-4.5 m³ per hectare per year.

²Dong = forest

The average maximum annual level of production for pilot VFAs in Savannakhet did not vary considerably during the period of 1999-2002 and was 9,964 m³ logs per year. Actual harvest rates were approximately 37% of the maximum annual level of production in 1999-2001 (refer Table 2).

Savannakhet Pilot VFAs	Total AAC (m³ logs)	Production (m³ logs)
1999	10,473.00	3,646.80
2000	9,355.00	2,763.55
2001	8,841.00	4,211.83
2002	10,810.00	Unavailable at time of audit
2003	10,343.00	Unavailable at time of audit
Average	9,964.40	3,540.73

Table 2: AAC and harvest information - Savannakhet Pilot VFAs

D. General description of details and objectives of the management plan/system

Forest management planning and implementation is conducted through the collaboration between VFAs, the GMCU, and the Provincial Forestry Office (District Forest Management Technical Unit and Provincial Officials (FMTU)). VFAs are responsible for the co-planning and conducting of forest management activities, including: writing forest management plans, pre-harvest inventories, tree marking, skid trail and road clearing, and monitoring. Government agencies as FMTU support VFA activities by training villagers to conduct forest management activities, evaluating harvest and management plans, and monitoring the implementation of such plans.

The GMCU was created as a group entity to support the VFA's forest management. The GMCU works together with VFAs (i.e. group members) to submit forest management plans to PFO for approval, market forest products, organize harvesting, log sales and payment of relevant fees.

The GMCU will be the primary contact between group members and FSC and its certification bodies. As such, the GMCU will be responsible for: explaining the goals and requirements of FSC certification to group members, monitoring implementation of management plans, and ensuring that management of group member forest lands are in compliance with FSC P&C.

Three documents, a ten-year Village Forest Management Plan (VFMP), annual Village Forestry Operations plans, and a Village Forestry Handbook, are developed to provide the basis for legally recognized and sustainable forest management. These documents describe VFA forestry goals, organization, and planning and forestry activities.

The VFMP describes village goals and activities for forest management and protection of village forests. Written by the VFA, the plan is based upon a template developed by the FOMACOP project. The VFMPs for all Savannakhet VFAs participating in the certification process were written in 1998 for a period of ten years. Villagers conduct a number of planning activities (e.g. participatory mapping, long-term land-use planning, and forest inventories) to obtain background information on forest resources and the data necessary to develop sustainable management plans.

DAFO, PFO, and the FOMACOP support VFAs by providing training, technical support, and data on tree growth. All VFMPs must be approved by PFO as one requirement for VFAs to obtain a Village Forest Management Contract.

The VFMP provides information regarding:

- forest management objectives,
- the community and village area,
- long-term village land-use planning (forest and non-forest areas),
- tree inventory and growth information,
- products and services derived from forest management area,
- annual allowable cut information,
- tree selection and harvesting methods,
- forest resource protection, and
- the role of different partners in implementing the plan

Annual Village Forestry plans are produced each year. This plan presents results of a 100% inventory of that year's cutting block, calculates the maximum annual level of production, estimates planned harvest levels and revenue from timber sales, and provides schedules for harvesting, monitoring, and forest protection activities.

Forest managers and partners utilize two references to help implement the activities within the VFMP and the Annual Village Forestry plan. The Village Forestry Handbook provides detailed guidance (i.e. standard operating procedures) for villagers on establishing and organizing VFAs, preparing land-use plans and forest management plans, and implementing planning, harvesting, monitoring, and resource protection activities. A Village Forestry Training Manual provides PAFO, DAFO, and VFA trainers with training modules and materials for each activity described within the Village Forestry Handbook.

The objective of VFA forest management is to “produce on a sustainable basis a desired mix of products and services from the forests located within the village territory”. Although NTFPs and forest services are considered within the VFMP, management focuses on harvesting timber in a manner that is economically viable, supports community development, and with limited environmental impact.

Forest management occurs in natural forest areas. Timber harvesting is selective and has been designed to ensure natural forest structure is maintained. Management planning and harvesting procedures reflect local environmental conditions, cost little and require little heavy and high tech (i.e. expensive) equipment.

Forest areas are managed on a short rotation, between five-ten years. As the cutting cycle is short, harvesting intensities are significantly lower than in longer-rotation systems. The shorter rotation provides communities with greater incentive to protect forest areas from over harvesting, unnecessary logging damage, and unplanned logging and conversion.

The maximum sustainable allowable cut included in VFMPs is calculated based upon the total volume increase per year for all trees across all species and size classes. The stand volume increase is then reduced by mortality, damage levels associated with harvesting, and a percentage of the growth reserved to improve stand structure of low-stocked areas. The overall estimate of volume growth increase is between 2.8-4.5 m³ per hectare per year, depending upon stand volumes³.

³ This estimate is used within the VFMPs created in 1997/98 and was based upon the best available information at the time. Newer figures, calculated following three additional measurements of permanent sample plots, reveal dramatically different growth rates for all stocking levels. New

Forest managers have created a number of tree selection rules to ensure that harvesting is sustainable, natural forest structure is maintained, and that individual tree species are protected from over harvesting. The planned harvest levels are thus well below the maximum sustainable allowable cut calculated from growth rates. For example, the implementation of these rules meant that the actual volume of trees available for harvest (the annual quota) was approximately 32% percent of the maximum sustainable allowable cut over the past five years in Savannakhet.

In order to ensure forest structure similar to natural forests:

- no harvesting of live trees will occur in areas with low stocking levels (e.g. below 120 m³/hectare in high forests);
- a minimum of ten seed trees of commercial species, size, and quality must be available within the hectare of a harvested tree;
- a target maximum volume harvest per hectare– depending upon stocking level of the sub-compartment;
- trees within 30 meters of streams and 50 meters of rivers will not be cut;
- canopy opening due to harvesting will be limited to 20 meters.

In order to ensure management protects tree species diversity and commercial tree species:

- harvesting of each species cannot be greater than 20% of the total volume or total number of large trees found within the sub-compartment;
- harvesting concentrates on abundant species;
- species with patchy or scattered distribution will not be selected

Forest managers implement a number of strategies that minimize the impact of timber harvesting and transportation. Most importantly, harvesting intensities are very low – averaging less than ten m³ and two trees per hectare. Logging activities occur during an extended dry season to avoid the construction of permanent, all-season roads and to reduce the potential for soil erosion. As very few logs are transported from any area, wide logging roads are not created. Villagers clear paths the width of the logging truck to provide access into the forest. No other heavy equipment is brought into the forest. Tractors and skidders are not utilized for road construction or skidding. Self-loading logging trucks are utilized to lift logs from the felling site directly onto the truck.

Local communities are involved in most aspects of forest management planning and implementation. The Village Forest Management Contract states that VFAs are responsible for most aspects of village forestry – from VFMP and annual harvesting plan development, implementation of inventories and tree selection, to conducting post-harvest monitoring and protecting the forest resource from degradation and conversion.

Logging contractors are hired by the GMCU, the VFA, or a timber buyer to fell and buck marked trees and transport logs from the forest to the log yard. The obligations of contractors are stated within the contract with the PFO (refer VFH Annex 2.8.1.2). Most logging teams are from outside the district, with many consisting of foreigners.

1.4.Environmental and Socioeconomic Context

Environment Context

information has not yet been incorporated in VFMPs or annual harvest planning documents.

The climate of Lao PDR is strongly influenced by the annual monsoon cycle, with the wet SW monsoon from April to October bringing around 90 percent of annual rainfall. During the dry season from November to March, some months may be completely devoid of rainfall over much of the country. Mean annual rainfall ranges from less than 1,500 mm (Savannakhet and much of the north) to more than 3,500 mm (Bolavens Plateau in the south).

Four “ecoregions” of global priority occur in Lao PDR (Olson and Dinerstein 1998):

- Annamite Range Moist Forests
- Indochina Dry Forests
- Northern Indochina Sub-tropical Moist Forests
- Mekong River and its catchment.

This ecoregion analysis, combined with the analyses of MacKinnon and MacKinnon (1986) and MacKinnon (1997), identify two habitats in Lao PDR associated with the Dong Phouoi and Dong Sithouane PFAs:

- Central Indochina Limestone Karst: Species endemism is high and the habitat is found elsewhere only in Vietnam.
- Dry Dipterocarp Forests of the Mekong Plain. Found mainly in southern Laos, and characterized by relatively flat, low elevation land with grass and herbs under widely spaced deciduous trees (predominantly Dipterocarpaceae). It is typically studded by permanent or seasonal pools, which are of high importance for a variety of wildlife, from large ungulates to rare waterbirds.

Lao PDR still harbours a rich fauna, with many species' populations and their habitats probably being less depleted within Lao PDR than within several other countries of the region. Information on local distribution, habitat use and population status is most complete for birds and large mammals, but even for these groups several species are still discovered new for the country each year.

A total of 319 of the 1140 species reviewed by Duckworth *et al.* (1999) are of national or global conservation significance: 67 percent of the large mammals, 53 percent of the bats, 6 percent of the insectivores, 14 percent of the murid rodents, 22 percent of the birds, 25 percent of the reptiles and 2 percent of the amphibians.

