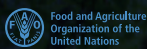


**UN-REDD**  
PROGRAMME



Norad

# SUSTAINABLE FOREST TRADE IN THE LOWER MEKONG REGION

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## PROJECT INCEPTION SUMMARY

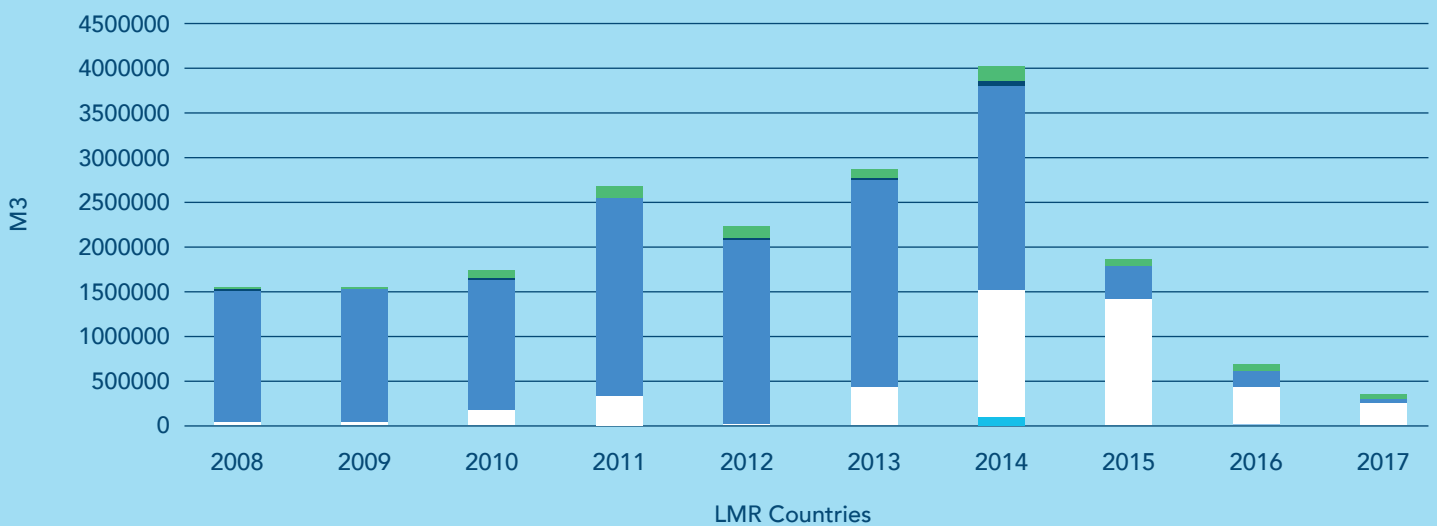


# INTRODUCTION

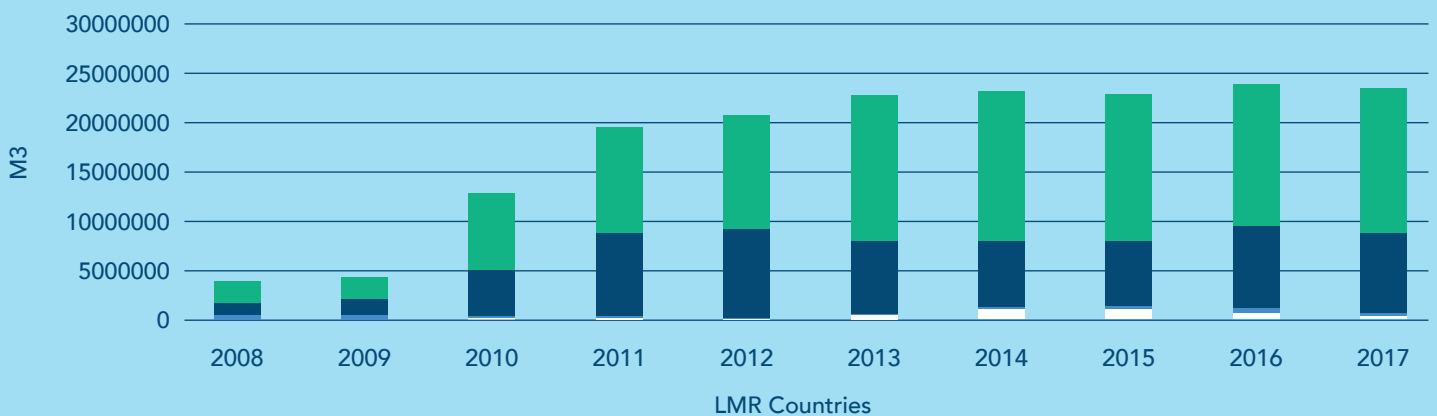
Credit: Unsplash

In March 2020, a new UN-REDD Programme initiative for Sustainable Forest Trade in the Lower Mekong Region (SFT-LMR) was approved, with funding from the Government of Norway. The initiative is implemented in five Lower Mekong (LMR) countries, namely Cambodia, Lao PDR, Myanmar, Thailand and Viet Nam. The initiative aims to increase national commitments to legal and sustainable trade and investment in wood products in the LMR, to strengthen forest and land governance and to reduce illegal logging, ultimately reducing forest degradation and deforestation and improving sustainable management of forests across the region. The initiative is intended to promote dialogue, policy alignment and inter-compatibility within the LMR, boost cooperation between LMR countries and China, and effectively address the challenges of forest crime.

## LMR Roundwood Export to the world



## LMR countries export to the World (Sawnwood, Plywood, Veneer, Woodchip)



Source: FAOSTAT Statistical Database, 2021

# CHALLENGES AND INTERVENTIONS

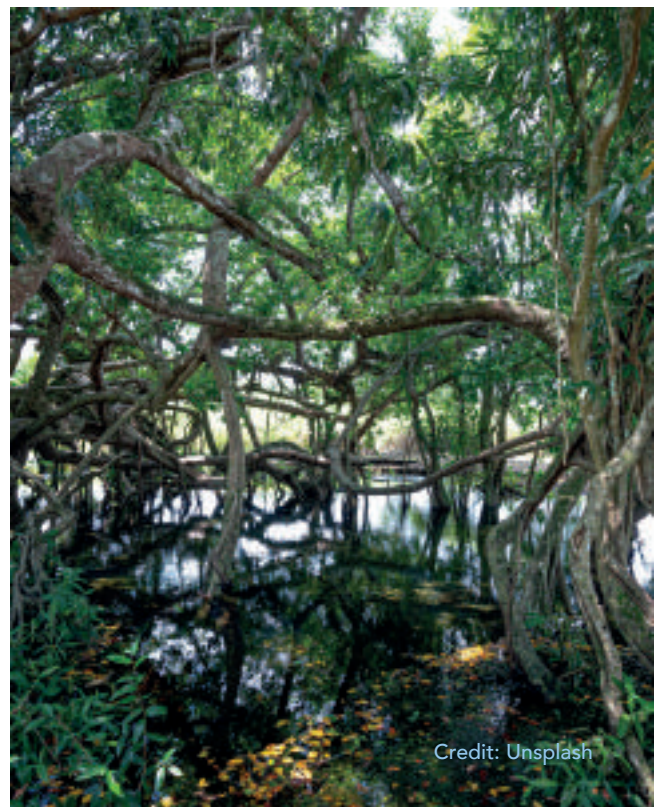
## Outcome 1: The Regional Dimension

**Outcome statement:** Strengthening bilateral and regional cooperation in place to facilitate legal and sustainable trade in forest products across the LMR (and China)

Collectively, the LMR countries have consistently been among the top 10 global exporters of wood and wood products since 2015 (UN Comtrade Database). Thailand and Viet Nam make up an expanding market share of the processing and export of wood products. Viet Nam is now the second-largest tropical log importer, and has witnessed a massive growth in furniture production over the last two decades. It is the fifth-largest exporter of wooden furniture worldwide, with an export value amounting to USD9.4 billion in 2018. Cambodia, Lao PDR and Myanmar have traditionally served as a source of logs and sawnwood to Thailand and Viet Nam, although flows have been affected in recent years by log export bans. China also plays a significant role in these trade dynamics. Regional dialogue on legality: The SFT-LMR initiative focuses on several interventions at the regional level. Sharing a common understanding of the legality of timber and experiences on forest management and chain of custody standards for certifying timber among LMR countries will help build and strengthen infrastructure for forest management and chain of custody certification, improving the enabling environment for legal trade. Strengthening government capacities to improve statistical information will contribute to a better understanding of regional and transboundary trade flows.

