

A PROFOR WORKING PAPER FOR DISCUSSION

Improving Forest Governance in the Mekong Region

OPTIONS FOR REGIONAL ACTIVITIES IN SUPPORT OF
NATIONAL PROGRAMS – Volume 1



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LIST OF ACRONYMS

AFP	Asian Forest Partnership
ARKN-FLEG	ASEAN regional knowledge network for forest law enforcement and governance
ASEAN	Association of Southeast Asian Nations
ASOF	ASEAN Senior Forestry Experts
CoC	chain of custody
CTIA	Cambodia Timber Industry Association
DOFI	Department of Forest Inspection (Lao PDR)
EC	European Commission
EFI	European Forest Institute
ELC	economic land concession
EU	European Union
FAO	Food and Agriculture Organization
FDI	foreign direct investment
FLEG	Forest Law Enforcement and Governance
FLEGT	Forest Law Enforcement and Governance and Trade
FSC	Forest Stewardship Council
G-8	Group of Eight
GFTN	Global Forest Trade Network
HAWA	Handicraft and Wood Association of Ho Chi Minh City (Vietnam)
ITTO	International Tropical Timber Organization
IUCN	The World Conservation Union
LWPA	Lao Wood Products Association
MAF	Ministry of Agricultural and Forestry (Lao PDR)
MARD	Ministry of Agriculture and Rural Development (Vietnam)
MOU	Memorandum of Understanding
NGO	nongovernmental organization
PROFOR	Program on Forests
RAFT	Responsible Asia Forestry and Trade
RECOFTC	The Center for People and Forests
REDD/REDD+	reduced emissions from deforestation and degradation
RFD	Royal Forest Department (Thailand)
RWE	roundwood equivalent

SWOT	strengths, weaknesses, opportunities, and threats
TFT	Tropical Forest Fund
TLAS	timber legality assurance systems
TNC	The Nature Conservancy
TRAFFIC	Trade Records Analysis of Flora and Fauna in Commerce
VIFORES	Vietnam Timber and Forest Product Industry
VPA	Voluntary Partnership Agreement
WEN	wildlife enforcement network
WWF	World Wildlife Fund

1. BACKGROUND

This report identifies opportunities for regional activities to improve forest governance in the Mekong countries of Cambodia, Lao PDR, Vietnam, Thailand, and Myanmar. The major objective of the proposed activities is to combat illegal logging and associated trade and improve forest governance in these countries. Doing so will contribute to improving livelihoods and economic development that rely on the long-term responsible and legal management of the region's forest resources.

This report is based on a series of workshops and analyses that were conducted in 2009 and 2010, as well as extensive interviews with experts from national and regional programs in Cambodia, Lao PDR, Thailand, and Vietnam. Representatives from government, civil society, industry, and regional bodies such as the Association of Southeast Asian Nations (ASEAN) participated in two workshops held in Lao PDR and Vietnam.¹ Analysis was also done to research Myanmar's potential for involvement in regional activities. Annex 1 provides a full description of the analytical and consultation approach.

The participants in the workshops and the background research highlighted numerous potential activities that will be critical to national and regional efforts to improve forest governance. Preference for final inclusion in the list of proposed activities were given to activities that—

- **Include regional components** that cover issues common to several Mekong countries but would still support national processes,
- **Utilize existing committees, working groups, forest governance processes, and participants** rather than establishing more administrative layers,
- Increase **accountability and transparency** in decision making and access to information, and
- Focus on **building capacity** to manage systems and processes beyond the term of project activities.

Owing to their extensive collaboration and mutual interests, it is expected that the Mekong countries can find mutual benefit in understanding issues that are shared across borders and in collaborating closely to develop a mutual understanding of how to approach the challenges of forest governance. This will be done both in individual countries and in the region as a whole.

¹ Workshop reports are available at www.profor.info with search term "Mekong governance."

The first section of the report provides an overview on governance in the forest sector and existing initiatives to combat illegal logging and associated trade. The second section outlines recommendations for regional and country-level activities to improve forest governance in the Mekong region.

2. FOREST GOVERNANCE IN THE MEKONG REGION

With strongly intertwined trade and market interests, as well as political and cultural histories, the Mekong countries of Cambodia, Lao PDR, Vietnam, Thailand, and Myanmar share several common drivers of deforestation, yet retain striking differences as well. In all countries, new regulations and policies related to logging and timber exports aim at conserving existing natural forests and promoting a shift toward value-added processing and, in some cases, participatory, sustainable forest management. In most countries in the region, the state owns the forest resources, with the duty to manage on behalf of the national interest and the people.²

Official governmental commitment to sustainable management of the region's forest ecosystems has led to recent reforms that have increased public participation in the development of forest policies. However, many concerns still remain regarding the implementation of official commitments and the ability of underfunded ministries of forestry and environment to counter deforestation, originating often from outside the forest from sectors such as mining, agriculture, and energy. A full list of stakeholder-identified issues can be found in the SWOT analysis in Annex 2. The following key issues appear across most Mekong countries:

- **Increase in the share of roundwood sourced from the clearance of land for economic concessions and infrastructure projects** (rubber, oil palm, hydropower, minerals, and commercial agriculture). “Conversion timber” is now the largest source of export timber in Laos and likely in Cambodia. Many sources have reported that the land allocation process for these development projects is not in compliance with national legislation.
- **Insufficient local participation and benefit sharing with local communities**, particularly in respect to the legal process in land allocation for plantations and other development projects, which result in forest conversion. Insecure land tenure and rights in forest areas often remain the underlying problem.
- **Illegal and over-quota logging**, including logging outside legally designated zones.
- **High vulnerability to new requirements for third party-verified legal or sustainable wood products** in major markets of the United States, Europe, Japan, and Australia.
- **Small number of experienced national experts** with the skills and training to engage in informed national and international dialogue and institutional reform processes, as well as the ability to respond to shifts in market demands related to legally sourced timber.
- **Lack of value-added timber manufacturing** (Vietnam and Thailand are exceptions).

² All forestland in Cambodia, Lao PDR, and Myanmar is state owned, as is 86 percent in Thailand and 56 percent in Vietnam (FAO 2005).

- **Poor enabling environment for civil society voices** in policy reform, including efforts to promote community forest enterprises.
- **Low levels of intraministerial engagement** (e.g., by ministries and agencies for justice, land management, industry, and customs).
- **Corruption** involving government officials.
- **Overcapacity of wood processing facilities and sawmills** in excess of a sustainable supply. In addition, a large number of the facilities would not qualify for licenses required under various regulations.
- **Inefficient legal systems** operated by competing government agencies that lack the capacity, incentives, and political will to regulate licensing, revenue collection, and monitoring of wood processing industry effectively.
- **Decentralization processes** leading to difficulty in national oversight processes.

Although national reform processes and multistakeholder dialogues on forest governance have helped to initiate reforms in the recent years, the rates of illegal logging remain high. The underlying drivers often lie outside the core forest sector and should be addressed through multisectoral interventions. This situation complicates the regulatory challenges.

BOX 2.1: GLOBAL CORRUPTION PERCEPTION INDEX

Transparency International, a global corruption watchdog organization, has concluded that “government corruption” is the one of the main drivers of illegal logging, mentioning poor forest management in the Asia and Pacific region specifically.

Transparency International and others recommend increasing transparency and accountability in decisions that influence forest resources and reinforcing forest governance initiatives at the regional and country levels to reduce corruption in the forest sector in Asia.

The 2009 Global Corruption Perception Index prepared by Transparency International ranked 180 countries on the basis of various business and expert surveys. Below are the findings for some ASEAN members and reference countries (#1 being the least corrupt and #180 being the most):

Mekong and selected other Asian countries, 2009

<u>Country</u>	<u>Global Rank</u>
New Zealand	1
Singapore	3
Malaysia	56
China	76
Thailand	84
Indonesia	111
Vietnam	120
Cambodia	158
Lao PDR	158

Source: www.transparency.org.