Over harvesting is by the far the greatest immediate threat to these species. Large areas of most of the ancestral habitat-types in Lao PDR remain, yet within them populations of quarry species are at very low density or even apparently absent. Unless issues of over-harvesting are addressed, the future in Lao PDR for most species of medium- and large-bodied mammals, birds and reptiles is bleak. Many species (13 large mammals, ten birds and two reptiles) are close to extinction in Lao PDR, and some waterbirds are already extinct as breeders. Only immediate and effective action with the highest level of political support will preserve remaining populations of these species and their habitats (ICEM in press).

GoL recently enacted regulations for the protection of biodiversity - MAF 0524/AF.2001 based on the Forest Law No 01 (1996). Key to GoLs strategy to protect the national biodiversity heritage is a network of protected areas.

Despite being one of the world's ‘Least Developed Countries’, Lao PDR has established an extensive set of protected areas designed as an integrated system on sound scientific principles. Lao PDR's National Protected Area (NPA) system is unrivalled in the region and, indeed, by few if any, countries

in the world. Additional to the NPAs is a growing number of provincial and district PAs, a rich and diverse complement from frog ponds and fish pools to important watersheds. Combined the 'Protected Area' complement covers approximately 20% of the land area, one of the largest 'land uses' in the country.

To the northeast and south of Dong Sithouane PFA, and partly adjoining it, respectively lie the 1,990 km² Dong Phou⁴ Vieng and the 1,300 km² Xe⁵ Bang Nouan National Protected Area (NPA⁶). Further north of Dong Sithouane PFA, lies the 1,060 km² Phou Xang He NPA. Both Dong Phou Vieng and Phou Xang He NPAs are located in Savannakhet Province, whereas only part of Xe Bang Nouan NPA lies in Savannakhet Province, and the remainder in Salavan Province.

With 55% Savannakhet has an above the average forest cover of 47% (MAF 1995). Approximately 29% of the land area of Savannakhet Province have been gazetted for conservation and protection at the national level (IUCN 1997).

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Socio-economic Context

The population

The people of the project area belong to two main ethnic groups, the Lao Lum (or lowland Lao) and the Lao Theung (Midlands Lao), the latter comprising several sub-groups. According to the villagers consulted during the assessment, there are no major differences between these two groups in terms of natural resource management and livelihood; inter-marriages do occur. The main differences appear to be related to religion, rituals and socio-cultural practices such as matrimonial arrangements, and there was no indication that they would bear any significant consequences in terms of project implementation. Some of the project's staff reported that they have more difficulty in communicating with some of the Lao Theung villagers due to the use of different languages. This could potentially

⁴Phou = hill or mountain

⁵Xe = river

⁶National Protected Area (GoL currently preferred term for National Biodiversity Conservation Area)

result in discrepancies in relations between project management and communities. However, a comparison of the relations between project management and villagers from Lao Lum and Lao Theung groups did not reveal any pattern indicating that one ethnic group had closer relations with the project management.

The Savannakhet SFMG is operating under a GOL policy which is derived from FOMACOP and the Lao-Swedish Forestry Program (LSFP). The overall conceptual framework is sustainable forest management, of which the current “Pilot Forest Certification Project” (PFCP) is a component. The PFCP has established an SFMG comprising six VFAs in Dong Sithouane PFA (Table 3). These villages were chosen for the pilot project because they have a fully operational forest management plan and because they are easily accessed. Their VFAs received a special training on forest certification. Villages are small, with population typically between 300 and 600 people (about 70 to 110 households). The membership of the VFAs is inclusive, in most village nearly all valid adults are members.

Table 3: Village Names and Forest Areas of the Savannakhet Pilot Sustainable Forest Management Group

Pilot sub-FMAs in Dong Sithouane,	
Name	ha.
Hintangkok (cluster of 3 villages)	5,070
Kokthaleu (cluster of 4 villages)	11,956
Bakkhounkham	5,722
Nonsavang	3,527
Thapi	4,263
Natamou (cluster of 2 villages)	4,468
TOTAL	34,979

Land tenure and land use

All the land, either forest or arable land, is owned by the government. The VFAs have agreed to a 50-year lease of forest with the PAFO. The contract, “*Sanya Kan Kumkong Pamai Ban*” (*Contract for Village Forest Management*), is co-signed by the PAFO and the VFA, and expresses the 50-year length clearly. For agricultural land, the villagers obtain the rights over their land from the “Instruction on Land-Forest Allocation for Management and Use” which is consistent with MAF No. 0822/AF dated 2 August 1996. This policy focuses upon sustainable management and use of natural resources, as well as mitigation of shifting cultivation and uplifting the livelihood of ethnic population. Individual households in the area own permanently cultivated land, such as rice fields (about 2 ha per household in average), for which they pay land taxes. Forest land, which covers more than half of each village, is the responsibility of the community.

The livelihood of the villagers, which is close to subsistence level, revolves entirely around agriculture and forestry. Rice cultivation is practiced during the rainy season, which lasts between May and October. Home gardens, consisting mostly of banana trees and a few fruit and vegetable species, are practiced on a very limited scale. All the villagers consulted indicated spontaneously that “*the forest is [their] main source of food and livelihood*”. By this they mean that most of their nutrition and monetary needs other than rice, the staple source of calories, are met by the forest. This includes the collection of wild vegetables and tubers, mushrooms, fruits, hunting, fishing, medicinal plants, and a number of commercial NTFPs such as dammar, cardamom, rattan, and sapan bark (*Boemeria malabarica*, used for incense and medicines).⁷ Forest foods are especially important when the rice crop fails or is inadequate for a year’s supply.⁸

Forest areas are considered to be the responsibility of the community, but there are no strict rules governing the access of individual community members to NTFPs. Individual villagers are supposed to ask permission from village leadership before converting forest areas to agricultural uses, but it seems that this is not always respected. Villagers maintain cultural and spiritual ties with the forest, e.g. each of the community surveyed in the assessment has a sacred spirit forest area, usually around 2 ha, in which all peace-disturbing activities such as logging are strictly banned. In other forest areas, rituals are practiced before conducting harvesting activities in the forest.

Relations with the project

Under the Village Forestry System of FOMACOP, the VFAs (VFMA are equivalent to sub-FMAs) were able to develop forest management plans for harvesting their designated forests. The benefits from log sales are divided between the government through Provincial Production Forest Units and the VFAs. It was reported that the income is shared as follows:

1. Royalty fees and related taxes to the National Government,
2. Forest Development Fund, depending upon the PAFO and DAFO requirements for technical and other related services;
3. Operation cost, including all types of labor and harvesting costs, and
4. Village Development Fund, used according to the decision of the village and permission from district authorities.

Village Forestry under FOMACOP focused on a partnership between villages and local government forestry offices with the principal objective being the sustainable management of forest resources through community-based forest management. The system set out to establish sustained-yield logging in sub-FMAs based on approved forest management plans, and operated by the villagers with technical advice from the DAFO/PAFO. FOMACOP provided technical assistance and extensive training of villagers on courses pertaining to forest inventory, forest management planning and forest protection, as well as other services and infrastructure (access road, partial support of a school, etc.). Villagers were also promised priority for employment or income generating opportunities for their

⁷ According to an EU-FAO study, NTFPs contribute 2,5% of Laos’ exports, about 50% of the cash income of rural villages, and is inferred to contribute 20 to 30% of the country’s GNP through subsistence use (Durst, P.B., 2002, NWFP in 15 countries of Tropical Asia, an overview. EC-FAO Partnership Programme, FAO, Bangkok).

⁸ Source: Village Forestry Handbook

village forestry work, which were in accordance with the VFAs membership and regulations. They are allowed to collect non-timber forest products, such as bamboo shoots, mushrooms, edible shoots/vegetables, medicinal plants, to supplement their daily subsistence following their customary practices, as long as this is conducted in a sustainable manner, and does not threaten protected species.

The VFA Forest Management Plan determines the responsibilities of the villagers for all activities relating to forest management. The FOMACOP project has to be commended for having successfully trained the villagers to handle these responsibilities and having delegated the authority of forest management to the VFAs, which are democratically run by the villagers in assembly, in close relation with the village leadership (village leaders are usually among the top management of the VFAs). This is an unique model of community forestry. Interactions between the communities and the forestry officials (DAFO, PAFO), however, have become less close after the ending of FOMACOP in 2001, and the degree of control of the villagers has decreased. Normally, a certain number of key tasks were supposed to be handled together by the government and the VFAs representatives at the district level, such as selection of trees harvested, sales and contracting of harvest operations. Now these activities are handled by the government with much less consultation with the villagers, which is something that needs to improve.

During the first years of implementation, the project added significant income to the villages (about \$40-80 per year, per inhabitant of the village, children included, which can be compared with the minimal daily salary of \$0.50 per day). This enabled payment for labour (each village employs at least 20 to 40 people from the village in forestry related tasks, with salaries ranging from \$0.5-1.00 per day), and the rest banked in a Village Development Fund administered by the village authorities. These funds have been used to pay for useful infrastructure, equipment or development projects such as school building, electricity, roads, fish ponds, village dams, and rice field extensions. This provides a good incentive for the villagers to properly manage and conserve the forest. However, at present, The export ban on logs and sawn timber, which is a policy enacted by the Lao government two years ago, poses some challenges to the viability of the village forestry model. The sales and price of timber have collapsed due to the lack of buyers having the capacity to process the timber, and the revenue of the villagers is hardly enough to pay for their labour, not to mention to provide incentives for forest conservation.