**Developing financial institutions' capacity to collaborate:** Enhancing prudent banking policies for forest-based projects while helping financial institutions to identify new, sustainable models for timber production and trade will improve their understanding of investment risks as well as inform the development of internal systems to mitigate those risks.

**Sustainable trade:** The initiative will contribute to promoting common systems for trade documentation of timber and wood products, partnering with the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES); parties to CITES are now required to submit an annual illegal trade report including records of seizures and interceptions of the illicit trade in CITES-listed species. The project will engage with companies in China, LMR's biggest market, on sustainable sourcing of timber and other forest products. As such, dialogue and partnership with ITTO and its Global Green Supply Chain is underway. Communication strategies to raise public awareness around illegal forest products trade and ways to mitigate will also be developed for each of the LMR countries.



Credit: Unsplash

## COUNTRY PRIORITIES

To help reduce illegal forest trade, promote sustainable wood sourcing and trade and improve forest governance, countries have identified the following priorities during the inception phase:

- Establishing protocols for bilateral collaboration on confiscated timber, cross-border fires etc., through Memorandums of Understanding (MoUs) between countries (all countries);
- Communication campaigns targeting border communities (Lao PDR);
- Exchanges on FLEGT Voluntary Partnership Agreement (VPA) experiences (Lao PDR, Thailand, Viet Nam);
- Identifying gaps in national forest and trade datasets (Myanmar);
- CITES e-permits and licensing (Thailand);
- CITES Non-detriment finding process for Rosewood species (Lao PDR);
- Raising awareness towards regionally harmonized certification (all countries).

### Existing mechanisms and MoUs for transboundary cooperation in the forestry sector

- Viet Nam - Lao PDR MoU (Forest Protection Department and Department of Forest Inspection)
- Viet Nam - Cambodia MoU (VNFOREST and Forestry Administration)
- Myanmar - China MoU
- ASEAN sectoral bodies, Senior Officials on Forestry (ASOF)
- Cambodia - Lao PDR - Viet Nam (CVL) Joint Declaration of 10th CLV Summit
- Ayeyawady-Chao Phraya - Mekong



### FLEGT VPA Status

- **Cambodia:** Non-VPA country, FLEGT Workplan
- **Lao PDR:** Under negotiation
- **Myanmar:** Non-VPA country, FLEGT Workplan
- **Thailand:** Under negotiation
- **Viet Nam:** Negotiation completed; under implementation

Source: SFT-LMR Team, 2020



Credit: Unsplash



## Outcome 2: The Trade Dimension

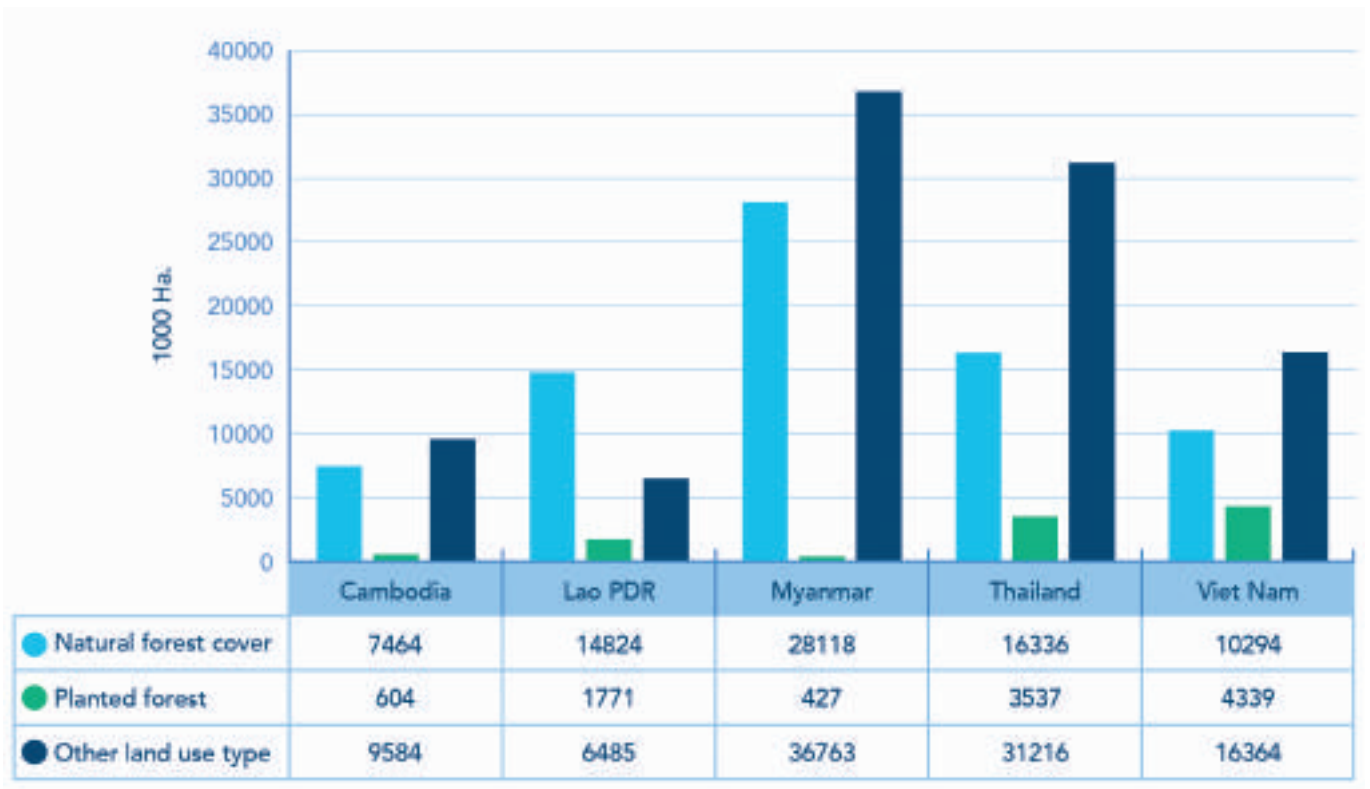
**Outcome statement:** Improving forest governance for legal and sustainable trade of forest related products