2.1 INTERNATIONAL AND REGIONAL FLEG COMMITMENTS

In 1998, the Group of Eight (G-8) adopted an Action Program on Forests to combat illegal logging and associated trade, which led to an opening of international and national dialogues on the topic. Regional Forest Law Enforcement and Governance (FLEG) ministerial processes were held in East Asia-Pacific (EAP FLEG) in 2001, Africa (AFLEG) in 2003, and Europe-North Asia (ENA FLEG) in 2005, officially committing both producer and consumer governments to combat illegal logging and associated trade. Major FLEG work programs were initiated at the World Bank, ASEAN, International Tropical Timber Organization (ITTO), the Food and Agriculture Organization (FAO), and other international organizations, all aimed at supporting national efforts.

Since the EAP FLEG Bali Declaration in 2001, the principles of the FLEG process have been adopted by ASEAN member states and have been increasingly incorporated into action plans at the country level. ASEAN has established a FLEG Working Group and adopted the FLEG Work Plan 2008–2015, which is on the agenda at regular meetings of the ASEAN Senior Forestry Experts (ASOF) and Ministers of Agriculture and Forestry.

In 2004, ASEAN member states approved the Vientiane Action Program (2004–2010) with a goal “to eradicate unsustainable forest management practices by 2010....” In September 2007, FAO and ITTO cosponsored a workshop hosted by the Philippine Department of Natural Resources on Improvement and Compliance on Forest Law and Governance in ASEAN. Representatives included all member states and 14 donors and nongovernmental organization (NGO) partners. The workshop reiterated the aspirations and high-level commitment of the Bali Ministerial Declaration in 2001 to address illegal logging and its associated trade, reviewed the ongoing initiatives, and recognized the need for effective collaboration and concrete action steps to improve FLEG in the region.

The ASEAN member states were joined by representatives from China, Papua New Guinea, Timor Leste, and the Solomon Islands to present country reports and the status of FLEG implementation in Kuala Lumpur in December 2009.³ This meeting, which was supported by the FAO, the World Bank, and German Agency for Technical Cooperation, was strongly integrated with the operations of the ASEAN Regional Knowledge Network for Forest Law Enforcement and Governance (ARKN-FLEG).

2.2 MARKET DEMAND FOR VERIFIED LEGAL TIMBER

The FLEG ministerial and subsequent processes addressed broad governance issues concerning forest management and decision making as well as enforcement of forest laws. Recently, national and international dialogue has focused on the impacts of new market demand for verified legally sourced wood products in major consumer markets of the United States, Europe, Japan, and Australia. This demand has been driven by a range of different processes relating to the verified legality of timber sources, increased consumer awareness in these markets, and global pressures to mitigate biodiversity loss and climate change through combating illegal logging and associated trade. Major components of this shift include the following:

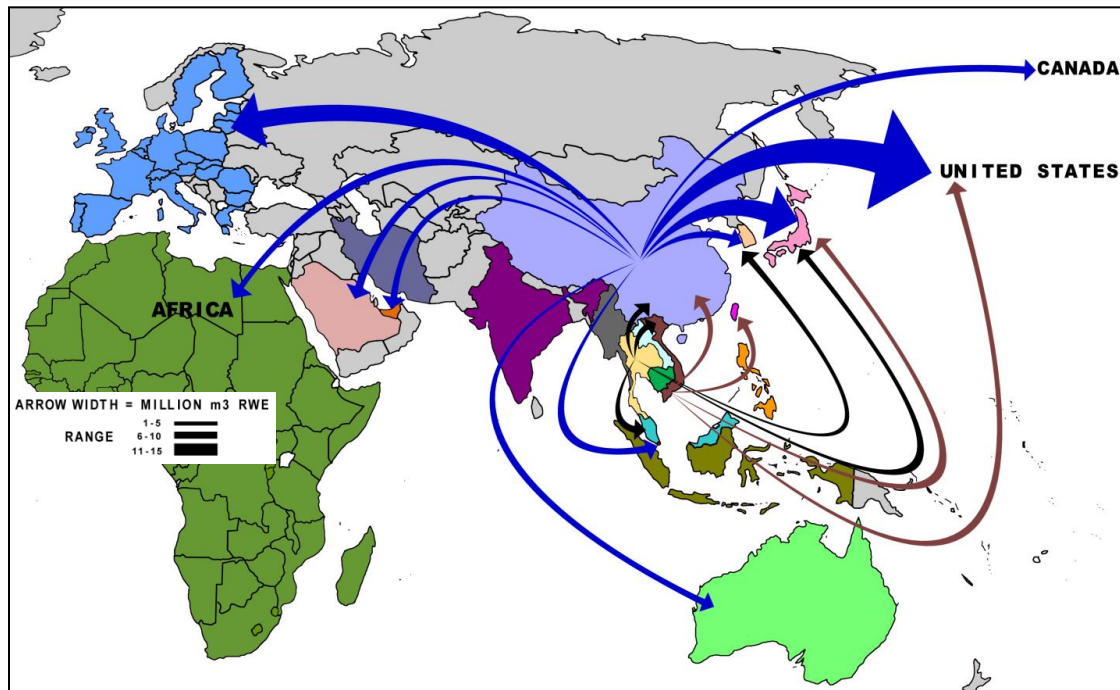
³ The Asia-Pacific Regional Workshop on Strengthening FLEG was hosted by the FAO, the World Bank, the German Agency for Technical Cooperation, and the Lestari Institute in Kuala Lumpur, Malaysia, from November 29 to December 3, 2009. The report is available at <http://www.profor.info/profor/knowledge/asean-regional-fleg-process>.

- **Increasing retailer purchasing preferences for certified sustainable timber**, such as the Forest Stewardship Council (FSC). Buyers from North America, Europe, and Japan now want to show corporate responsibility and minimize risk (reputational and supply sustainability risk, and lately, risk against prosecution under the U.S. Lacey Act). Some major international companies, such as Wal-Mart and Carrefour, often require suppliers to be able not only to document country of origin of timber sources, but also demonstrate sustainability through third-party verification systems.
- **European and Japanese public procurement policies**, which may include requirements for third-party evidence of legal compliance or sustainability. Central government purchases account for 15 to 25 percent of all timber products purchased in most EU member states, and local governments are often encouraged to follow.
- **Amendment to the U.S. Lacey Act in 2008**, making it unlawful to import, export, transport, sell, receive, acquire, or purchase in interstate or foreign commerce any plant taken or traded in violation of the laws of the U.S. federal government, a U.S. state, or relevant foreign laws. The level of penalty is steep, with jail time, forfeiture of goods, or fines depending on degree to which the company knew or should have known that it was handling illegal products. The first prosecution under the Lacey Act was in 2009.
- **EU Timber Regulation (2010)**, which requires that EU operators (importers, traders, buyers, sellers) must know the country of origin, timber species, details of supplier, and information on compliance with national legislations (“illegality” is defined in relation to the laws of the country where the timber was harvested). In addition, **Australia** is preparing similar legislation.

These new regulations in Europe and the United States, in particular, have made retailers realize that they need to buy certified or verified legal products in order to escape possible prosecution or fines. In the United States, 55 percent of retailers now consider it “essential” that producers be third-party certified—up from 27 percent as recently as 2007.

For the Mekong countries, the potential impact is serious. The United States, Japan, and the European Union continue to be the main export markets for furniture and other wood products made in Vietnam, Thailand, and China, which re-exports many Mekong wood products after processing. Together, these major markets capture more than 80 percent of Vietnam’s exports of forest products (by value), almost 50 percent of Thailand’s exports, and more than 50 percent of China’s exports. Lao PDR, Myanmar, and Cambodia export almost exclusively to Vietnam, Thailand, or China, which manufacture the raw materials into final products, many of which are sent on to the environmentally sensitive markets mentioned above.

FIGURE 2.1 OVERVIEW OF CHINA, THAILAND, AND VIETNAM FOREST PRODUCT EXPORTS (MILLION M³ ROUNDWOOD EQUIVALENT – RWE)



Source: James Hewitt, compiled for the European Forest Institute (EFI), 2010.

The export-oriented industries of Vietnam and Thailand are expected to lead the timber legality process in the Mekong countries, as they have to respond to new market requirements and incentives, and will ultimately demand legal timber from their suppliers in Laos and Cambodia.⁴ The shifting demand by the buyers motivates forest agencies in the region to collaborate and adopt assurances of legality to protect their exports. The private sector—specifically wood product associations—in Vietnam, Thailand, Lao PDR, and Cambodia also understand the market changes and demands coming from global trading partners and may become partners to increase accountability and transparency in the forest sector.