Forest workers

Within the village forestry system, most forest management activities are led by the VFA leadership, and a small technical team of about 10 people. These are the people responsible for the implementation of the management plan, and for the supervision of the pre-harvest and harvest activities. Labor-intensive tasks such as road cleaning, inventories, etc. may be conducted by a larger number of people, usually around 40 per village, who are members of the VFA. It appears that forest workers, in their dual role as VFA members have generally been content with the conditions and payment of forest work. The Lao PDR has a Labour Law and a Minimum Wage policy, our survey indicated that this minimum wage of 5,000 kip in rural areas (about \$0.50) is respected by the VFAs. However, forest workers do sometimes request the village for more compensation for the hard work. Village forestry benefits are for the entire village and management policies like wages are framed collectively in a village general assembly. Collective bargaining takes place between the work crews and the assembled villagers.

Logging activities are conducted by contractors appointed by the log buyers with the approval of the PAFO. They in turn may employ local villagers to assist in the logging activities. However, one logging crew consulted comprised entirely Vietnamese workers.

1.5. Products Produced and Chain of Custody

A. Chain of custody certificate

VFA manage natural forest areas for the production of products (logs, non-timber forest products) and services. Logs are sold to buyers at a secondary landing or log yard – usually located near local villages. No further processing occurs by group members. The chain-of-custody system tracks logs from the stump to the log yard. Buyers are responsible for transporting logs from the secondary landing to sawmills or factories. There are no current chain-of-custody procedures established for non-timber forest products. These products were not considered during the assessment.

A very basic chain-of-custody system has been developed to track logs from the forest to the log yard. In the forest, logs are marked with a village, strip, tree, and log number to identify the source of the materials. Tree maps, inventory records, production reports, and log yard stock records trace the source and movement of logs to the log yard. Village, strip, and log numbers are noted for all logs and allow for sufficient tracing.

B. Species and volumes covered by the certificate

Some common and commercial timber species of the three main forest types are presented in Table 4. Other commercial species reported, include:

- Mai bak (*Anisopterna robusta*)
- Mai tekha/kheng (*Dalium cochinchinese*)
- Mai dou (*Pterocarpus macrocarpus*)
- Mai tenam (*Sindora siamensis*)
- Mai ken fai (*Shorea hypochra*) and
- Mai hao (*Parashorea stellata*).

Mixed deciduous forests			Dry evergreen forests			Dry dipterocarp forests		
Common Name	Scientific Name	Commercial	Common Name	Scientific Name	Commercial	Common Name	Scientific Name	Commercial
Mai puay	<i>Lagerstroemia cochinchinensis</i>	✓	Mai puay	<i>Lagerstroemia cochinchinensis</i>	✓	Mai koug	<i>Dipterocarpus tuberculatus</i>	
Mai deng	<i>Xilia kerrii</i>	✓	Mai deng	<i>Xilia kerrii</i>	✓	Mai deng	<i>Xilia kerrii</i>	✓
Mai laen	<i>Hopea ferria</i>	✓	Mai laen	<i>Hopea ferria</i>	✓	Mai sat	Unknown	
Mai si	<i>Vatica cinerea</i>	✓	Mai si	<i>Vatica cinerea</i>	✓	Mai chik	<i>Shorea obtusa</i>	✓
Mai muat	<i>Aporosa villosa</i>		Mai nyang	<i>Dipterocarpus</i> , possibly <i>alatus</i> or <i>tubinatus</i>	✓	Mai muat	<i>Aporosa villosa</i>	
Mai kholen phou	<i>Arytera littoralis</i>		Mai kholen phou	<i>Arytera littoralis</i>		Mai kathang	<i>Litsea grandis</i>	
Mai khen khanyom	<i>Shorea harmandii</i>	✓	Mai ngeo	<i>Xerospermum macrophyllum</i>				
Mai khimou	<i>Ormosia cambodiana</i>		Mai phok	<i>Parinariium annamense</i>				
Mai khen hin (synonym to Mai laen)	<i>Hopea ferria</i>	✓	Mai khen hua	<i>Hopea odorata</i>	✓			
Mai sakham	<i>Peltophorum dasyrachis</i>	✓	Mai harnao	Unknown				
Mai nangdam	<i>Diospyros mum</i>		Mai khi hat	Unknown				
Mai houalon	<i>Parkia streptocarpa</i>	✓	Mai kol	<i>Quercus kerrii</i>				
Mai hanghon, Mai sakham	<i>Disospryros gardneris</i> or <i>Peltophorum dasyrachis</i>	✓	Mai Kathang	<i>Litsea grandis</i>				
Mai vasom phou	<i>Syzygium cumini</i>							

Table 4: Some Common and Commercial Timber Species

C. Description of current and planned processing capacity covered by the certificate

No wood processing facilities are included within the chain-of-custody system developed by the GMCU. All VFA production is sold as logs.

2. CERTIFICATION ASSESSMENT PROCESS

2.1. Assessment Dates

5 th May 2003	DW, MH, AG arrive Vientiane. Opening meeting with Mr Bouahong Phanthanousy, Ministry of Agriculture and Forestry and SFMG personnel.. Team travels to Thakek, Khammouane.
6 th May 2003	Meeting - PAFO; Briefing by Mr Soukhan, GMCU. Inspect Documents. Meeting with DAFO; Ban Some - 2000-01 logging site. Meeting with Applied Arts Timber Company, Thakek
7 th May 2003	Active Logging; 2ndary Log Landing; Forest Inventory; Conservation Forest, Ban Kokthong; Village meetings at Ban Some, Ban Thamlay. Travel to Savannakhet.
8 th May 2003	Meeting at PAFO and GMCU, Savannakhet. Travel to Thaphangthong District, SVK. Meeting with District Governor. Meeting with DAFO. Visit 2ndary Log Landing, Pak Songdong; Village meeting in Ban Nonsavang.
9 th May 2003	Visit 2ndary Log Landing; 1999 logging, Ban Nonsavang; active logging Ban Bak; Village Meetings Ban Bak, Kokthaleu. Travel to Savannakhet.
10 th May 2003	Travel to Thakek. Meeting GMCU, FMU, Thakek; Active logging, Ban Thamlay, interview with logging workers, VFA members. Return to Vientiane.
11 th May 2003	Team Meetings, Report Writing.
12 th May 2003	Public/Stakeholder Consultation Meeting; Exit Meeting. Team disperses.
July 2003	Draft report sent to candidate operation.
October 2003	Certification assessment report with preconditions finalized.

Pre-Condition Verification Audit Dates

26th July 2004	Meeting held in the Department of Forestry's offices in Vientiane
27th July 2004	Meeting held in the Savannakhet Provincial Forestry Section offices' in Savannakhet
27th July 2004	Meeting held in Nansavang village, Thapangthong district. Village leaders house
28th July 2004	Meeting held in Thamlay Village, Khammouane Province Village Buddhist temple and village meeting area
28th July 2004	Meeting Held in Ban Some Village, Khammouane Province, Thamlay Village, Buddhist temple and village meeting area
28th July 2004	Meeting held in Khammouane Provincial Forestry Section offices in Khammouane.
29th July 2004	Meeting held in Department of Forestry offices in Vientiane

29th July 2004	Stakeholder meeting held in the World Wildlife Fund Offices Vientiane
15 th July 2005	Desk review of findings of action taken to meet final Pre-Condition set in 2004 Pre-Condition audit.
30 August 2004	Precondition Verification Audit with 1 new precondition sent to candidate.

2.2. Assessment Team and Peer Reviewers

Dick Watling, Team Leader, Ecology and Environment. BSc. Zoology (Bristol Univ., UK); Ph.D. Applied Biology (Cambridge Univ., UK). Principal, Environment Consultants Fiji Ltd. 32 years international experience encompassing a broad range of natural resource management, forestry, protected area and environmental management in South East Asia and Pacific Island Countries. A Lead Assessor with SmartWood since 2001 with forest certification experience in Indonesia, Lao PDR and Fiji; six years working experience in Indonesia including four years with the World Wide Fund for Nature 'Conservation Indonesia Programme' and annual experience in Lao PDR since 1997. The ecological-environmental specialist for CIFOR's 'Testing Criteria and Indicators for the Sustainable Management of Forests' in Indonesia.

Marc Hiller, Forester. Worked with SmartWood Asia-Pacific since March 2001. Conducted 12 forest management and over 60 chain-of-custody assessments and audits. He has worked with numerous forest managers and conservation organizations on High Conservation Value Forest issues. Worked for 2.5 years in West Kalimantan, Indonesia on community forestry project supported by Harvard University. There, he focused on training communities to conduct inventory and monitoring activities, harvest planning, and mapping. B.A. Political Science and Human and Natural Ecology (Emory Univ., USA).

Anne Gouyon, Social specialist. PhD Social Sciences and MSc Agricultural Development, Institut National Agronomique, Paris, France. 17 years of experience, mostly in Indonesia and Southeast Asia. Research and consultancy in the social and institutional aspects of rural development, especially for smallholder tree crops, agroforestry, forestry and certification. Social assessor and Team Leader in several assessments, scoping and audits of Forest Management units in Indonesia for SmartWood. Completed a Team Leader Training on Certification with Smartwood in 2001.

Two independent peer reviewers with expertise in community forestry and Laos were utilized for this assessment. Their identities are confidential.

Pre-Condition Verification Audit Team

Adam Grant, Social Forestry Specialist. Asia Pacific Forester, Rainforest Alliance/SmartWood. Adam has five years 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 three years experience working as a timber trader in the United Kingdom and three years working in production forestry and processing in Scandinavia. Adam has a Master of Science degree in Renewable Natural Resources and Development from the University of East Anglia, United Kingdom.