Despite ongoing efforts and plans, most LMR countries currently lack fully functional, robust and transparent systems for developing, mainstreaming and monitoring standards of practice in management, harvest, transport and trade in timber and other forest products. The SFT-LMR initiative will support LMR countries to develop, strengthen and prepare to implement standards and systems that define and reliably demonstrate the sustainability and legality of wood products, from harvest to export. Particular attention will be provided to supporting smallholders, communities and small and medium enterprises (SMEs), who face significant barriers to adopting certification standards and accessing legal and sustainable forest product value chains. Major challenges identified by countries and regional partners include high

certification costs - particularly for smallholders, limited demand for certified products, and, where demand exists, limited supply of certified products.

**Certification:** The SFT-LMR initiative, through collaboration with PEFC, RECOFTC and FSC (under planning) will support national institutions to develop and/or strengthen national forest certification schemes and help adapt forest management standards to smallholders and SMEs. These partnerships will also build capacities through tailored training programs that will support these stakeholders to overcome the barriers to certification and promote markets for legal and sustainable products. Linking buyers and processors in demand markets such as Thailand, Viet Nam and China to suppliers of wood from legal and certified sources is being pursued.

### Natural and planted forest land use types SFT-LMR countries



Source: FAO, Global Forest Resources Assessments 2020

**Support to SMEs:** The development, upscaling and financing of viable forest production models for SMEs to supply sustainable timber will also be supported and will be reinforced by support to regional financial institutions.

**Sustainable trade:** The initiative will help support target countries to address challenges to promoting legal and sustainable forest trade, such as via training on eCITES permits and Legal Acquisition Findings, on identification of CITES-listed timber and on physical inspection of timber shipments. Transboundary cooperation commitments will further facilitate cooperation on cross-border trade.

## COUNTRY PRIORITIES

The following priorities have been identified during the inception phase:

- Build forest certification quality infrastructure systems and initiate the establishment of national certification systems in Lao PDR and Cambodia;
- Strengthen forest certification quality infrastructure systems (Thailand, Viet Nam and Myanmar);
- Develop and pilot test forest management and chain of custody standards (Thailand, Viet Nam and Myanmar);
- Build capacities of national institutions to implement sustainable forest management (all countries);
- Train national institutions on physical inspection of legal timber in compliance with CITES requirements (all countries);
- Create an enabling environment to ensure engagement of smallholders in legal and sustainable forest product value chains, including practical solutions for forest certification (all countries);
- Facilitate smallholders' access to support by financial institutions (Lao PDR, Viet Nam and Thailand).