The EU has initiated dialogue with the Government of Vietnam, with the aim of concluding a FLEGT Voluntary Partnership Agreement (VPA) to help Vietnamese wood products meet the requirements of the EU Timber Regulation set to come into force in early 2013. The VPA process will set into motion a consultative process designed to define legality in the Vietnamese context, as well as technical assistance for the development of timber legality assurance systems (TLAS) for FLEGT licenses that would be allowed onto European markets. A

⁴ Vietnam's forest industry associations Handicraft and Wood Association of HCMC Vietnam (HAWA) and Vietnam Chamber of Commerce and Industry (VIFORES) are eager to engage in FLEGT Voluntary Partnership Agreement negotiations with the government to protect the \$2 billion per year exports to the European Union and the United States. This will also strengthen their reputation as a reliable source of wood products. HAWA and VIFORES have also stressed their support for using the existing chain of custody models in Vietnam in establishing a timber legality standard. The United States has banned imports from Myanmar for unrelated reasons.

major focus of the Vietnam VPA will be to develop mechanisms to tackle illegally sourced—or unknown—wood products imported into Vietnam for manufacturing and exporting to Europe and beyond. The Vietnam VPA will, therefore, likely have impacts in neighboring Mekong countries that rely on Vietnam’s markets, namely Cambodia and Lao PDR.

BOX 2.2: EU FLEGT VOLUNTARY PARTNERSHIP AGREEMENT

VPAs are a voluntary scheme, allowing for the control of the entry of timber to the EU from countries entering into bilateral FLEGT VPAs with the EU. Once agreed, the VPAs will include commitments and action from both parties to halt trade in illegal timber, notably with a license scheme to verify the legality of timber exported to the EU.

Although the details of each agreement vary and take into account the conditions in each partner country, some elements are likely to be common to all agreements. All partner countries would need to agree on a definition of legality and have (or be committed to developing) a credible legal and administrative structure with adequate systems to verify that exported timber is legal.

3. FOREST LAW, GOVERNANCE, AND TRADE

The Mekong countries have undergone considerable legal reform over the past decade. Legislation governing the forest sector ranging from biodiversity conservation and wildlife laws to regulations on harvesting, sale, transport, import, and export of wood products has been modernized. Further legislation has been made to comply with trade agreements within ASEAN and the World Trade Organization as well as with China. While there may not be a need to enact new legislation, there is still a need to simplify existing legislation and clarify the definition of “legal timber” to improve implementation.

In spite of legal reforms, enforcement of forest crimes remains a problem. Several projects have provided support, equipment, and training to officials, yet illegal logging, poaching, and trade continue to threaten forest resources and provide little or no benefit to local communities. The rates of arrests and confiscations of timber and wildlife have increased, but only in few cases have they become effective deterrents to illegal actors and networks in the region. Forest, environment, and police authorities often lack sufficient capacity, equipment, and resources to enforce legislation effectively. One of the main challenges is the lack of general understanding on the seriousness of the issue, particularly outside the forest sector.

Reforms in forest and criminal legislation in Vietnam, Laos, Cambodia, and Thailand since 2000 have provided a legal framework to improve enforcement mechanisms, but challenges of coordination, capacity, and will remain among the key enforcement agencies. Moreover, independent judicial branch and court systems need to be strengthened to make them accessible to local people and able to mediate conflicts and deter injustice.

In the Mekong region, market-based approaches are potentially more effective than formal laws and enforcement mechanisms in reducing illegal logging and increasing the trade of known-source timber by indentifying positive behavior instead of deterring negative behavior. In Vietnam, major wood and wood product buyers such as IKEA, Scancom, and several wood furniture companies have already increased their purchase of certified wood, well ahead of the date by which EU regulations take effect. This has forced Vietnamese factories to increase the volume of certified plantation wood imports from the United States, New Zealand, and Malaysia in order to comply with foreign market demands.

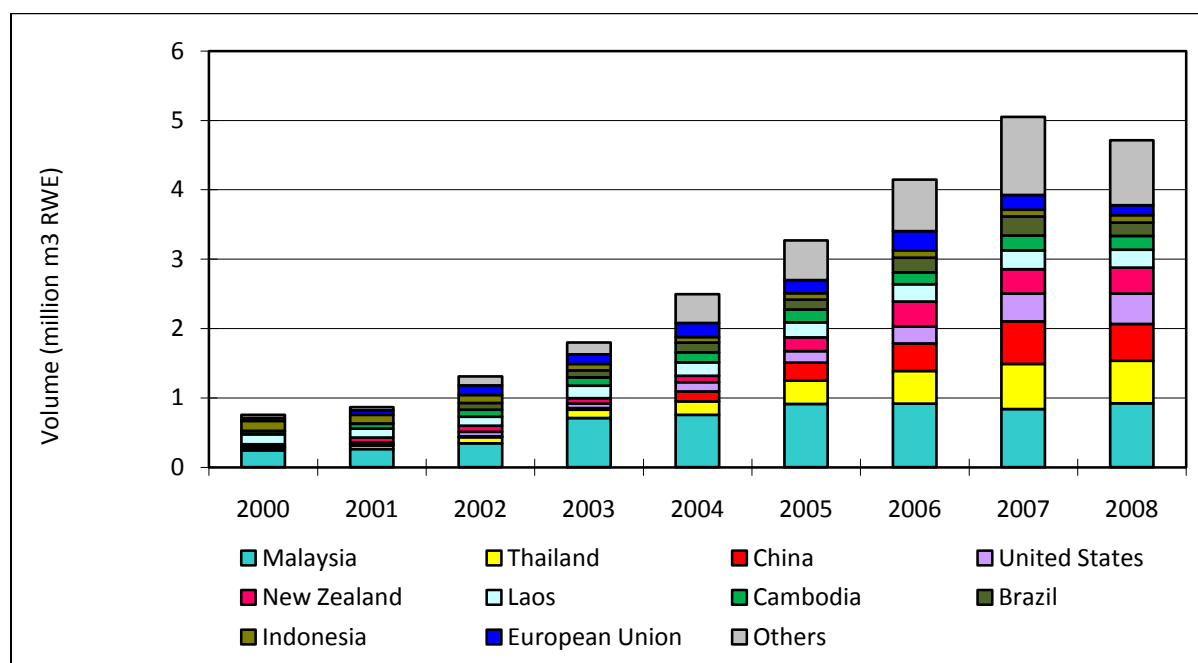
The World Bank and other development partners have supported development of forest legislation emphasizing the importance of legal and institutional frameworks as well as strengthening law enforcement. In most Mekong countries, it is illegal to harvest timber from an authorized production forest area without a permit or a management plan, or to export round logs. However, the ability to implement these measures and conduct enforcement is limited by barriers such as lack of commitment, control over decentralized authorities, long-standing relationships with unregulated trading partners, political and employment insecurity, and a lack of awareness among the basic government institutions that govern the forest sector and legal system.

3.1 VIETNAM

Vietnam has about 13.1 million hectares (ha) of forest, of which 10.3 million ha are natural forest, and the remaining 2.7 million ha are planted forests. In 2009, the total volume of wood harvest domestically was 3.9 million m³, of which 3.7 million m³ came from plantations and the remaining 0.2 million m³ from natural forests. Although timber harvesting from plantation forest does not require permission from the central government, harvesting from natural forest is not allowed without permission. State forest enterprises are granted an annual harvesting quota from natural forest—mostly located in the Central Highland area. However, owing to public pressure and the government’s concern about existing natural forests, harvesting from natural forest has been reduced gradually, from 1 million m³ in 1990 to 0.2 million in 2004 and down to 0.16 million in 2008.⁵

In 2008, Vietnam derived \$3.62 billion (all dollar amounts are U.S. dollars) from the export of forest products, 81 percent of which came from furniture exports.⁶ The country’s wood industry consists of more than 2,500 companies and is export-oriented and largely dependent on imported raw material. Some 80 percent of total raw material supply is imported from 600 different sources in 26 different countries⁷ (Figure 3.1).