Souksompong Prixar. Lecturer and Head of Forest Research Office for 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.

Walter Smith, Senior Technical Specialist (Desk Audit). Walter has 17 years experience in logging, training and forest resource management and 13 years experience in Forest Stewardship Council (FSC) forest management and chain of custody certification. He is a founding member of the FSC and was on the original FSC Principles and Criteria Working Group in the early 1990's. Walter began working with SmartWood in 1995. Since then he has been a team leader on over 100 forest management and chain of custody assessments and audits in Canada, China, India, Indonesia, Japan, Malaysia, Nepal, Philippines, Singapore, Vietnam and all regions of the United States. Additionally, is a principal instructor for the SmartWood Assessor Training Program and has participated in 18 training workshops in those countries. Walter is the co-author of a book on certification with Chris Maser.

2.3. Assessment Process

During the field phase of the assessment process, the team conducted the following steps as part of the normal SmartWood certification process:

- 1) **Pre-Assessment Planning and Documentation review** – Assessors reviewed numerous documents obtained during the SmartWood scoping of the candidate operation in October 2002, including the SW scoping report, Lao PDR Production Forestry Policy, Lao forestry policies, candidate operation's planning documents, draft criteria and indicators for forest management in Lao PDR, and several other reports regarding community forestry in Lao PDR.
- 2) **Selection of Sites and Field Inspections:** – Field inspections were undertaken at the sites listed in Table 3. These were selected through a combination of accessibility and activities which were taking place or had taken place in the last few years. Since there had been little logging in the current and past two years, the choice for this was limited. In all six different locations were visited in Dong Sithouane.

Table 5: Summary of Forest and other Areas Visited by SmartWood Assessors

Forest/Block Name	Assessment Site
Ban Nonsavang,	Village Meeting
Ban Nonsavang,	1999 logging
Pak Songdong,	Secondary Log Landing
Ban Bak,	Logging in progress
Ban Bak, Kokthaleu,	Village Meetings

3) Field Interviews/Stakeholder consultation

The stakeholder consultation activities were organized to give participants the opportunity to provide comments according to general categories of interest based upon the assessment criteria. Consultations were held through the following methods:

1. **Public announcement.** Following the requirements of FSC certification assessments, a letter announcing the audit was sent to a number of relevant stakeholders in Lao PDR at the beginning of April. The announcement was sent to over 60 Lao and international organizations and individuals, including groups involved in forest conservation and management, community rights, forestry research, forest certification, and forest products.
2. **Correspondence.** Smartwood received and took into account comments sent by correspondence, mostly e-mail.
3. **Village consultation.** Public, open meetings were conducted in three VFAs (Ban Nonsavang, Kokthaleu and Ban Bak), with an attendance of 6 to 20 people in each meeting, including village leaders, VFA leaders and VFA members. The villages were chosen by the assessment team, without any interference of pressure from the project officials, who respected the proposals of the assessment team and showed good cooperation. The meetings were conducted without the presence of the government officers in charge of the project, who only participated in the meeting's openings and introduction and left after this. The villagers openly expressed their concerns regarding the project management.
4. **Public Stakeholder consultation.** A public meeting was organized in the capital at the end of the assessment. It was attended by 22 non-project/SmartWood participants (Appendix I), all of them from government institutions, with the exception of one from a private company processing timber, and three from international environmental NGOs. Such an attendance seems to be rather typical of public debates in the Lao PDR, where government control is prevalent. The meeting served mostly to clarify issues linked with the certification process to the various stakeholders, and did not raise significant issues regarding the FMU under assessment.
5. **Assessment Report Development** – The assessment report was developed over a twenty day period after the fieldwork was completed. Throughout this write-up period the assessors continued to conduct stakeholder interviews and other research.
6. **Report Review by Candidate Operation and Independent Peer Reviewers** – The assessment report was reviewed by operation and {two} independent peer reviewers .
7. **Certification Decision** – The certification decision was made by SmartWood headquarters. This was completed after review the assessment report and of comments made on the draft report by operation and peer reviewers.

Pre-Condition Verification Audit Process.

The Pre-condition verification audit was split between an actual field based audit process and a desk review. The following section explains how this process was achieved.

Pre-Audit Planning and Documentation review – A review the SmartWood scoping report of the candidate operation in October 2002, and the assessment report conducted in May 2003 including the SW Lao PDR Production Forestry Policy, Lao forestry policies, candidate operation's planning documents, draft criteria and indicators for forest management in Lao PDR, and several other reports regarding community forestry in Lao PDR

Field Audit - The following section outlines how the team conducted the necessary documentation review and the Stakeholder Consultation Process. In the breakdown below the work for the Savannakhet audit is included to show continuity in the process as the two audits were conducted together.

Day one

The audit began with the meeting with the Department of Forestry (DoF) on the morning of the 26th July this meeting was held to introduce the team to the DoF, for the DoF representatives and the team to arrange the schedule for the audit and for the auditing team to conduct the initial documentation review and collection.

In the afternoon the team and the representatives from DoF, WWF and PFCP traveled to Savannakhet Province.

Day two

The second day began with a meeting with the Provincial Forest Sector staff in their office to discuss what has been achieved in terms of meeting the five pre-conditions.

In the afternoon the team traveled Nonsavang Village in Thapangthong district to interview the VFA and to conduct household interviews. It was also planned that Bakkhoumkham village would be visited but it was monsoon season and thus the roads were impassable due to flooding.

In Nonsavang Village the VFA and village leadership were interviewed and also two a private household interview were conducted were two woman were interviewed.

Day three (Khammouane)

The team traveled early in the morning to Khammouane Province. Before visiting the Provincial Forest Sector's office the team visited the village of Thamlay and interviewed representatives from BanSome village.

In Thamlay the VFA was interviewed plus a group of 15 villagers. In addition to the group one man and a woman were selected by the group to participate in private interviews away from the VFA and local governmental earshot.

It was not possible to visit Some village and thus representatives came to Thamlay village so that the team could interview their VFA.

In the afternoon the PFS's offices were visited and the personal in charge of managing the certification process were interviewed.

The team then drove back to Vientiane

Day Four

On the last day of the audit the team concluded the document review ensuring that all relevant documentation was collected for the desk audit. In the afternoon a wrap up meeting was held with the DoF, WWF and TFT to feedback the findings and to address any misconceptions from the field.

Finally an informal meeting was convened in the WWF's offices for stakeholder input from stakeholders who where unable to attend the formal governmental meetings. In attendance were WWF, TFT and WCS

Desk Audit

Once the field audit had been completed the documentation and findings from the field audit were sent to Walter Smith for desk review.

Audit Report Development

The audit report was developed between the desk reviewer and the field auditors.

Report Review by Candidate Operation and Independent Peer Reviewers

The audit report was reviewed by operation and feedback given to SmartWood.

Certification Decision

The certification decision was made by SmartWood headquarters. This was completed after review the assessment report and of comments made on the draft report by the operation.

Pre-Condition Verification Audit Process - 2005 – Desk Review

The pre-condition that was set during the **Pre-Condition Verification Audit Process** in 2004 was finally met in July 2005. Proof of the GMUs compliance was sent to the SmartWood Asia Pacific Regional Office and a desk review was conducted on July 15th to review all documentation.

2.4. Standards

There are no region specific or formally endorsed FSC guidelines for Lao PDR. Therefore, in developing this Interim Standard, SmartWood has sought other documents that could provide some basis for certification criteria in Lao PDR. As of March 2003, no other FSC certifier had conducted a formal FSC assessment there or created interim standards for Lao PDR. Documents that have been reviewed and considered in developing this Interim Standard are:

- “SmartWood Generic Guidelines for Assessing Forest Management”, April 1998 and February 2000 versions;
- Forest Stewardship Council Principles and Criteria January 1999;
- SmartWood Confidential Certification Scoping Report for Savannakhet and Khammouane Provincial Forestry Office Group Management Certification Units, January 8, 2003;
- Lao PDR Production Forestry Policy – Status and Issues for Dialogue – World Bank/Sida/Ministry of Foreign Affairs, Government of Finland, June 11, 2001
- Forest policy of Laos in terms of local participation – Makoto Inoue and Kimihiko Hyakumura, Institute for Global Environmental Strategies, Japan

The interim standard was sent to stakeholders for comment in early April 2003. The standard will be improved based upon a number of new Lao PDR policies obtained during the assessment as well as a sustainable forestry C&I developed for Lao PDR. Stakeholder comments on improving the interim standards are welcome throughout the certification process. A copy of the SmartWood Lao PDR interim standards are available at www.smartwood.org or by contacting SmartWood Asia-Pacific at smartwood@cbn.net.id or jhayward@smartwood.org.

2.5. Stakeholder consultation process and results

The purpose of the stakeholder consultation strategy for this assessment was threefold:

- to ensure that the public is aware of and informed about the assessment process and its objectives;
- to assist the field assessment team in identifying potential issues; and,
- to provide diverse opportunities for the public to discuss and act upon the findings of the assessment.

This process is not just stakeholder notification, but wherever possible, detailed and meaningful stakeholder interaction. The process of stakeholder interaction does not stop after the field visits, or for that matter, after even a certification decision is made. SmartWood welcomes, at any time, comments on certified operations and such comments often provide a basis for field auditing.