Credit: Unsplash

## Outcome 3: Data and Monitoring Dimension

**Outcome statement:** Improving monitoring of forest and land use through enhanced data accessibility and management

LMR countries have developed significant capacity over the past decade for monitoring forest and land use change, as well as for monitoring social and environmental safeguards through REDD+ readiness interventions. Building on such existing country systems, the SFT-LMR initiative will strengthen country capacities to better understand and utilize data and information systems, within countries and across the region.

**Evidence-based decision making:** Support to countries will be offered to build on their existing information systems to enhance the availability of data for evidence-based decision-making on forest and land management and to strengthen operations and monitoring. Work with partners in the LMR countries seeks to build a regionally-relevant prototype for near-real-time monitoring of forest and land-use change adaptable to country needs and circumstances, and enhance capacities for data-driven decision-making.

**Near real-time Monitoring:** Supporting countries to improve these monitoring systems will allow early detection of deforestation and forest degradation, identify actions driving these changes and better adapt responses (large scale local support is planned to be deployed under a subsequent phase of the SFT-LMR initiative). High-resolution satellite data recently made available through Norway's International Climate & Forests Initiative (NICFI) will be integrated to support quality control procedures.

**Socio-environmental impact information:** The SFT-LMR initiative will also strengthen priority information systems and datasets on environmental and social impacts in the forest sector. Relevant global and regional datasets that could add value to national systems are also not fully utilised. There is an opportunity to improve the accessibility and use of data to support policy-making on forests and the monitoring of outcomes for the environment and society related to forests.

### COUNTRY PRIORITIES

Priority concerns raised by stakeholders include better understanding of land and forest tenure, tracking socio-economic benefits of forests, monitoring community forestry and improving reporting systems. The initiative will work with target countries to:

- Identify actions to strengthen existing forest information systems or datasets;
- Carry out specific improvements and investigate opportunities to promote data sharing between different information systems/sectors nationally;
- Assess and prioritise particular information systems or datasets with a role in tracking environmental and social outcomes in the forest sector; and
- Build capacity to use global/regional datasets where needed and to explore joint/regional analyses of environmental and social trends and outcomes linked to forests.



# PARTICIPATING COUNTRIES

One of the objectives of the inception period was to carry out national and regional consultations on the project outcomes, outputs and activities. National consultations have been organised in all countries excepted Cambodia

(planned for second quarter of this year), and a regional partners' dialogue was held virtually in November 2020.

What follows represents feedback from countries during these national and regional consultations.



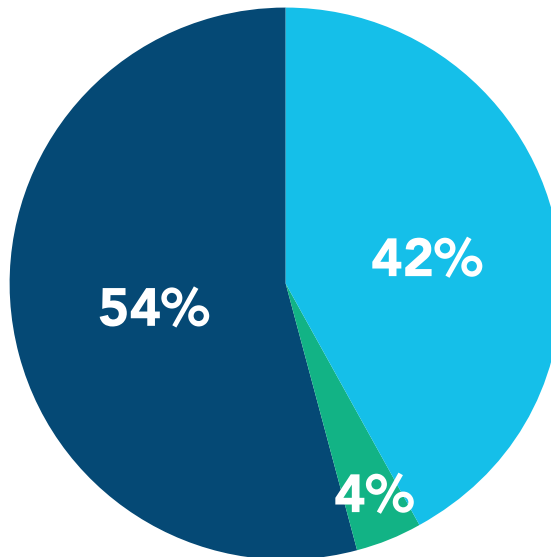
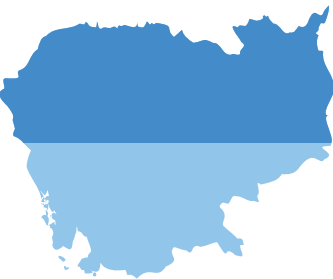
## CAMBODIA

**Total Land Area  
(1,000 ha)**  
17652

**Total Forest Area  
(1,000 ha)**  
8068.37

**Natural forest cover  
(1,000 ha):**  
7464.40

**Forest area as a  
proportion of total land**  
45.71%



**Planted Forest  
(1,000 ha)**  
603.97

**Percentage of forest  
area certified**  
0.097%

- Natural forest cover
- Planted forest
- Other land use type

Source: FAO, Global Forest Resources Assessments 2020

An introductory meeting for the SFT-LMR initiative was organised with the Cambodian Ministry of Environment (MoE) on 3rd August 2020, with a second meeting organised on 19 November 2020 with the Cambodian Forestry Administration (FA).