FIGURE 3.1 VIETNAM TIMBER PRODUCT IMPORTS BY COUNTRY (MILLION CUBIC METERS RWE)



Source: European Forest Institute, compiled by James Hewitt.

⁵ InfoTV., August 16, 2010; Nguyen Ton Quyen 2009. (unpublished consultant report)

⁶ Forest products include paper products (paper, pulp, and wood chip) and timber products such as furniture, sawn wood, ply, and veneer.

⁷ InfoTV., August 16, 2010; Nguyen Ton Quyen, 2009.

The Vietnamese government controls the legality of domestic timber, and the legislation is generally perceived as appropriate and adequately enforced. In Vietnam four licenses are needed to ensure timber legality: (1) certificate of forest tenure, (2) logging license, (3) transport license, and (4) processing license. Third-party verification systems of legality are also applied in the country. Currently, FSC is the only forest certification system operating in Vietnam and there is only one forest certified area: a plantation forest with an area of 9,782 ha. Efforts have been made to certify some natural forest areas as well, but that has not yet been achieved. The main reason for the slow progress is that certification is costly and many companies cannot afford it.⁸

Because of the export orientation of the industry, the chain of custody (CoC) certification has grown fast and in June 2010, there were 205 FSC CoC certified manufacturers in Vietnam. Despite the growth in participation, the number of companies having CoC certification is still small compared to the overall size of the industry. In addition, utilization rates are low, and many of the participating companies do not actually process much certified wood material despite their ability to do so. The pace of FSC CoC expansion in Vietnam is much slower than in other countries such as Indonesia, China, and Thailand. This may make the Vietnamese wood industry less competitive in the future.

The Forest Trust and World Wildlife Fund – Global Forest Trade Network (GFTN) have been actively working with Vietnamese wood products exporters to improve their supply chain management. GFTN Vietnam has 11 members. The Forest Trust has two members and has been working on four projects with a total area of 74,000 ha. However, the number of the Vietnamese manufacturers collaborating with these organizations has remained small compared to the size of the industry.

In 2010, the European Union and Vietnam's Ministry of Agriculture and Rural Development (MARD) initiated dialogue on the feasibility of an EU–Vietnam FLEGT VPA process. Working groups made of government, industry associations, and a small number of NGOs have been set up and scoping studies initiated.

3.2 LAO PDR

“Conversion timber” coming from land clearance (e.g., for dam reservoirs or other land conversion sites) is the predominant source of Lao timber for export (see Table 3.1). Commercial timber must be harvested from the land prior to project implementation. However, logging in these areas is difficult to control, and illegal or quasi-legal timber often enters into supply chains. State institutions, in partnership with a number of international agencies, are currently moving to exert more coordinated and transparent authority over the land investment process. However, given the financial incentives and regional demand pressures, and the limitations in governance capacity within Laos, this is proving to be a complex and difficult task. The social and ecological impacts of such projects have generated considerable concern and attention in recent years.

⁸ Nguyen Ton Quyen 2009.

TABLE 3.1: GOVERNMENT TIMBER REVENUE BY TYPE OF HARVESTING BASED ON LOGGING PLAN, 2006/7

Type of Harvesting	Harvesting Volume		Government Revenue		
	m ³	%	\$/m ³	Total (\$)	%
Clearing of infrastructure sites	532,444	82.0	88	46,855,072	82.1
Dead trees	63,032	9.7	88	5,546,816	9.7
<u>Harvesting in production forest areas total</u>	<u>54,214</u>	<u>8.3</u>	<u>86</u>	<u>4,679,752</u>	<u>8.2</u>
Total	649,690	100.0	88	5,081,640	100.0

Source: MAF 2007, as cited in Puustjärvi 2007 (unpublished consultant report).

There has been tremendous development on the legal framework in the forest sector in Lao PDR over the past decade. The current challenge is not a lack of legislation, but rather the capacity and intent to implement existing policies. Because of the somewhat incomplete legal framework, it is not always clear whether logging is legal or illegal in Laos. Discretionary and special quota systems, as well as logging associated with infrastructure development, complicate attempts to define legality.

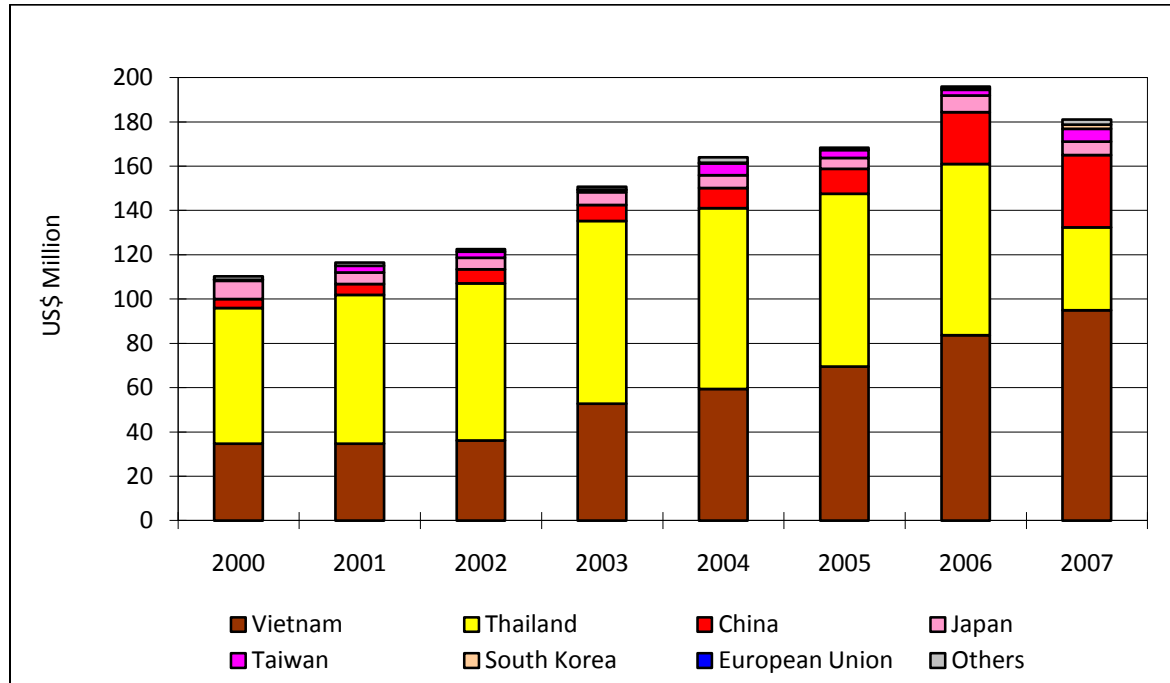
The National Five-Year Plan 2011–2015 and the Forest Strategy 2020 recognize the importance of the principles of FLEG, especially good governance as a key component of natural resource management. However, for Lao PDR to be able to seriously address illegal logging and trade issues, there is a need for political will at the highest level of government. Additionally, it is necessary to raise awareness and strengthen capacity at the provincial level to utilize the FLEG process and implement forest sector reform.

In 2009, the Government of Lao PDR created the Department of Forest Inspection (DOFI) within the Ministry of Agriculture and Forestry (MAF) with specific responsibilities over law enforcement and governance. DOFI will also aim at promoting independent verification mechanisms to improve various FLEG elements. The decree to establish DOFI outlining its role and powers was enacted in April 2009, and DOFI is still in its infancy and transitioning from being a forest manager to an enforcement agency. It needs to build capacity and acquire equipment to tackle the illegal flow of timber and wildlife through Lao PDR. DOFI has the mandate to implement a memorandum of understanding (MOU) signed in 2009 with the Forest Protection Department in Vietnam to cooperate on prevention of illegal trade along the 2000 km border between the countries. DOFI representatives have participated in ASEAN regional meetings on FLEG and taken initial steps to implement the ASEAN FLEG Action Plan 2008–2015.

The challenge for Lao PDR as an exporter of raw materials is to have the long-term vision to make the investments and create the relationships necessary to link with higher-value certified markets, rather than continue unsustainable exploitation for short-term gain. The majority of timber harvests in Lao have been approved under special quotas for hydro and other infrastructure projects. This covered more than 60 percent of the volume harvested in 2008, and its legality cannot always be verified. Unless Lao suppliers intend to continue

to supply secondary markets, they need to ensure the legal CoC of timber. This applies particularly to markets in Vietnam and Thailand, as they intend to comply with the Lacey Act and EU requirements to import wood products.