Issues Identified Through Stakeholder Comments and Public Meetings

The stakeholder consultation activities were organized to give participants the opportunity to provide comments according to general categories of interest based upon the assessment criteria. The table below summarizes the issues identified by the assessment team with a brief discussion of each based upon specific interview and/or public meeting comments.

Table 6: Stakeholder Comments

FSC Principle	Stakeholder Comments	SmartWood Response
P1: FSC Commitment/ Legal Compliance	No comments given	Not necessary
P2: Tenure & Use Rights & Responsibilities	No comments given	Not necessary
P3 – Indigenous Peoples’ Rights	No comments given	Not necessary
P4: Community Relations & Workers’ Rights	<p>In one VFA, the villagers said they would like to be able to conduct logging operations themselves and indicated that they felt they had acquired the capacity (technical and financial) through the project. These villagers said the PAFO officials had refused this request. PAFO official informed SmartWood that they don’t believe these villagers have the capacity.</p> <p>Pre-Condition Audit It appears from the audit team’s discussion with villagers that they do not have the decision making institutions that allow the level of control over the forest that Pre-condition one from the assessment report is asking for. However they are not too upset as they feel that their participation in the actual physical management of the forest is enough. However what they would like to have is more representation in the negotiation of the sale of the timber.</p> <p>Women from the villages visited in Khammouane expressed a wish that they had representation within the VFAs as it stands at the moment there are now female members of these groups as such the women feel they do not have a voice in the decision making process. The woman in the sites visited in Savannakhet said that they had no input into the decision making process.</p>	<p>SmartWood recommended that the GMCU should monitor and report the number of national vs. foreign companies contracted for logging operations in the certified VFAs, as well as the number of local villagers, other Lao nationals and foreign workers employed in logging in the certified area. The GMCU should design and implement measures to increase the participation of local companies and community members into logging operations, including felling.</p> <p>Pre-Condition Audit Although the level of participation may not be at the level expected by the assessment assessors because of the appearance of a loss of local control after the conclusion of the FOMACOP project, the question is whether the current level of participation and benefits sharing is adequate to meet the FSC P&C, e.g. involving the villagers in a meaningful way and providing benefits that will support the communities’ economic and social needs and the sustainable management of the forest. It appears that on paper, decision making and funding are adequate given the parameters of government policy. However, the implementation is inconsistent. Therefore the audit team see Precondition has been met however based on the evidence presented the auditors recommend that the precondition be closed and that the issues are referred to the new Precondition 1 (04) and conditions 1</p>

		<p>and 3 of the assessment report, which will adequately address the concerns of consistency. The relevant factor for meeting these conditions will be determined by how compliance of the conditions is met in the field.</p> <p>A new Condition (Condition 02 (04)) has been set that states within the first year of the certification the Khammouane PFS must ensure that each VFA has at least one female member.</p>
<p>P5: Benefits from the Forest</p>	<p>In nearly all VFAs, the villagers complained about the new selling system. Since the bidding system is not operating due to a lack of buyers resulting from the log and sawn timber export ban, villagers have difficulties selling their timber, they sell small quantities, way below the inventories, and at a low price. Villagers expressed concern about the sustainability of forest management and conservation in such conditions, and indicated in some cases that they would rather stop harvesting rather than harvest only one species as chosen by the buyers.</p> <p>Some potential buyers complained that they have faced an inconsistent purchasing process that has numerous bureaucratic and often non-transparent steps. The lack of a formal, transparent, consistent method of selling timber may prevent communities from selling at the true market price.</p> <p>Pre-Condition Audit Evidence collected from interviews with villagers indicated that all VFAa had not received any money since 2002 as at that time it was decreed that all funds from the forest were state money and thus the treasury would keep them. TheVFA’s are pushing for the bidding system that was used for the first harvest in 1999 to be reinstated with a representative from their village being present. The villagers believe that competitive bidding will increase revenue and that their input could help in understanding log values.</p>	<p>Prior to certification, SmartWood are insisting on the introduction of a more transparent and consistent procedure in respect of log sales and revenue sharing. SmartWood is also recommending that Government urgently address the problem of low log sales brought about by the export ban.</p> <p>Pre-Condition Audit The budget law clearly provides for the amount of money to be disbursed to the VFAs. The Actions and Evidences document supplied by the operation for the audit indicates that the VFA did not have direct input into the drafting of the regulation 0204/MAF/2003, but that workshops were held to describe its contents. However there is no mention of a published document that provides information about regular, predictable payment periods, or provides for the VFA to review copies of accounting records, both of which is paramount to transparency of how much revenue was generated and how much the VFA will receive and when. It will be extremely difficult for the VFAs to operate effectively and to provide financial support to the villagers if they cannot predict when and how much they will receive. The delay reported in Savannakhet regarding the receipt of their share of the revenue is of major concern and evidence with regards to predictable payment. Again, this situation with Savannakhet is an indicator that, while there are appropriate and thorough documentation that shows competent governance, the actual implementation of policy is inconsistent.</p>

		<p>Based upon the above findings and conclusions the auditors find that:</p> <p>The original assessment's Precondition 3 has therefore not been met and thus the following precondition has been set and must be met by the candidate operation and verified by SmartWood prior to certification.</p> <p>New Precondition: Precondition 1 (04) Prior to certification, a consistent and transparent procedure will be drawn up and shared with the VFA to ensure the accurate and timely delivery of allocated funds to the Village Development Fund.</p> <p>Pre-Condition Audit – 2005 The GMU sent documentation showing compliance with the Pre-condition set during the original Pre-Condition audit in 2004 for Proof of compliance was shown through:</p> <ul style="list-style-type: none"> • Minutes of the MAF workshop discussing certification in SUFORD project. • DOF Letter of Instruction to the two pilot provinces on how to proceed with forest certification activities in SUFORD project. • DOF letter of Transmittal to Khammoune PFS and Svannakhet PFS of the guidelines for selling logs and benefit sharing in production forest areas. • DOF Guidelines on selling wood and benefit sharing in production forest areas. • A set of six documents stamped and signed by the respective village heads, the district governor, and the Provincial Governor acknowledging that all outstanding funds owed to the VFA have been paid. • Summary of Outstanding shares already paid to VFAs as shown in the documents.
P6: Environmental Impact	No comments given	Not necessary
P7: Management Plan	No comments given	Not necessary
P8: Monitoring & Assessment	No comments given	Not necessary
P9: Maintenance of High Conservation	No comments given	Not necessary

Value Forest		
P10 - Plantations	Not applicable	Not necessary

3. RESULTS, CONCLUSIONS AND RECOMMENDATIONS

3.1. General Discussion of Findings

Table 7: Findings by FSC Principle

Principle/Subject Area	Strengths	Weaknesses
P1: FSC Commitment and Legal Compliance	Overall compliance with national regulations regarding forest management is strong. In fact, many national policies and regulations are based upon the community forestry program implemented by VFAs and GMCUs. Interviewed Government officials indicated that VFAs paid all relevant royalties and taxes and respected Forestry laws.	Regular community monitoring of uncontrolled logging and conversion is not consistently implemented. Further, post-harvest monitoring of residual damage and forest structure is not consistently conducted. Payment of community profits from timber sales are often not paid in a timely manner by Department of Commerce. Overall, there is an increasing lack of transparency regarding timber sales and revenue sharing.
P2: Tenure & Use Rights & Responsibilities	The communities have a legal 50-year tenure over discrete forest areas dedicated to village forestry management, a significant improvement to the standard situation in Laos, where villagers have no right over commercial exploitation of timber. The communities customary rights over the forest area and all the village land are acknowledged and respected. The villagers have control over the forest management through the village forest management plan.	After the end of FOMACOP in 2001, the involvement in forest management by the villagers has decreased. Normally, a certain number of key tasks were supposed to be handled together by the government and the VFAs representatives at the district level, such as selection of trees harvested, sales and contracting of harvest operations. Now these activities are handled by the government with very little consultation with the villagers, allegedly because of lack of funds. Weakness addressed see Pre-Condition summary below
P3 – Indigenous Peoples’ Rights	All the villagers in the area can be considered as indigenous, their community rights are acknowledged and respected by the authorities, which gives them increased control over the management of their forest and land area.	Areas with special spiritual meaning are recognised and protected by the villagers, but are not clearly marked in the village land use maps and in the management plans.
P4: Community Relations & Workers’ Rights	The communities undertake most tasks related to the forest management, and before the log export ban, received adequate benefits in the form of payment for labour, and a Development Fund allocation for projects enjoyed by all the community members such as schools, fish ponds, electricity, rice fields, roads, dams, etc.	The logging operations are contracted out to external companies, while villagers would like to have a greater opportunity to conduct logging themselves. Some of the logging crews are foreign, as such control is difficult in respect of Lao labour laws and the ILO conventions 87 and 98.