The outcomes of both consultations were positive, with the MoE and the FA indicating their interest. Both government institutions actively participated at the regional partners' dialogue on 20 November 2020. The SFT-LMR initiative team has developed and presented to the Cambodian government, and at their request drafted a country priority framework of activities for the implementation of the initiative in Cambodia. This, together with a draft workplan will form the basis for further

engagement with the government, including at the national consultation workshop.



**An important tool for promoting sustainable use of forest resources is access to data. This project will help make available data on forest trade and data for forest monitoring. It will also motivate the LMR countries to share forest monitoring data between themselves.**

Leif John Fosse, Senior Adviser, Ministry of Climate and Environment, Norway



**Total Land Area  
(1,000 ha)**

23080

**Total Forest Area  
(1,000 ha)**

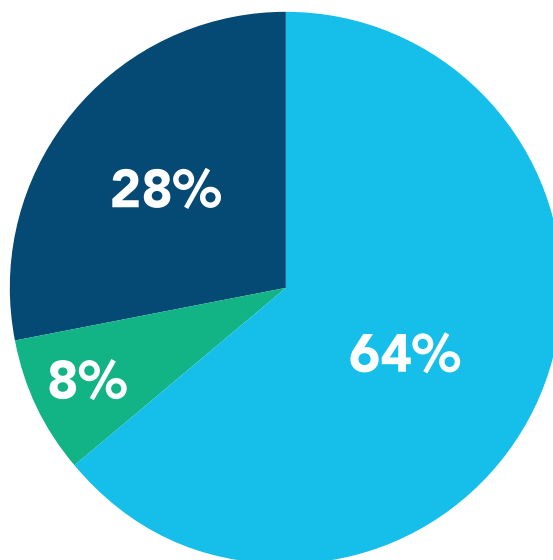
16595.5

**Natural forest  
cover (1,000 ha):**

14824.25

**Forest area as a  
proportion of total land**

71.9%



**Planted Forest  
(1,000 ha)**

1771.25

**Percentage of forest  
area certified**

0.53%

- Natural forest cover
- Planted forest
- Other land use type

Source: FAO, Global Forest Resources Assessments 2020

Stakeholders expressed interest in moving beyond natural forests, where a logging ban is in place, and in promoting markets for sustainable plantations. This calls for creating an enabling environment that ensures smallholders, who face many challenges in production and processing, become engaged in legal/sustainable supply chains and in forest certification. Private actors that are already engaged in forest certification welcomed the certification of national institutions and infrastructure.

Challenges also include obstacles preventing smallholders from reaching markets. Those included:

- Low market prices and high transportation costs that reduce farmers' appetite for long-term investments
- Low land tenure security – plantations become an excuse to claim land;
- Available financial packages are designed for annualized returns, and therefore not amenable to tree planting; etc.

Lao PDR also acknowledged its significant gaps in data and data management systems

in the forestry and forest trade sector (e.g., data to support legality from harvest to sales, i.e. Timber Legality Assurance System (TLAS); registered plantations; forest inventory and annual allowable cuts), stressing the importance of developing centralised data and databases which can be used across ministries. Receiving support for inter-governmental trans-boundary cooperation agreements with neighboring countries – i.e. Memoranda of Understanding (MoUs) with Cambodia, Myanmar and Thailand, will facilitate cross-border efforts, including improving communication on official investigations.



**Most governments have good legislation about illegal logging, making it clearly illegal to deforest. It is implementation and oversight that they struggle with. We need to act on it.**

Samantha Bramley, Director,  
Environment and Social Risk,  
Standard Chartered Bank