FIGURE 3.2: LAO PDR TIMBER PRODUCTS EXPORTS, BY PRODUCT, BY VALUE



Source: European Forest Institute, compiled by James Hewitt.

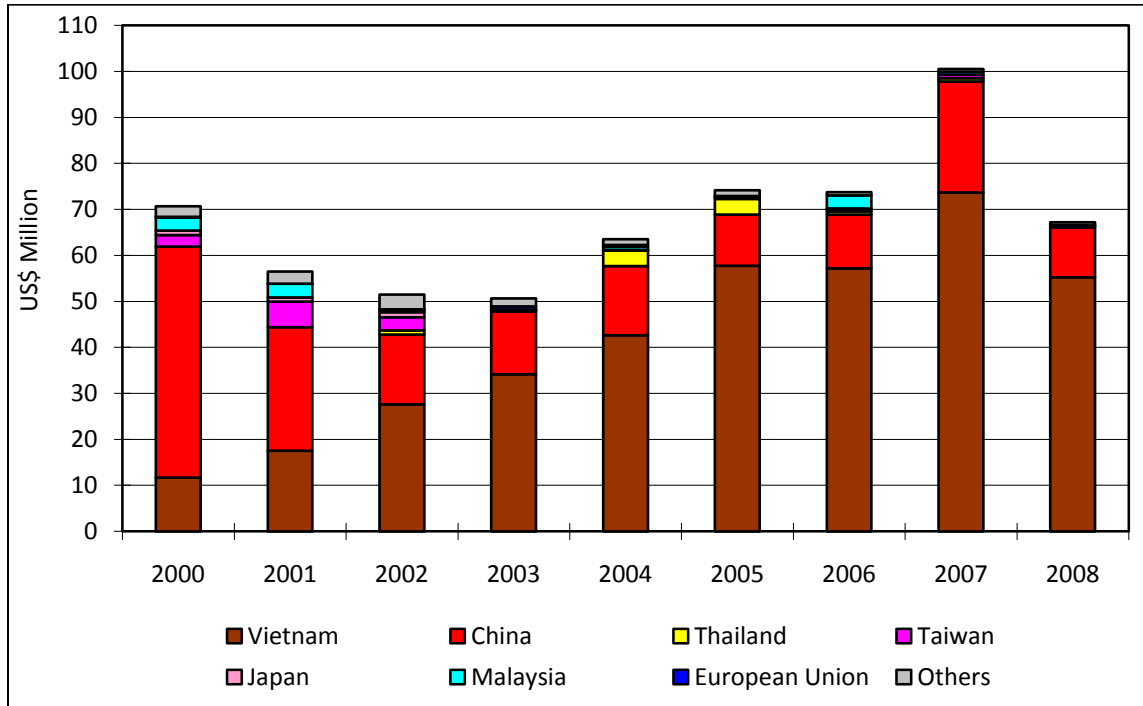
Although Lao PDR has participated in ASEAN and other regional dialogues with FLEG since the Bali Declaration in 2001, awareness of FLEG issues is limited. Because of its low level of economic development and landlocked situation, Lao PDR is in a weaker position compared with its ASEAN neighbors and China regarding the implementation of FLEG and FLEGT as well as the ability to develop an advanced export-oriented wood processing industry. These challenges are exacerbated by external pressures such as the increase in foreign direct investment (FDI) in economic concessions and infrastructure projects (rubber plantations, hydro). Despite the 2001 ban on the export of round logs, Lao PDR continues to export logs and sawn timber to neighboring countries (China, Vietnam, and Thailand) destined for domestic use, furniture production, and re-export to markets where legal verification on wood products has been weak. This export can be continued with special approvals and quotas for hydro development and case-by-case arrangements between various actors in collusion with government officials. At best, these approvals are based on exceptions stated in the law that are questionable and often without adequate procedures.

3.3 CAMBODIA

In Cambodia, nearly a third of the population (3.8 million people) lives within 5 km of a forest, and on average they depend on forest products for roughly 10–20 percent of their livelihood. According to land-cover analyses published by the Forestry Administration, between 2002 and 2006 Cambodia lost approximately 379,000 ha of

forest (3.0 percent of its forest cover). No industrial-scale natural forest harvesting concessions remain in operation. Forests remain state public property under the Forestry Law (2002) and Land Law (2001), and the Royal Government of Cambodia suspended all roundwood and sawn timber exports in 2002. Illegal exports of logs and sawn wood do occur, albeit on a much smaller scale than a decade ago.

FIGURE 3.3: CAMBODIA TIMBER PRODUCTS EXPORTS BY COUNTRY (\$ MILLION)



Source: European Forest Institute data, compiled by James Hewitt.

There have been significant changes in Cambodia over the past decade, including legal reform of the forest and land sectors, reform of the community fisheries and forest programs, ending of most timber concessions, and a moratorium on the export of round logs. Despite recent reforms, corruption and illegal activities often pose challenges to improving forest governance and management. National mobile teams and provincial forest rangers continue to enforce forest regulations, make arrests, and monitor crimes, and the judicial system is much more active and open to citizens to access than in other countries in the region. That said, illegal practices in the forest sector remain prevalent and at times seem institutionalized.

Currently the key trends in Cambodia have to do with the considerable FDI moving into Cambodia's forest-land sector, in the form of agribusiness plantations (rubber, pulpwood, and agricultural staples) and other natural resource sector developments (hydropower, mining). Many of the approved large-scale economic land concessions (ELCs) are moving forward slowly. Forest frontier areas in Cambodia are still unstable from the regulatory and property rights perspectives, and many interests have been staking claims to land in a quasi-legal or speculative manner.

Cambodia just completed a National Forest Strategy Plan through a multistakeholder process, and one of the six programs is FLEG implementation. The program calls for reform in the legal, administrative, enforcement, and crime monitoring sectors at the provincial and national levels, including requirements for the establishment of a FLEG working group and information sharing that would be ideal for collaboration on a FLEG project at a regional level.

In the past three years, the Forest Administration has conducted training courses and extension workshops on forest law, crime monitoring and investigation, and prevention and enforcement techniques with support from several organizations and donors such as FAO, ASEAN-Wildlife Enforcement Network (WEN), and the Japanese and U.S. governments. ITTO has supported a project on Strengthening Capacity on Law Enforcement and Governance at the Forest Administration Training Center that may be replicated throughout the country. Cambodia has also taken important steps in establishment of a national community forest program, with 420 communities applying for management of forest areas.

The Forest Administration has stated its commitment to building transparency and accountability, specifically to share information on its website and to accept feedback from various stakeholders involved in the Technical Working Group on Forestry and Environment. The administration publishes forest statistics every two years, but the methods applied and data quality have been questioned and appear difficult to verify.