		<p>Workers are not provided adequate safety equipment, and they should be entitled to 100% reimbursement of medical expenses in case of worker's related injuries (as per the Labor Law) instead of 50% as planned by the VFAs.</p> <p>Weakness addressed, see precondition summary below.</p>
<p>P5: Benefits from the Forest</p>	<p>Villagers negotiate freely and collectively their labour payments through the VFA's assembly. The Labour Law is usually well respected in the villages.</p> <p>Forest management for commercial sale of timber has created local employment during slow periods in the agriculture cycle and provides funds for community development – leading to the strengthening of non-forestry sectors.</p> <p>Timber harvesting procedures ensure limited environmental impact. Harvesting has been at a low intensity and has been within the annual allowable cut.</p>	<p>The recently implemented log ban has led to a number of difficulties that villagers can not change immediately. Following the ban, VFAs have only been able to market a very small range of tree species (2-3 species) and a very small total volume of logs.</p> <p>Reduced sales has threatened the viability of the forest management system by reducing the incentive for community participation in operations and forest protection and reducing the funding available for training and monitoring of VFA activities.</p> <p>Over the past two-three years, the transparent methodology for selling timber and for determining revenue sharing policies has weakened. Government agencies have taken increasingly control over determining log prices, marketing wood, and selecting forest areas for harvesting. Further, the methodology for sharing revenues with local communities is not clear and still lacks rules and fixed procedures, and government revisions were developed without clear community involvement.</p> <p>Weakness addressed, see precondition summary below.</p> <p>The current system of paying for the operational costs of management is not equitable. Government agencies calculate log prices and royalties and profit-sharing levels based upon total revenues. GOI, which through the national government and district and regional forestry offices, receives over 80% of the revenues, does not pay for the planning costs. VFAs are forced to pay planning costs (e.g. inventory and tree marking) from the village development funds received from harvesting operations. In years without harvesting operations, VFAs receive no money to pay for planning costs, despite net revenues from GMCU activities.</p> <p>Weakness addressed, see precondition summary below.</p>

P6: Environmental Impact	The silvicultural procedure and management operations are very low impact and are generally well managed and monitored by VFA members	No formal environmental or social assessments have been undertaken. There is little understanding of potential or actual impacts to the forest ecosystem from of hunting and NTFP collection. Weakness addressed, see precondition summary below.
P7: Management Plan	Forest managers utilize a number of detailed planning tools to develop VFAs and plan and implement management plans. Each VFA has created a ten-year management plan, develops annual harvest plans, and uses the standard operating procedures detailed in the Village Forestry Handbook for planning and implementing VFA activities. VFA members and district and regional Forestry Department staff have received hundreds of hours of training regarding developing land use plans, sustainable forest management, and implementing the activities described within the VFMP and Village Forestry Handbook.	Forest managers have been slow to incorporate new information and data into the VFMP. For example, improved information from PAFO growth and yield plots and several studies of biodiversity values within the regions have been available over the past two-three years. However, this information has not led to any changes in how forest managers develop management objectives and strategies. Village forestry management plans lack (1) inventory data or analysis at the species or commercial grouping level and (2) information regarding rare, threatened, endangered, and endemic species that are known or likely to occur within VFA FMUs.
P8: Monitoring & Assessment	Monitoring and evaluation are part of the Village Management Plan; the FCGP emphasises timely and accurate monitoring; MAF decree AF.0069 mandates different kinds of monitoring. The VFH determines several monitoring activities, including: post-harvest, customary forest use i.e. timber for local use and NTFPs, monitoring of progress and implementation of village forestry work.	In general monitoring has not been implemented as planned or required. In particular, there is no post-logging assessment; PSPs are no longer measured; data on forest management costs are poorly compiled; apparently no data on NTFP collection or hunting is collected; Compilation of data and information is poor and poses problems for assessors. Sales and revenue information from logging is not readily available.
P9: Maintenance of High Conservation Value Forest	The silvicultural procedure and management operations are very low impact. There are protection and conservation areas identified and respected within the sub-FMAs. National Protected Areas are located adjacent or close to both PFAs	No formal HCVF assessment has been undertaken and there is little understanding of the requirements or need of such an assessment. Unmanaged hunting and NTFP collection are not recognised as being of potential concern. Weakness addressed, see precondition summary below.
P10 - Plantations	Not applicable	Not applicable

3.2. Precondition Compliance

Pre-condition 1:

Prior to certification, the GMCU will set up mechanisms, and demonstrate its ability to fund and implement them, to 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; all activities related to timber sales - such as buyers' selection, negotiation and contracting; VFAs will be in control of how to use the profits channeled back to the community.

Finding:

It appears that funding for VFA involvement will come in several forms. The most important, and most likely reliable, is the World Bank/Finnish-assisted Sustainable Forestry and Rural Development Project (SUFORD). This funding will be available until 2008. Secondly, one could argue that a portion of the revenues from the sale of products that go to the communities could be used for that purpose. According to Chapter 3, Article 18 of the **REGULATION ON ESTABLISHMENT AND SUSTAINABLE MANAGEMENT OF PRODUCTION FOREST AREAS AREAS** on revenue disbursement, 25% goes to the operation costs for implementation of annual operation plan. One could make a case that that money could help support VFA involvement. Thirdly, and possibly related to Chapter 3, Article 18, is that the VFA would, with assistance from the GMCU, create a budget line for funding their participation.

Although these mechanisms appear to be in place to fund participation, the actual implementation is in question. Evidence collected from interviews with villagers (see precondition 3) indicated that VFAa had not received any money since 2002 as at that time it was decreed that all funds from the forest were state money and thus the treasury would keep them. This has not affected Khammouane to date as they have not harvested any stock since 2001. There has been a decree subsequently that states that this money will be released to the VFAs but this has still not been done. Additionally, there is no evidence of how SUFORD funds will be disbursed.

Therefore, it appears that mechanisms are in place for potential funding, but that the funds are not being disbursed in any kind of timely or consistent fashion.

Clearly the VFA can only use the revenues allocated to them in a manner consistent with the budget law. The budget law, described in the **REGULATION ON ESTABLISHMENT AND SUSTAINABLE MANAGEMENT OF PRODUCTION FOREST AREAS** Chapter 3, Article 18, clearly states that the revenues are controlled by the government. Revenues are remitted to the national government and money is then allocated to particular funds. Thirty percent is kept by the central government. Seventy percent is divided amongst three funds:

- Twenty percent to the forest development fund;
- Twenty-five percent to the operational costs and;
- Twenty-five percent to the local (village) development fund(s).

These funds must be spent according to relevant finance regulations and be consistent with development plans established by the village or group of villages and approved by the District Development Committee in coordination with DAFO. The villagers do have some control over these funds, but not complete control. As stated earlier, the real proof of whether the funds are being used in a manner that supports the community's wishes can only be obtained by interviewing the local communities. As such, the findings to date are mixed. Although the auditors did not hear significant complaints from the villagers, payment of funds has been sporadic and inclusion timber sales are at a minimum.

Decision making by the VFA's under the Forest Management and Conservation Project (FOMACOP) was experimental and lasted only during the duration of the project. Therefore at the end of the FOMACOP project all policies reverted to the established government policy. Several documents in the Actions and Evidences annex describe the decision making parameters

for the VFAs. For example in **INSTRUCTIONS: On the role and responsibility for production forest management and forest certification promotion, Part III, Article 5, Section 5.3.1** states that the VFA shall “Participate in the management of production forests and annual operational planning, especially where the government has given an authorization to the village forest organization for management purposes. Further, Part IV, Article 6, section 6.2 and 6.3 states that the production forest management and forest certification unit will: “Conduct regular meetings, participatory discussions with different organizations, monitoring, evaluation, and reporting to higher organizations and communicate and coordinate with organizations concerned in order to implement the forest resources management plan and certification related activities fruitfully.” In practical terms according to the Actions and Evidences document, villagers have been left out of some activities for logistical reasons, but that practically, given their ability to modify some elements of their operations plan, they have some input.

It appears from the audit team’s discussion with villagers that they do not have the decision making institutions that allow the level of control over the forest that this Pre-condition is asking for. However they are not too upset as they feel that their participation in the actual physical management of the forest is enough. However what they would like to have is more representation in the negotiation of the sale of the timber.

Conclusion: Although the level of participation may not be at the level expected by the assessors because of the appearance of a loss of local control after the conclusion of the FOMACOP project, the question is whether the current level of participation and benefits sharing is adequate to meet the FSC P&C, e.g. involving the villagers in a meaningful way and providing benefits that will support the communities’ economic and social needs and the sustainable management of the forest. It appears that on paper, decision making and funding are adequate given the parameters of government policy. However, the implementation is inconsistent.

Precondition has been met with the addition of the following condition(s): Based on the evidence presented the auditors recommend that the precondition be closed and that the issues are referred to the new **Precondition 1 (04)** set below and conditions 1 and 3 of the assessment report, which will adequately address the concerns of consistency. The relevant factor for meeting these conditions will be determined by how compliance of the conditions is met in the field.

Pre-condition 2:

Prior to certification the FCGP must be officially endorsed by the Provincial Government concerned. The GMCU must be established as a credible functioning unit which can carry out all the tasks allocated to it in the FCGP and as identified (Pre-conditions & Conditions) in this assessment.

Finding:

According to the Actions and Evidence document, the Forest Certification Group Policy (FCGP) had been approved prior to the SmartWood assessment in May 2003 by the proper provincial authority. However, the provinces tried to revise the FCGP making it apply to all its forest management operations regardless of whether they would be part of a membership in a future certified pool. The central government decided that this revision in policy was national in scope and therefore fell into their jurisdiction of policy making.