## MYANMAR

**Total Land Area  
(1,000 ha)**

65308

**Total Forest Area  
(1,000 ha)**

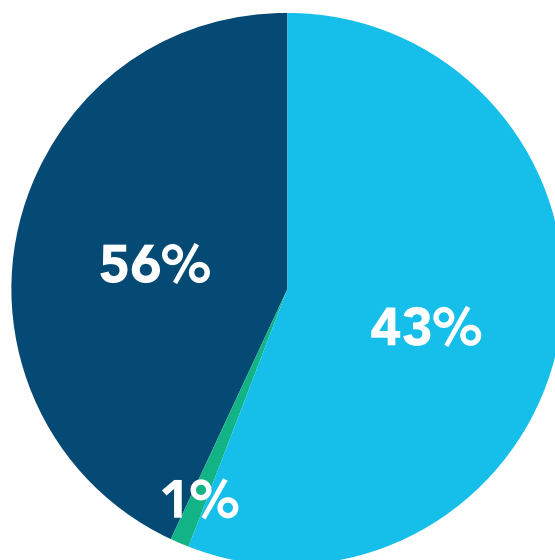
28543.89

**Natural forest  
cover (1,000 ha):**

28117.63

**Forest area as a  
proportion of total land**

43.71%



**Planted Forest  
(1,000 ha)**

427.09

**Percentage of forest  
area certified**

0%

- Natural forest cover
- Planted forest
- Other land use type

Source: FAO, Global Forest Resources Assessments 2020

Consultations in Myanmar highlighted the potential to strengthen cooperation with China under an existing MoU to tackle illegal logging and promote sustainable forest management.

The importance of public awareness on forest crimes, illegal logging and associated trade was emphasized as a key priority to increase sustainable forest management.

Stakeholders identified that the current forest management system in Myanmar was outdated and that efforts should be made to update it. According to the Community Forestry Instructions 2019, the Government acknowledges the important role of people in forest management, and is seeking to encourage Community forest enterprises (CFEs) to foster sustainable livelihoods in forest dependent communities. Therefore, creating enabling conditions for community-based groups and smallholders to invest in forest-related business, to produce and access legal and sustainable

timber, and engage in smallholder certification schemes, should be prioritized.

Myanmar also acknowledges that while efforts are currently undertaken on forest monitoring systems, involving people in near-real time monitoring and reporting system should be prioritized during the project. Finally, the emphasis has been put on collaboration among institutions for promoting data sharing in Myanmar. The project can develop a mechanism to improve collaboration and accessibility of data among institutions.



**Cross-border cooperation should consider not only a top-down strategy, but also a bottom-up approach building on customary leaders in communities located on the borders.**

Steve Daviau, SUFORD





# THAILAND

**Total Land Area  
(1,000 ha)**

51089

**Total Forest Area  
(1,000 ha)**

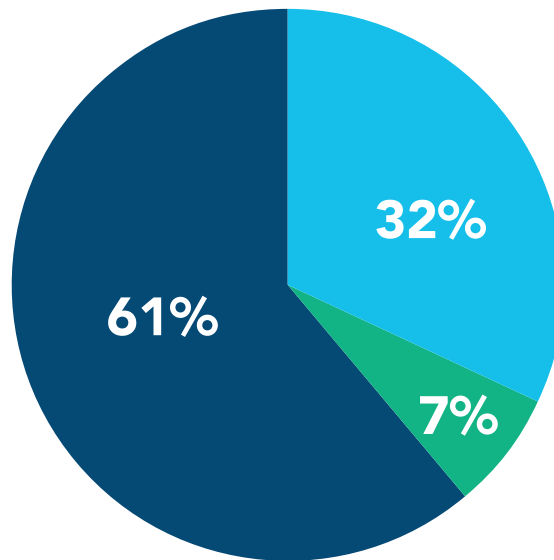
19873

**Natural forest  
cover (1,000 ha):**

16336

**Forest area as a  
proportion of total land**

38.90%



**Planted Forest  
(1,000 ha)**

3537.00

**Percentage of forest  
area certified**

0.57%

- Natural forest cover
- Planted forest
- Other land use type

Source: FAO, Global Forest Resources Assessments 2020

In Thailand, sustainable forest trade and sustainable forest management go hand in hand, and require many sectors to collaborate on monitoring forest data and improving forest governance, and on cross-boundary cooperation. National consultations have acknowledged the project's support in preparing Thailand for international cooperation within LMR, ASEAN, and at the global level.

Smallholder networks highlighted the need to promote a COVID-19 recovery through green investments in timber production, to track carbon credits and to create a benefit-sharing mechanism with forest communities. The private sector recommended improving regulations related to wood processing and valuable species trade on private land in order to improve legal timber supplies and promote sustainable forest trade. With regard to data sharing and near-real time monitoring, customised data for monitoring reforestation and commercial forests is a high priority as a driving force for local farmers and investors to plant more trees.

