

Review of data and information on import and export of timber and timber products of Lao PDR

In October 2016, the European Union (EU) and the Lao People's Democratic Republic (PDR) proposed a joint assessment of the current situation in Laos to provide a baseline to jointly monitor and review progress through to the end of the Voluntary Partnership Agreement (VPA) process. The assessment work is to support a shared understanding of the context, challenges and potential ways forward for the VPA. Based on a scoping exercise that identified a number of focal areas, several priority assessments were agreed. This report focuses on one of these priorities, namely the review of data on import and export of timber and timber products.

This report contributes to an undertaking by the EU and Lao PDR to initiate joint assessments both to provide a baseline for and inform progress of the VPA process. Specifically, this report presents findings from a review and comparison of data and information on import and export of timber and timber products in Laos, and characterises the processes that apply to the management and use of such data. The report also contributes to improved understanding of the market context of the VPA, and the importance of reliable and timely information to support decision making – whether as part of a future Forest Law Enforcement, Governance and Trade (FLEGT) licensing scheme or current policy-making processes.

The report pays particular attention to the collection, sharing and reporting of data of timber products exported from Laos, particularly since the adoption of the Lao Prime Minister's Order on Enhancing Strictness on the Management and Inspection of Timber Exploitation, Timber Movement and Timber Business No. 15/PM dated 13 May 2016 (PMO 15), which aims to strengthen the Government's control over the production, processing and export of timber products.

About this executive summary

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Author: To Xuan Phuc

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In Laos, two agencies – the General Department of Customs (GDC) under the Ministry of Finance and two Departments under the Ministry of Industry and Commerce (MOIC) – are mandated to collect data related to the export of timber products. Furthermore, two other agencies – the Bank of Laos and the National Statistics Bureau (NSB) – are required to use import and export data to support various reporting and decision-making purposes. The different approaches used for collecting and cleaning data present various challenges and lead to data quality issues.

GDC is mandated to collect data on export and import of timber and timber products and has developed a database to this end. This data comes from exporting companies that enter data before export through an online declaration form. In principle, customs officers, at the border checkpoint where export takes place, ensure that the information provided by the exporters corresponds to the shipment. A review of the Customs' database shows that errors creep into the dataset. This can happen in three ways:

- Errors occur when exporting companies fill the customs declaration form with erroneous or incomplete information
- Customs officers miss some errors in the declaration form when checking at the time of export
- Customs officers and the exporting company detect the mistakes but do not correct the information properly or at all

Consequently, the Customs' database includes errors and inconsistencies. As a result, Government agencies are only able to use data on value of exports since data on quantities is unreliable.

The PMO 15 also mandates the Provincial Offices of Industry and Commerce (POICs) to collect data and information on the export of timber products. Companies intending to export timber provide this data and information to POICs when applying for an export permit. This data reflects the companies' anticipated export, which they may adjust at the time of export. Thus, data on actual export recorded by GDC can differ from that recorded by POICs.

Several international trade data repositories, such as the database of the Food and Agriculture Organization of the UN (FAOSTAT) and UN COMTRADE, also collate and report on the volume and value of timber and timber products exported and imported based on periodic reports of the exporting and importing countries. A comparison of data on timber and timber products exports from the Lao Customs with international datasets shows significant differences. For example, according to 2016 Customs' data, total log exports amounted to USD 6.16 million, while Laos' report to UN COMTRADE is USD 0.35 million. A comparison of export data from Laos to Vietnam also shows discrepancies. For example, according to Vietnam's customs department, the total 2016 value of imported sawnwood from Laos was USD 63.7 million, whereas the Lao Customs reported some USD 8.6 million.

In Laos, there are two official mechanisms for sharing trade data among Government agencies: external data sharing where data is shared across ministries; and internal sharing, where Government agencies at different levels within a ministry share data with each other. Both are in play in the case of data on timber export and import, however, there are challenges with both mechanisms.

Lao GDC is mandated to share customs data on timber export and import with MOIC, the Bank of Laos and NSB. However, access to the data differs among these agencies. MOIC and the Bank of Laos receive the entire dataset from GDC, while NSB receives a partial dataset.

MOIC receives export data collected by POICs and aggregates it at the national level. However, as not all 18 POICs follow the Ministry's guidelines on data collection and submission, the dataset collected by POICs and aggregated at the national level is inconsistent and incomplete.

Export data obtained from different sources in Laos is used by Government agencies for internal purposes. Specifically, Customs' data with its errors and inconsistencies is processed and used by MOIC, the Bank of Laos and NSB. Data cleaning and processing by each agency may produce different results and lead to variations in their reports on the timber export situation. This in turn may cause confusion and present a sub-optimal basis for decision making.

The challenges identified in this assessment largely relate to collecting import and export data in Laos and ensuring its quality, and addressing discrepancies between Laos' export data and its trading partners' import data, as well as with global repositories' data. Such challenges are not insurmountable. Furthermore, they are not peculiar to Laos and experience-based solutions should be available.

Recommended actions to improve the quality of customs data include:

- Examining the records of Customs' database to identify common mistakes. Based on this examination, clear guidance should be developed for exporting and importing companies aimed at improving the quality and accuracy of the data they enter in the online declaration form
- Organising training for exporting companies to ensure they understand and can apply the guidance
- Developing online tools, such as an interactive platform or a simple 'living' Q&A document, to quickly address exporters' inquiries
- Developing an internal data control mechanism (potentially through new or enhanced software) to periodically check records in the database and implement prompt corrective actions
- Establishing a working group to address cleaning of data before sharing or reporting to ensure that only a common agreed dataset is used as a basis for the reporting purposes of different agencies

Recommended actions to improve the quality and consistency of export data include:

- MOIC ensuring that all POICs strictly follow the Ministry's instructions regarding data collection and reporting, including requirements for exporting companies to report all differences between their anticipated and actual exports
- POICs and GDC collaborating to improve the quality of the export data by comparing monthly or quarterly export data

Recommended actions to mitigate discrepancies between Laos' data and that of trading partners and global repositories include:

- Ensuring the same level of detail when completing the standardised Customs Declaration Document of the Association of Southeast Asian Nations, so that comparable datasets are available between trading partners (uch as including fields for species' names, border checkpoints, etc.)
- Exploring customs collaboration with trading partner countries (in particular China, Thailand and Vietnam – the three major importers of timber products from Laos). This collaboration would aim to share trade data periodically to identify discrepancies to inform internal checks and policy discussions, and potentially to take joint/cross-border actions to address smuggling.

About the EU FLEGT Facility

The EU FLEGT Facility supports the European Union, its Member States and partner countries in implementing the EU FLEGT Action Plan. The European Forest Institute has hosted the Facility since 2007. The Facility has its headquarters in Barcelona, Spain, with additional offices in Brussels, Belgium; Joensuu, Finland; and Kuala Lumpur, Malaysia.

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