Subsequently, a workshop was convened in Vientiane where the FCGP was redrafted as a Group Management Policy (GMP) to guide activities of the Group Management and Certification Unit

(GMCU). The GMCU was additionally renamed the Group Management Unit (GMU). It was decided that it would be preferable to assign to existing units of PFS the interim roles and responsibilities designated for a GMU because the forestry sector is currently going through reorganization. The PFS will be the group certificate holder and the lead agency in making sure those policies regarding the FSC certification and government regulations are followed. The PFS head will also be the Group Management Officer and be the contact for communication with SmartWood. The Production Forest Management and Forest Certification Unit, which includes the Deputy GMO, Group Secretary, and Group Auditors, are support staff of the PFS Head on forest certification matters. In future, the on-going re-organization of the forestry sector might result in a distinct GMU being formed under PFS, rather than as part of an existing PFS unit.

The PFS in Khammouane Province has selected a sub-unit to manage their FSC certification the unit selected was the Office of Production Forest Management and Forest Inventory.

Since the workshop that produced these changes was headed by Xem Samontry, Deputy Permanent Secretary, of the Ministry of Agriculture and Forestry (MAF), one can assume that the GMP is officially endorsed by the appropriate government agency. It appears that knowledge of FSC certification permeates through the entire forestry sector of Laos.

The Actions and Evidence annexes contain guidelines, instructions and agreements that spell out in detail all of the provisions of the organizational structure and staff responsibilities, forest management standards, and group membership and group entity responsibilities. These documents are very thorough and meet the SmartWood group certification group policy compliance standards.

The field audit revealed that the Khammouane GMU appeared to understand what was required to manage the group and meet the conditions and preconditions. However there is still a concern that all the work to comply with the preconditions would appear to have been done at the Department of Forestry (DoF) level and by Manuel Bonita, the advisor for the PFCP and thus the long term capacity and commitment to manage the group certification of the PFS is a concern to the audit team. They have the support of the DoF and the new SUFORD project but as the certificate holder they must be fully conversant with the process and what all the conditions and pre-conditions mean.

Conclusion:

Based upon the above finding the auditors find that the: **Precondition has been met with the addition of the following condition:** Condition 01 (04) within two month of certification the Khammouane PFS must be provided with training for implementing the group scheme, and understanding 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.

Pre-condition 3:

Prior to certification, a consistent and transparent procedure, deriving from PMO 59 (2002) and involving consultation with VFAs, will be drawn up to determine revenue sharing allocations, which ensures that all VFA FM planning costs are paid (irrespective of whether or not logging was undertaken) and includes an allocation for the Village Development Funds following the provisions of section 4.9 of the FCGP. The provisions in place shall

ensure not only delivery of allocated profits to the Village Development Fund, but that there be clear indication that communities are in control of how these funds are to be used.

Finding:

The allocation of funds is explained in the Actions and Evidence document, **REGULATION ON ESTABLISHMENT AND SUSTAINABLE MANAGEMENT OF PRODUCTION FOREST AREAS** Chapter 3, Article 18. As stated above the revenue allocation is:

- 30% for the national government,
- 20% for the forest development fund,
- 25% for the operational costs of forest management and
- 25% for the local development fund.

In Khammouane they would appear to have freedom in the use of funds with a loan and welfare scheme in place and although the welfare scheme would not be sustainable the VFA are permitted to run the scheme to help the poorer members of the community in times of hardship.

It is of concern that the VFA visited in Savannakhet had not received any money since 2002. In 2002 the government decreed that all funds from the forest were state money and thus would be transferred to the treasury. There has been a subsequent decree that states that this money will be released back to all the VFA's but no funds have as yet been transferred. DoF representatives interviewed ensured the auditors that this would be done this year [2004]. However at the time of the audit it was not clear when and how this was to be achieved.

In Khammouane the VFA had not harvested for the last few years because the price of timber was not at the government minimum level. The VFA is keen to harvest again because the financial capital from the forest resource is an important aspect of their livelihoods. The VFA's are pushing for the bidding system that was used for the first harvest in 1999 to be reinstated with a representative from their village being present. The villagers believe that competitive bidding will increase revenue and that their input could help in understanding log values.

As discussed earlier, the VFA does have some control over how the Village Development Funds are spent. The auditors found no complaint from villagers in this regard.

Conclusion: The budget law clearly provides for the amount of money to be disbursement to the various funds as stated above. The Actions and Evidences document indicates that the VFA did not have direct input into the drafting of the regulation 0204/MAF/2003, but that workshops were held to describe its contents. However there is no mention of a published document that provides information about regular, predicable payment periods, or provides for the VFA to review copies of accounting records, both of which is paramount to transparency of how much revenue was generated and how much the VFA will receive and when. It will be extremely difficult for the VFAs to operate effectively and to provide financial support to the villagers if they cannot predict when and how much they will receive. The delay in Savannakhet receiving their share of the revenue is of major concern and evidence with regards to predicable payment. Again, this situation with Savannakhet is an indicator that, while there are appropriate and thorough documentation that shows competent governance, the actual implementation of policy is inconsistent.

Based upon the above findings and conclusions the auditors find that:

Precondition 3 has not been met. The following precondition must be met by the candidate operation and verified by SmartWood prior to certification.

New Precondition:

Precondition 1 (04)

Prior to certification, a consistent and clearly defined procedure will be drawn up and shared with the VFA to ensure the accurate and timely delivery of allocated funds to the Village Development Fund and to show that all outstanding funds owed have been paid. In addition, funds owed Savannakhet VFAs must be paid and the Savannakhet VFA must sign an affidavit that the funds have been received.

Pre-condition 4:

Prior to certification, the GCMU must undertake an assessment of the High Conservation Values present in its forest area, with particular emphasis on biodiversity values, and including social and cultural values.

Finding:

The assessment of HCVF in the forest area has been done and the information will feed back into the management planning and implementation. According to the HCVF Assessment documents for the Dong Phousoi and Dong Sithouane production forests, “the HCVF assessment was done using the HCVF toolkit developed by Proforest for the assessment of HCVF according to FSC definitions. A team consisting of the DOF Forest Certification Task Force and advisers of the Pilot Forest Certification Project (PFCP) conducted an initial study leading to a preliminary HCVF assessment of Dong Phousoi and Dong Sithouane . The results of the study were discussed in a workshop involving the Dong Phousoi and Dong Sithouane forest managers (GMU and FMSU staff and VFA representatives) held on 17-18 and 20-21 November 2003 respectively. On the basis of their local knowledge and judgment, the forest managers modified the results of the study and completed the preliminary HCVF assessment. An initial study leading to the full HCVF assessment of Dong Phousoi and Dong Sithouane by applying the Lao HCVF Toolkit making use of the results of the preliminary assessment and other information. The team also provided guidelines, e.g. on threshold levels of high conservation values, that the forest managers could use in completing the full assessment. The results of the HCVF assessment were reviewed by representatives from national organizations (STEA, MAF, DOF [PCD, DFRC, and FIPD], NAFES, NAFRI, and NUL) and NGOs (WWF, IUCN, and WCS) in a workshop held in Vientiane on 4 February 2004. Comments of the participants were considered in improving the Lao HCVF Toolkit and its application in Dong Phousoi and Dong Sithouane”.

The HCVF assessments were not done at the GMCU level but at the DoF level and using outside consultants. This contributed to the little understanding of the process at the GMCU level. However, conditions 31-34 covering this issue will ensure that all remaining issues related to HCVF are completed.

Conclusion: It appears that a thorough assessment of HCVF has been done. Although it does not include a GMCU level assessment, it does assess HCVF at the landscape level. Based upon the above finding the auditors find that the:

Precondition has been fully met and closed out.

Pre-condition 5:

Prior to certification, the GCMU shall develop indicators and procedures for ensuring that the social impacts of forest operations are assessed and incorporated into management planning.

Finding:

The Actions and Evidence document annex 15 provides for indicators and procedures for monitoring social impacts. The document describes the current social setting, provides a classification of social impacts of forest management to be monitored, and a social impacts monitoring scheme. Assistance of SUFORD will be sought to organize a socio-economic baseline survey in 2004-2005 and provide technical assistance in the conduct of monitoring activities. Monitoring surveys to assess any changes will be initiated done yearly for some indicators and once every five years for other indicators. Survey methods and materials will be designed as part of planning for the survey. The results will be incorporated into the management plan.

Conclusion: Based upon the above finding the auditor finds that the annex 15 clearly meets the precondition and condition 21 is adequate for auditing whether the implementation of the social impacts monitoring is sufficient.

Precondition has been fully met and closed out.

New Precondition set during the Pre-Condition Verification Audit

Precondition 1 (04)

Prior to certification, a consistent and clearly defined procedure will be drawn up and shared with the VFA to ensure the accurate and timely delivery of allocated funds to the Village Development Fund and to show that all outstanding funds owed have been paid.

Finding:

The GMU has given documentation showing compliance with the Pre-condition set during the original Pre-Condition audit in 2004.

Proof of compliance was shown through:

- Minutes of the MAF workshop discussing certification in SUFORD project.
- DOF Letter of Instruction to the two pilot provinces on how to proceed with forest certification activities in SUFORD project.
- DOF letter of Transmittal to Khammoune PFS and Svannakhet PFS of the guidelines for selling logs and benefit sharing in production forest areas.
- DOF Guidelines on selling wood and benefit sharing in production forest areas.
- A set of six documents stamped and signed by the respective village heads, the district governor, and the Provincial Governor acknowledging that all outstanding funds owed to the VFA have been paid.
- Summary of Outstanding shares already paid to VFAs as shown in the documents.

Conclusion: Based upon the above finding the auditor finds that the GMU has met the requirements and spirit of the pre-condition.

Precondition has been fully met and closed out.