The main challenges for forest certification include compliance with certification standards, as operators have limited capacity and resources to understand and implement national and international standards requirements and guidelines. These need to be flexible enough to be adapted to a national context and across business operators.



**Robust and compulsory traceability is key to legality. Voluntary forest certification schemes should work with governments to improve the enabling environment for legal trade. Government can facilitate the recognition of forest certification schemes in national policies.**

Participant, Regional Partners Dialogue



## VIET NAM

**Total Land Area  
(1,000 ha)**

31007

**Total Forest Area  
(1,000 ha)**

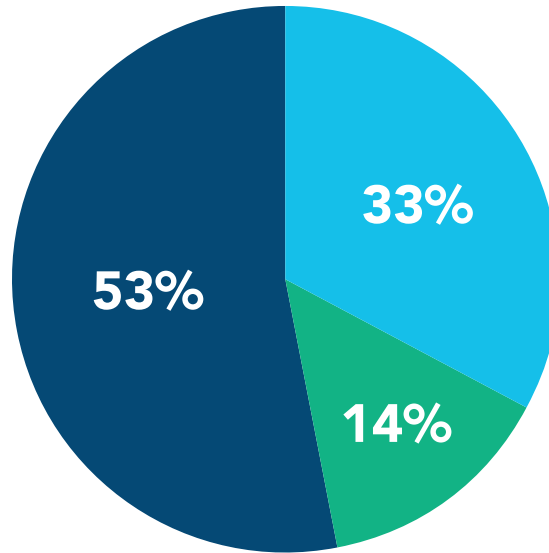
14643.09

**Natural forest  
cover (1,000 ha):**

10293.72

**Forest area as a  
proportion of total land**

47.23%



**Planted Forest  
(1,000 ha)**

4349.37

**Percentage of forest  
area certified**

1.47%

- Natural forest cover
- Planted forest
- Other land use type

Source: FAO, Global Forest Resources Assessments 2020

National consultations highlighted the importance of strengthening regional cooperation to address forestry law violations, advance sustainable forest management and increase forest monitoring. Viet Nam has existing cross-border collaboration mechanisms with Cambodia and Lao PDR, and identifies potential for formalizing cooperation mechanisms with the remaining regional countries.

The initiative is also expected to strengthen sustainable forest management, existing and emerging forest monitoring systems, social and environmental impact monitoring and support the expansion of voluntary forest certification schemes such as FSC and PEFC, alongside the development of the Timber Legality Assurance System (TLAS), an integral part of the Viet Nam – EU FLEGT Voluntary Partnership Agreement (VPA), which will ensure all timber and timber products for domestic and international markets are legal.

Another expectation is to build capacity across government/ non-governmental actors in sustainable forest management and certification, particularly for community-based groups, households, small and medium forest entities, and enable them to source wood sustainably and in compliance with existing regulations.



**Certification alone cannot address illegal logging. Sharing information between countries within LMR and beyond is crucial as part of the solution.**

Participant, Regional Partners Dialogue



# SFT-LMR PROJECT TEAM

Credit: Unsplash

The team coordinating the SFT-LMR initiative brings a richness of technical expertise and experience in forestry and forest management issues across countries and regions.



## Akiko Inoguchi

Overall project lead and project management  
Outcome 1 lead



## Emelyne Cheney

UNEP Project Management  
(Team lead)



## Mathieu Van Rijn

Outcome 3 lead



## Alexis Maxime Corblin

UNEP Project Coordinator



## Kristin DeValue

Project Monitoring and Gender lead  
Integrated land use expert



## Fon Gordian Fanzo

Outcome 2 lead  
Certification expert



## Alexandra Popescu

Communications expert



## George Scott

Finance expert



## Charlotte Hicks

Social and environmental management expert



## Josil Murray

Forest governance and trade expert



## Erica Pohnan

Forest governance and trade expert



## Sweet Mae Monteclaro

UNEP Project Admin and Finance



## Kemly Ouch

National Project Coordination  
Cambodia



## Npokrprawi Kridaratikorn

Project Administrator



## Khampasong Siharath

National Project Coordination  
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## Phokham Thavichith

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## Phyu Phyu Lwin

National Project Coordination  
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National Project Assistant Myanmar



## Jhongsathit Aungvitayatorn

National Project Coordination  
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## Metawee Jermkoh

National Project Assistant Thailand



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Credit: Unsplash

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