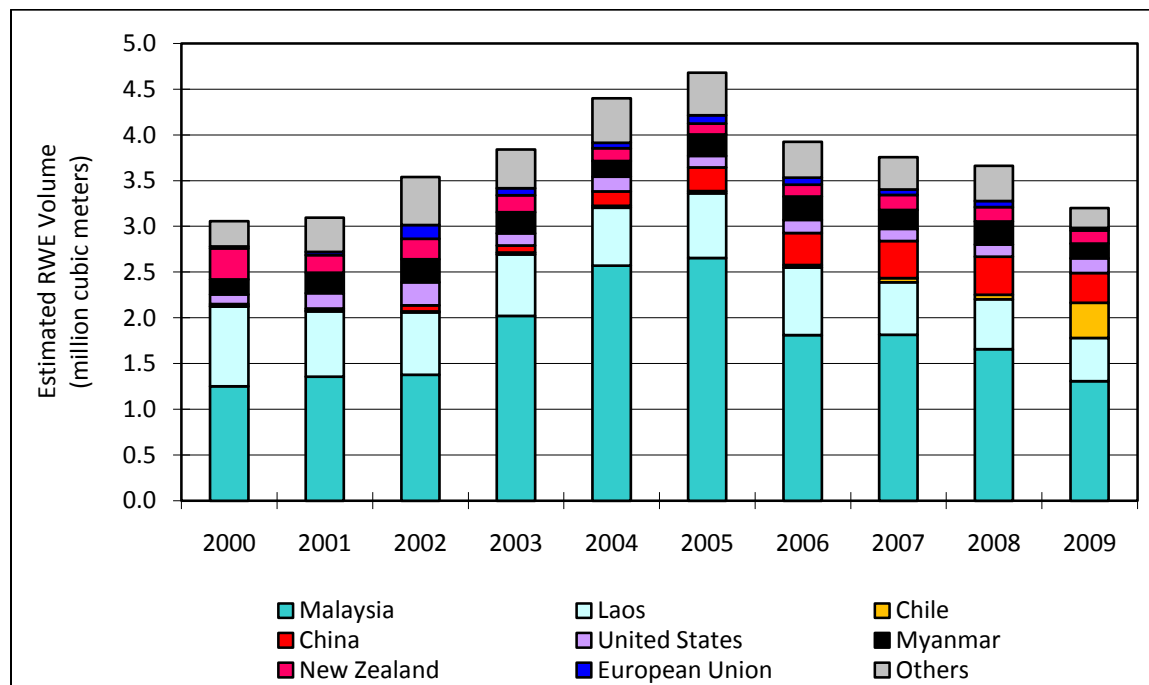
Cambodia has participated in ASEAN and other regional dialogues with FLEG since the Bali Declaration in 2001 and continues to remain engaged in the regional process. Cambodia joined the member states in approval of the ASEAN FLEG Work Plan 2008–2015 and has made strides to implement it. The FLEG focal point is the Forest Administration Department of Litigation and Enforcement under the Ministry of Agriculture, Forestry and Fisheries.

3.4 THAILAND

Thailand has become a regional wood manufacturing hub, competing with China and Vietnam. Thailand is one of the world's largest producers of industrial rubberwood. This raw material is largely absorbed by the Thai furniture industry, which was restructured successfully after domestic natural hardwoods were no longer available because of a logging ban. The country's pulp and paper sector dominates the wood processing industry, using most of the wood raw material in the country.

Despite domestic industrial tree plantations largely replacing the country's reliance on natural hardwoods, the private wood sector continues to rely on imported natural hardwoods (Figure 3.4). Malaysia provides the bulk of the imports, some of which may be rerouted material from Myanmar but still shown as Malaysian imports. Imported hardwoods are used mostly in furniture manufacturing and construction.

FIGURE 3.4: THAILAND TIMBER PRODUCT IMPORTS BY COUNTRY (MILLION CUBIC METERS RWE)



Source: European Forest Institute, compiled by James Hewitt.

In the past decade, the Thai government and its Royal Forest Department (RFD) have put into place a rather sophisticated and systematic wood management system to ensure compliance with national forest protection agendas. Although these rules and regulations are relatively effective in protecting *domestic* natural forests (some small-scale illegal logging cases persist), other gaps remain. For example, no laws govern *import* of logs sourced illegally from other countries. Much of the wood industry relies on domestic industrial tree plantations, and the construction sector, which uses imported hardwoods, does not require any documentation of legal origin or compliance. However, the export-oriented wood furniture industry has become interested in the origin of its raw material, as its customers in Japan, the United States, and the EU are beginning to demand more information.

RFD is the focal point to coordinate FLEG projects and activities in Thailand. RFD recently established the Protection and Suppression Operation Center under the direction of the Minister of Natural Resources and Environment for enforcement of forest legislation and crime prevention.

Thailand has participated in ASEAN and regional discussions on FLEG since the Bali Declaration in 2001. It has participated in FLEG strategy discussions as part of the ASOF meetings, including agreement on the ASEAN FLEG Work Plan 2008–2015.

In November 2008, Thailand hosted a workshop with the World Conservation Union (IUCN) entitled Enhancing Civil Society Participation in Forest Law Enforcement & Governance (FLEG)-related Processes in Southeast Asia & the Pacific. This workshop assessed the needs for regional capacity on FLEG issues and recommended components to strengthen NGO participation in FLEG-related policy making in the region. It was followed by a

regional NGO meeting in Bangkok in April 2009 to develop a regional NGO strategy and related joint activities. A strong recommendation at this meeting was the need to create a formal structure to coordinate collaboration between NGOs to address a number of the governance and law enforcement weaknesses and improve FLEG in the Mekong region.

In 2009, Thailand funded its own delegation's participation in FLEGT discussions at Chatham House regarding preparations for potential negotiations with the EU on a VPA. By early 2011, VPA negotiations had not yet been started.

4.1 SELECTED ORGANIZATIONS RELEVANT TO FLEG

This section lists some key regional and national organizations agencies and associations that have been involved in forest governance and trade activities in the Mekong region.

4.1 REGIONAL AND INTERNATIONAL ORGANIZATIONS

Association of Southeast Asian Nations (ASEAN) has been leading the FLEG agenda in the region and has fostered numerous FLEG initiatives since the Bali Ministerial Declaration in 2001. FLEG has been put high on the agenda of ASEAN cooperation in forests. The issuance of the ASEAN Ministerial Statement on FLEG in November 2007 reaffirmed the organization's commitment to improve forest governance in the region. Cooperation on strengthening FLEG received a further boost through the issuance of the ASEAN Declaration on Environmental Sustainability by the 13th ASEAN Summit. Under this declaration, ASEAN member states are committed "to strengthening law enforcement, combating illegal logging and its associated illegal trade as necessary measures in addressing trans-boundary environmental pollution, including haze pollution."

Relevant initiatives include the following:

- **ASEAN Criteria and Indicators for Legality of Timber** were developed by the ASEAN **Working Group on a Pan-ASEAN Timber Certification Initiative** and consist of six criteria and 15 indicators covering general administrative requirements of permitting, planning, taxing, and harvesting in a defined forest area (legal origin of timber), as well as compliance aspects related to environmental protection, health and safety, community rights, and traceability of logs.
- **ASEAN Regional Knowledge Network on Forest Law Enforcement and Governance (ARKN-FLEG)** was established in October 2008 to support a regional pool of experts to facilitate the exchange of good practices of FLEG in member states, including robust benchmarking and a structured ASOF dialogue. This network promotes mutual understanding and effective implementation FLEG, contributes to ASEAN-wide knowledge gathering and cross-border learning, and enhances better understanding of members' FLEG approaches.
- **ASEAN-Wildlife Enforcement Network (WEN)** is the world's largest wildlife law enforcement network. Based in Bangkok, WEN is an intergovernmental body that coordinates the response to illegal trade in protected wildlife species throughout Southeast Asia. It provides mechanisms for sharing expertise and improving coordination for regional training and sharing information, data, and practices between countries in a transparent manner. ASEAN-WEN has links with enforcement agencies such as INTERPOL, the U.S. Fish and Wildlife Service, the U.S. Department of Justice, and each government enforcement agency in the Mekong region.

(<http://www.asean.org/>)

Asia Forest Partnership (AFP) was launched in August 2002 at the World Summit on Sustainable Development with initial support from Indonesia, Japan, the Center for International Forestry Research, and The Nature Conservancy, currently has 41 partners. The vision of AFP is to promote and implement sustainable forest management in Asia through voluntary collaboration. One of its primary objectives is to promote sustainable forest management in Asia, focusing on the control of illegal logging, rehabilitation and reforestation of degraded lands, and cross-cutting issues such as good governance, forest law enforcement, and developing capacity for effective forest management. AFP seeks to strengthen and enhance synergies through information sharing and by providing a framework for identifying and implementing new collaborative work programs.
(<http://www.asiaforests.org/>)

International Timber Trade Organization (ITTO)'s Forest Law Enforcement and Governance work program has several projects in support of forest governance. For example, Cambodia's "Strengthening capacity of forest law enforcement and governance in Cambodia" is implemented by the Forest Administration with support from ITTO and funding from the Government of Switzerland. The project aims to facilitate the implementation of Cambodia's policies in combating illegal logging, forest clearing, and land encroachment through the improvement of human resource capacity and the upgrading of equipment to ensure effective FLEG. Future training will include selected local communities on the effectiveness of FLEG and potential benefits for communities of securing forest access and management rights and benefits. (<http://www.itto.int/>)

European Forest Institute's EU FLEGT Asia Project directly supports the implementation of the EU FLEGT Action Plan in Asia, with the goal of beginning a bilateral process between EU and tropical wood producing countries through the VPA process. EFI FLEGT Asia's program strategy has the following overall objectives:

- Collect, analyze, and disseminate information
- Strengthen institutions and initiatives relevant to FLEGT (e.g., training and pilot studies)
- Develop customs capacity and regional cooperation between enforcement agencies in the region

(<http://www.euflegt.efi.int/portal/>)

4.2 WOOD PRODUCTS AND TIMBER COMPANY ASSOCIATIONS

Handicraft and Wood Association of HCMC Vietnam (HAWA), established in 1991 in Ho Chi Minh City, has become the leading trade association for handicraft and wood industry enterprises in Vietnam. It represents more than 330 companies from 22 provinces representing furniture wood processing and interiors, handicraft and fine arts, timber import-export companies, and service providers. The main activities of the association are to (1) represent members' interests, (2) submit opinions to the government, (3) improve relations with international organizations, and (4) provide members with timely and useful information on related activities.