3.3. Certification Decision

Based on a thorough field review, analysis and compilation of findings by this SmartWood assessment team the Savannakhet Provincial Forestry Office Group Management Certification Unit is recommended to receive joint FSC/SmartWood Forest Management and Chain of Custody (FM/COC) Certification with the stipulated conditions and contingent upon successful completion of the preconditions listed below.

In order to maintain certification, the Savannakhet Provincial Forestry Office Group Management Certification Unit will be audited annually on-site and required to remain in compliance with the FSC principles and criteria as further defined by regional guidelines developed by SmartWood or the FSC. The Savannakhet Provincial Forestry Office Group Management Certification Unit will also be required to fulfil the conditions as described below. Experts from SmartWood will review continued forest management performance and compliance with the conditions described in this report, annually during scheduled and random audits.

3.4. Conditions and Recommendations

Conditions are verifiable actions that will form part of the certification agreement that the Savannakhet Provincial Forestry Office Group Management Certification Unit will be expected to fulfil at the time of the first audit or as required in the condition. Each condition has an explicit time period for completion. Non-compliance with conditions will lead to de-certification.

Pre-conditions and Conditions

- Pre-condition 1: Prior to certification, the GMCU will set up mechanisms, and demonstrate its ability to fund and implement them, to 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; all activities related to timber sales - such as buyers' selection, negotiation and contracting; VFAs will be in control of how to use the profits channelled back to the community. (Criterion 2.2).....**Error! Bookmark not defined.**
- Pre-condition 2: Prior to certification the FCGP must be officially endorsed by the Provincial Government concerned. The GMCU must be established as a credible functioning unit which can carry out all the tasks allocated to it in the FCGP and as identified (Pre-conditions & Conditions) in this assessment. (Criterion 5.1)**Error! Bookmark not defined.**
- Pre-condition 3: Prior to certification, a consistent and transparent procedure, deriving from PMO 59 (2002) and involving consultation with VFAs, will be drawn up to determine revenue sharing allocations, which ensures that all VFA FM planning costs are paid (irrespective of whether or not logging was undertaken) and includes an allocation for the Village Development Funds following the provisions of section 4.9 of the FCGP. The provisions in place shall ensure not only delivery of allocated profits to the Village Development Fund, but that there be clear indication that communities are in control of how these funds are to be used. (Criterion 5.1).....**Error! Bookmark not defined.**
- Pre-condition 4: Prior to certification, the GCMU must undertake an assessment of the High Conservation Values present in its forest area, with particular emphasis on biodiversity values, and including social and cultural values. (Criterion 9.1)**Error! Bookmark not defined.**
- Pre-condition 5: Prior to certification, the GCMU shall develop indicators and procedures for ensuring that the social impacts of forest operations are assessed and incorporated into management planning. (Criterion 4.4)

New Precondition set during the Pre-Condition Verification Audit

Precondition 1 (04)

Prior to certification, a consistent and clearly defined procedure will be drawn up and shared with the VFA to ensure the accurate and timely delivery of allocated funds to the Village Development Fund and to show that all outstanding funds owed have been paid.

New Conditions set during the Pre-Condition Verification Audit

Condition 1 (04)

Within two months of certification the 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 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.

Condition 2 (04)

Within the first year of the certification the Khammouane PFS must ensure that each VFA has at least one female member.

Condition 1: By the end of Year 1, Department of Commerce, PAFO and DAFO must ensure consistent and timely payment of allocated logging revenues to VFAs, GMCU, and other relevant agencies. (Criterion 1.2) **Error! Bookmark not defined.**

Condition 2: Throughout the certification period, 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. (Criterion 1.5).. **Error! Bookmark not defined.**

Condition 3: Throughout certification, 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. (Criterion 2.2)..... **Error! Bookmark not defined.**

Condition 4: By the end of Year 1, 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. (Criterion 3.3) **Error! Bookmark not defined.**

Condition 5: By the end of Year 2, each certified VFA shall have identified the location and boundaries of all sacred areas or areas of special spiritual or cultural importance to the community, based on consultations with the village population, and shall have marked these locations and boundaries on the village land-use maps. (Criterion 3.3)**Error! Bookmark not defined.**

Condition 6: 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. (Criterion 3.3)..... **Error! Bookmark not defined.**

Condition 7: By the end of Year 1, the GMCU will have designed and implemented measures to increase the participation of local companies and community members into logging operations, including felling. (Criterion 4.1)..... **Error! Bookmark not defined.**

- Condition 8: By the end of Year 1, 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. (Criterion 4.2).....**Error! Bookmark not defined.**
- Condition 9: By the end of Year 1, 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. (Criterion 4.3).....**Error! Bookmark not defined.**
- Condition 10: By the end of Year 1, the GMCU must have assumed responsibility for selecting harvesting sites. (Criterion 5.1)**Error! Bookmark not defined.**
- Condition 11: By the end of Year 1, GMCU and VFAs should work with DAFO, PAFO, and Department of Forestry to develop strategies to improve marketing conditions for VFA products. (Criterion 5.1)**Error! Bookmark not defined.**
- Condition 12: By the end of Year 3, forest managers should have formally examined opportunities to improve the marketability of non-timber forest products and completed an investigation of marketing opportunities for under-utilized species derived from VFA managed forests. (Criterion 5.2)**Error! Bookmark not defined.**
- Condition 13: By the end of Year 1, the GCMU (group manager) and VFAs must calculate AAC/maximum annual level of production based upon the most accurate and up-to-date information on forest growth. (Criterion 5.6).....**Error! Bookmark not defined.**
- Condition 14: By the end of Year 1, 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). (Criterion 5.6)**Error! Bookmark not defined.**
- Condition 15: By the end of Year 2, the GCMU (group manager) and VFAs must be able to justify (with data) how current annual allowable cut estimates and tree selection rules sufficiently protect individual commercial species from over-harvesting. (Criterion 5.6)**Error! Bookmark not defined.**
- Condition 16: Before the end of Year 3, the existing procedures outlined in the VFH for NTFP collection (VFH Activity 2.11.2) and hunting (VFH Activity 2.12.5) will have been reviewed and reformulated if necessary to produce implementable guidelines which are being implemented by all VFAs. (Criterion 6.2).....**Error! Bookmark not defined.**
- Condition 17: By the end of Year 1, 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. (Criterion 6.5).....**Error! Bookmark not defined.**
- Condition 18: By the end of Year 2, the Annual Village Forestry Operations Plan should provide specific information on tree species identified during inventories and the likely commercial tree species to be sold by VFAs. Further, these need to be included in the revised 10 year Village Forest Management Plan. (Criterion 7.1)**Error! Bookmark not defined.**
- Condition 19: When revised, 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. (Criterion 7.1)**Error! Bookmark not defined.**

- Condition 20: By the end of Year 1, 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. (Criterion 7.3)..... **Error! Bookmark not defined.**
- Condition 21: By the end of Year 1, 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. (Criterion 7.4)..... **Error! Bookmark not defined.**
- Condition 22: By the end of Year 2, systematic monitoring and record keeping in line with existing procedures (VFH, FCGP, legislation) which links management levels from VFA, DAFO, PAFO and GMCU will have been re-instituted. (Criterion 8.1)..... **Error! Bookmark not defined.**
- Condition 23: By the end of Year 1, 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. (Criterion 8.2)..... **Error! Bookmark not defined.**
- Condition 24: By the end of Year 3, GMCU must work to strengthen data source regarding the growth rates of forest areas within the district. (Criterion 8.2) **Error! Bookmark not defined.**
- Condition 25: By the end of Year 2, the post-harvest assessment (VFH 2.10.1) will be undertaken by all VFAs. (Criterion 8.2) **Error! Bookmark not defined.**
- Condition 26: By the end of Year 1, all logs must contain clear and lasting marks (e.g. paint or chops) to identify the village, strip, and log number. (Criterion 8.3).. **Error! Bookmark not defined.**
- Condition 27: By the end of Year 1, 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. (Criterion 8.3) **Error! Bookmark not defined.**
- Condition 28:** By the end of Year 1, 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. (Criterion 8.3) **Error! Bookmark not defined.**
- Condition 29: By the end of Year 3 fully revised VFMPs will have been prepared and will incorporate all the relevant results from re-instituted monitoring programmes and a revised calculation of AAC. (Criterion 8.4)..... **Error! Bookmark not defined.**
- Condition 30: By the end of Year 2, the GMCU will have instituted the annual publication of monitoring data by Sub-FMA. It may be appropriate to combine this monitoring data into a single summary document together with an explanation of the management plans. Alternatively a stand-alone document should be prepared and be available to the public. (Criterion 8.5)..... **Error! Bookmark not defined.**
- Condition 31: The findings of the HCVF assessment should be integrated into management actions, where appropriate, by the end of Year 1. (Criterion 9.1) **Error! Bookmark not defined.**
- Condition 32: By the end of Year 1, 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 finalising HCVF action. (Criterion 9.2)..... **Error! Bookmark not defined.**

- Condition 33: By the end of Year 1, 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. (Criterion 9.3).....**Error! Bookmark not defined.**
- Condition 34: By the end of Year 2, a system for monitoring the maintenance of HCVF values is incorporated into the GCMU’s planning, monitoring and reporting procedures. (Criterion 9.4).....**Error! Bookmark not defined.**
- Condition 35: 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.
.....**Error! Bookmark not defined.**

[end of public summary section of report]