HAWA encourages its members to participate in efforts to increase CoC and forest certification and ASEAN initiatives to develop regional guidelines for sustainable forest management in partnership with industry. The United Nations Industrial Development Organization and the Italian Embassy are cooperating with HAWA to develop a small and medium enterprise cluster in the wood industry.

(<http://www.amchamvietnam.com/organization/1457/detail>)

Vietnam Chamber of Commerce and Industry represents the interests of business in Vietnam.
(<http://www.vcci.com.vn/>)

Vietnam Timber and Forest Product Industry (VIFORES) was established in May 2000 as an NGO to be the legal agent to represent Vietnamese businesses in the forest sector. VIFORES consists of 151 members in the areas of research, reforestation, exploitation, processing, distribution, and trade of timber and wood products. VIFORES gathers information and represents the wood products industry at workshops, meetings, and in negotiations with government and others to protect, support, and foster members' legal interests based on mutual benefits and equality. VIFORES has been active in the effort to raise awareness of FLEG and FLEGT VPA processes. It supports initiatives to improve productivity and international competition and to access more value-added markets on a sustainable long-term basis. (<http://www.vietfores.org/>)

Lao Wood Products Association (LWPA) is the only private sector association representing the wood products industry in Lao PDR. The association represents the industry in negotiations with the government. It has more than 800 members, but the number may decrease, as only 40 would qualify for a license under the new, more stringent regulations. It is assumed that LWPA members have low awareness of FLEG processes and EU FLEGT requirements. LWPA has recently collaborated with the WWF-GFTN and The Forest Trust Platform to audit six factories for CoC status and thus potentially gain improved access to the EU and U.S. markets.

Thai industry associations include the Thai Federation of Industries, Timber Merchants Association, Wood Processing Group of the Federation of Thai Industries, Thai Furniture Association, and Thai Economic Private Forest Plantation Promotion Association.

Cambodia Timber Industry Association (CTIA) was organized in early 2000s by a private concessionaire to promote industry-friendly reforms, including a restart to the concession logging system. CTIA was involved with the World Bank Forest Concession Management and Control Pilot Project. CTIA has been relatively inactive for the past several years.

4.3 UNIVERSITIES, RESEARCH CENTERS

The Forestry Faculty of the National University of Lao PDR does not provide FLEG- or governance-specific courses, but has one course on forest policy that covers laws more generally.

National Agriculture and Forestry Research Institute in Laos focuses on improving forest management and enforcement through applied research. It has conducted limited research on FLEG at its two research facilities: the Forest Research Center and the Policy Research Center.

Vietnam Forest University (Xuan Mai, Hanoi) provides students with general points of Vietnam laws and forest law, but does not provide specific training on forest law enforcement and governance and trade, or the international legislation (e.g. US Lacey Act or EU regulations)

Royal Phnom Penh University (Cambodia)

Kasetsart University (Bangkok, Thailand)

Asian Institute of Technology (Bangkok, Thailand)

4.4 NONGOVERNMENTAL ORGANIZATIONS

Forest Trends is a Washington, DC-based organization that works to expand the value of forests to society, to promote sustainable forest management and conservation by creating and capturing market values for ecosystem services, to support innovative projects and companies that are developing these new markets, and to enhance the livelihoods of local communities living in and around forests. Forest Trends has run update meetings on FLEGT issues in Beijing and Washington, DC, and has played a role in analyzing market and trade information on illegal logging and associated trade, and the impacts the trade has on local economies, livelihoods, and programs such as reduced emissions from deforestation and degradation (REDD+). (<http://www.forest-trends.org/>)

IUCN is a global conservation union comprising more than 1,000 NGO and government members. IUCN has been active in Vietnam and Lao PDR in facilitating civil society participation in intergovernmental processes and raising awareness about the FLEG process among government agencies and wood processing associations. IUCN also has a Regional Forest Governance Program based in Bangkok that has provided information and assistance on regional efforts to improve FLEG to its partners. Since 2007, IUCN has facilitated a series of multistakeholder consultations and other events to advance understanding of FLEG(T) issues and opportunities in Vietnam, with a focus on trade and impact on exports of wooden furniture. These events included several national roundtables for businesses, NGOs, and for government officials who will be responsible for organizing and implementing Vietnam's FLEGT activities. IUCN Lao works with the Lao government and local communities to build knowledge and capacity in the management of natural resources, including nontimber forest products. (<http://www.iucn.org/about/work/programmes/forest/>)

RECOFTC: The Center for People and Forests specializes in capacity building for community forestry and devolved forest management, involving research and analysis, demonstration sites, and training products and with specific focus on Cambodia, China, Indonesia, Lao PDR, Thailand, and Vietnam. RECOFTC engages in strategic networks and effective partnerships with governments, NGOs, civil society, the private sector, local people, and research and educational institutes throughout the Asia-Pacific region and beyond. (<http://www.recoftc.org/site/>)

The Nature Conservancy (TNC) Responsible Asia Forestry and Trade (RAFT) Asia Project and Network is a multiyear program funded by the U.S. Agency for International Development Bangkok office and managed by TNC as part of an alliance including IUCN, RECOFTC, the World Wildlife Fund (WWF), Trade Records Analysis of Flora and Fauna in Commerce (TRAFFIC), the Tropical Forest Foundation, and the Tropical Forest Trust (TFT). RAFT operates mainly in Indonesia, Malaysia, and Papua New Guinea but also in Cambodia, China, Lao PDR, Thailand, and Vietnam. Its goal is to improve both the quality and extent of sustainable management of forest resources and biodiversity while reducing greenhouse gas emissions from deforestation.

RAFT has four main objectives:

- Increase regional timber trade from legal sources;
- Achieve measurable improvement of sustainability of forest management;
- Strengthen regional cooperation on sustainable forest management and trade; and
- Contribute toward climate change mitigation by reducing greenhouse gas emissions from forest loss and degradation.

(<http://www.responsibleasia.org/>)

TRAFFIC is a global research-driven and action-oriented network committed to innovative and practical conservation solutions based on the latest information. TRAFFIC is governed by a steering group composed of members of TRAFFIC's partner organizations WWF and IUCN. A central aim of TRAFFIC's activities is to contribute to the wildlife trade-related priorities of these partners. TRAFFIC has implemented training programs and completed research work, with expertise in customs procedures in Asia. (<http://www.traffic.org/>)

Transparency International is implementing a project on Forest Governance and Corruption from 2010 to 2013, initially funded by the European Commission (EC). Phase II of the project, entitled Forest Governance Analysis and Corruption Advocacy and Monitoring, will include Vietnam, and Phase III will include Vietnam, Lao PDR, and Cambodia. Phase III focuses on anticorruption and advocacy work in the forest sector but will also cover REDD+. (<http://www.transparency.org/>)

WWF Global Forest Trade Network (GFTN) Platform with the TFT is a global initiative facilitating trade links among nearly 400 companies committed to trading wood products from legal and known sources. The GFTN-TFT network implements a project in Vietnam with MARD and members of VIFORES and in Lao PDR with MAF and members of the Lao Wood Processing Association and the Chamber of Commerce. A goal of the project is to have 30 companies from Vietnam and six Lao timber processors audited and receiving raw materials from certified, well-managed forest areas to verify their output and increase exports of legally sourced and sustainable wood products. (<http://gftn.panda.org/>)

ANNEX 1 - REPORT PROCESS AND METHODOLOGY

This report is mainly based on literature reviews, field research, and stakeholder consultations, focusing on the issues and challenges with respect to improving forest governance in the Mekong region.

Research was conducted from late 2009 to early 2010 through a large number of consultations and meetings with a wide network of contacts in each country as well as document and Internet surveys. Further meetings with government as well as public and private sector representatives were useful to corroborate prior recommendations, assumptions, and research findings and provided opportunities to discuss recommendations for potential FLEG-improving activities. Regional conferences and forums were valuable sources of information and occasions to raise awareness about forest governance issues in the region.

The method and structure of research varied in each country, depending on the local political situation, networks, and contacts, as well as the countries' individual involvements with existing forest governance programs at regional and international levels. For example, research and consultations in Vietnam were approved by the International Cooperation Department of MARD and implemented in partnership with a core team organized by the Forest Sector Support Partnership, whereas in Myanmar, there was no formal contact with the government or visits except for attendance at an ASEAN meeting.⁹

Two regional workshops were organized for the specific purposes of this report, to raise awareness of and gain input on recommended activities. The first was held in Vientiane, Lao PDR, on November 12–13, 2009; and the second was held on November 24–25, 2009, in Hanoi, Vietnam. Each workshop had more than 40 participants, including representatives from the government (forestry, commerce, customs, and justice), wood processing associations, and NGOs engaged in the forest sector. At the workshops, plenary presentations provided an overview of forest governance in the region, as well as global trends in the trade of wood products, most notably the legal reforms in the United States and EU, such as the 2008 amendments to the Lacey Act and the 2010 EU Timber Regulation and EC FLEGT VPA processes. Group discussions at both workshops identified potential activities to combat illegal logging and associated trade in the Mekong region. Workshop reports are available at www.profor.info with search term “Mekong governance.”

National consultants were engaged in Vietnam, Lao PDR, and Cambodia to assist in organizing the research, interviews, and workshop planning. Consultants also provided input on sections of this report.

⁹ ASEAN ASOF Meeting held in Nay Pyi Taw, Myanmar, on June 24–27, 2009.

ANNEX 2 - STAKEHOLDER CONSULTATION SWOT ANALYSIS

As part of the two regional workshops described in Annex 1, participants were asked to participate in a strategic planning method (SWOT) to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in the implementation of forest governance programs in the Mekong region. The SWOT analysis was categorized into themes (legal, enforcement, governance, and trade).

SWOT ANALYSIS—LEGAL

SWOT Topic	LEGAL
Strengths	<ul style="list-style-type: none"> Positive legal reform on paper over the past decade at national level of many countries Legal capacity at national level has been increased Growth in interest to study law and in the legal education Cambodia and Thailand have initial public interest law firms
Weaknesses	<ul style="list-style-type: none"> Laws often conflict, as they are drafted by line ministries, and need technical clarification General need to raise awareness and implement in practice Lack of certainty in legal application promotes FDI from nontransparent sources
Opportunities	<ul style="list-style-type: none"> To clarify laws regarding the chain of custody of timber flow To obtain a more uniform, regional legal verification of timber To expand the role of the courts and Ministry of Justice To increase accountability for actors to comply with the law To increase access to justice and role of civil society
Threats	<ul style="list-style-type: none"> Time and resources wasted on legal documents that are not implemented The legal system is too underdeveloped to be effective The Ministry of Justice and the courts are too weak Acceptance that any government approval is legal despite the language of the law Countries do not agree on regional consistency in definition of “legal” or at a standard to comply with EU and Lacey Act

SWOT ANALYSIS— ENFORCEMENT

SWOT Topic	ENFORCEMENT
Strengths	<p>Good relationships between the countries</p> <p>Some shared language skills between countries</p> <p>Existing MOU agreements on customs, border enforcement between Vietnam and Lao PDR, and between Vietnam and Cambodia</p> <p>Strong human resources—Vietnam’s Forest Protection Department/Department of Forestry has more than 8,000 employees</p> <p>Joint enforcement teams with military, police, and forestry have been successful in some countries and under certain projects</p>
Weaknesses	<p>Low capacity, lack of technical equipment for effective patrol</p> <p>Poor interagency cooperation between forestry and other sectors</p> <p>Lack of political will to enforce against certain actors</p> <p>Difficulty preventing collusion among military, corrupt officials, and certain actors</p>
Opportunities	<p>To implement the Bali and ASEAN action plans</p> <p>To support collaboration on the existing MOUs</p> <p>To build cross-border cooperation in most important locations</p> <p>To build a database of transparent information on cases, stats</p> <p>To have more uniform customs forms, reporting, sharing info</p>
Threats	<p>Lack of political will to support increased enforcement</p> <p>Collusion between officials and the illegal actors</p> <p>Acceptance that information, decision making is nontransparent</p> <p>Lack of equipment, trucks, resources to implement training (Lao PDR’s DOFI has more than 300 staff and only two vehicles)</p> <p>Demand for illegal wood and wildlife is so high that enforcement only moves the flow but does not curb demand</p>

SWOT ANALYSIS—GOVERNANCE

SWOT Topic	GOVERNANCE
Strengths	<p>ASEAN FLEG Work Plan 2008–2015 has been endorsed</p> <p>Long-stranding, fairly secure governments</p> <p>Commitment to negotiate the FLEG process</p> <p>Intention of governments to support wood products industry</p> <p>Strong donor interest in countries and forest sector</p> <p>Willingness of key agencies to partner to implement FLEG</p>
Weaknesses	<p>Lack of political will at high levels</p> <p>Collusion among key officials and illegal actors</p> <p>Poor coordination among key ministries in forest sector</p> <p>Low level of specialized skill, training, equipment, and resources</p> <p>Low level of ability of streamline decision making and initiative</p>
Opportunities	<p>Build on relationships between international community and government agencies in region</p> <p>To improve relations between countries in reducing illegal flow</p> <p>To increase transparency of information and decision making</p> <p>To support steps to increase the political will in forest sector</p> <p>To support more active role in ASEAN and regional networks for Mekong region, as Indonesia, Malaysia often play larger roles</p>
Threats	<p>Not enough political will at high levels to support reform</p> <p>Amount of funds available for illegal activities outweighs donor funds or incentives to reform governance in forest sector</p> <p>That despite improved governance the demand for natural forest timber remains at high levels</p> <p>That reform in governance will not impact military or local officials who are most active in illegal activities</p>

SWOT ANALYSIS—TRADE

SWOT Topic	TRADE
Strengths	<ul style="list-style-type: none"> Multibillion-dollar revenue from wood exports to global markets Good transportation and access to markets Strong relationships with trade partners Global demand and investment in future of Asia Low production costs Sources of certain wood products with global value and demand
Weaknesses	<ul style="list-style-type: none"> Not able to compete with China on price Limited natural forest supply compared with Africa, Indonesia, Papua New Guinea, and Malaysia Too many wood processing facilities, sawmills creating demand Low level of skill and experience in industry innovation Overreliance on certain export products and markets Too dependent on natural forest and limited species of wood Lack of investment and developed plantation system
Opportunities	<ul style="list-style-type: none"> To produce higher-quality products than China To improve global reputation as source of legal verified timber To build on existing global trade networks (ASEAN, World Trade Organization) To strengthen alliances in building wood product associations To reduce the number of wood processing facilities to reflect more efficient, productive, and realistic supply-demand chain To develop more diverse species and wood products for market To open more markets to legal verified timber (e.g., GFTN) To provide more benefit to local communities and tax base
Threats	<ul style="list-style-type: none"> Diminished natural resource timber supply Permanent damage to biodiversity values Lost revenue from high-value wood markets or from payments for environmental services or REDD if those funds are made available for conservation Limited to secondary, nonverified timber markets at low price Leakage to Lao PDR, Cambodia, and Myanmar continues while export profits stay in Vietnam and with limited companies

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