



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Ministry of Industry and Commerce

No. 1726/MoIC
Vientiane Capital, date 23 August 2012

Regulations on
the Sale and Purchase of Timber

- Based on the Order no. 17/PM, dated 22/09/2012 on the enhancement of forestry management, protection, and coordination in the management of forestry and wood business;
- Based on the Decision no. 32/PM, dated 06 March 2012 regarding the endorsement of a motion of the meeting on Forest Management, Forest Inspection and Wood business held on 25 – 26 January 2012;
- Based on the Notice no. 1180/MoIC..., dated 19 June 2012 regarding the translating of Decision of the Prime Minister no. 32/PM regarding the endorsement of a motion of the meeting on Forest Management, Forest Inspection and Wood business held on 25 – 26 January 2012;

In order to continue translating a motion of the meeting into practice aiming at promoting the management of wood business to be strong, comprehensive, ensuring that both domestic and foreign investors as well as the government have maximum benefits from business operations in this sector.

Ministry of Industry and Commerce issues the following regulations
on the Sale and Purchase of Timber:

I. Conditions and obligations on the Sale – Purchase of Timber

1. Conditions of the Bidders on purchasing timbers
 - 1.1 wood processing factory/company located in Lao PDR and in foreign countries that holds Enterprise License for conducting the wood processing and production activities according to the regulations and laws of Lao PDR or the countries concerned which is certified by relevant agencies or the Embassy of such individuals;
 - 1.2 In case of purchasing of timber from the Sustainable Management Forest as per the Forest Stewardship Council or FSC, it shall be the wood processing factory with CoC Certificate.
 - 1.3 Holds Bank Statement issued by the Bank;
 - 1.4 Bidders residing in Lao PDR shall have the following additional conditions:
 - Be a member of the Lao National Association of Industrial Wood Processing or Lao Furniture Association;

- it shall have clear record on business operation and never owed the log royalty of the government; never be subject to legal action, accused or fined due to violation of forestry regulations and other laws;

2. Purchasing of Timbers harvested from areas of the development projects

Conditions of the bidders for the purchasing of timbers harvested from the areas of the development projects shall follow the conditions described in Section I.1 of this Regulation. Bidding of timbers harvested from the areas of the development projects, the Committee for supervision and management of timber harvest in such areas shall be responsible for the implementation of sale and purchase.

3. Obligations of the Purchasers

3.1 the purchaser shall make advance payment of 10% guarantee of the contract within 5 working days after signing of the Timber Sale and Purchase contract, through the transfer of money into national treasury office via the following accounts:

No.	Names of the Stated owned commercial banks	A/C in Lao KIP	A/C in US\$	A/C in Thai Baht
1	Lao Development Bank (LDB)	0302 000 100000005	0302001 100000006	0302002 100000004
2	BCEL	010.5.11.00.24682	010.7.11.01.19162	010.8.11.02.08214
3	Agricultural Promotion Bank (APB)	0402.00.2121300.19.00000003	0402.01.2121300.19.00000002	0402.022.21300.19.00000002

3.2 the purchaser shall transfer remainder amount of 100% within 15 working days, after the date of receiving the pricelist of log royalties provided by the department of industry and commerce , and transfer such amount into the National Treasury Office via the following accounts:

No.	Names of the Stated owned commercial banks	A/C in Lao KIP	A/C in US\$	A/C in Thai Baht
1	Lao Development Bank (LDB)	03020001 00000013	030200 1100000007	0302002100000006
2	BCEL	010.8.11.00.23927	2010.4.11.01.00105	010.1.11.02.00017
3	Agricultural Promotion Bank (APB)	0402.00.2121300.1900000002	0402.01.2121300.1900000001	0402.02.2121300.19.00000001

3.3 If the purchaser failed to make the payment within 15 days after receiving of pricelist of log royalties, it shall be fined 20% of the remainder payment and extend the duration of another 5 working days. And if it is over such duration, it can be considered as the purchaser has intentionally violated the contract and that the seller can revoke the contract and the advance payment for contract guarantee shall be unconditionally seized to belong to the government.

3.4 The purchaser can make its payment for the log royalties in Lao KIP according the exchange rate of the Bank of Laos in date of the payment for such timber sale.

4. Obligations of the Sellers

The sellers comprise of the committee for timber sale bidding come from 3 sectors such as Agriculture and Forestry, Industry and Commerce, and the Finance of the provincial level and Vientiane Capital, which represent the government in the timber sale bidding based on their roles defined as follows:

4.1 Agriculture and Forestry

- Manage and monitor the timber harvest activities;
- In case of the sale of standing trees with plans to harvest from the Sustainable Management Production Forest as per the standard of FSC, such log list and relevant documents shall be given to the Department of Industry and Commerce in order to proceed with arranging the bidding of sale and purchase on a timely basis;
- Measure, accounting and grading of timbers at landing II and then hand over the log list to the Industry and Commerce sector, and together inspect the log list and officially check the actual timbers;
- Stamp the forestry stamp to release the timbers.

4.2 Industry and Commerce

- Receive the log list of standing trees and other relevant documents from the Agriculture and Forestry sector in order to proceed with bidding arrangement;
- Check the account and receive the actual timbers at landing II;
- Take the leading roles in arranging the bidding on sale and purchase of timbers;
- Arrangement of timber sale and purchase contract with the purchaser;
- Make calculation on the log royalties according to the accounts, categories, species and quantity of the timbers.

4.3 Finance

- Register the timber sale and purchase contract;
- Receive and monitor timber payment of royalties from the purchaser.

II. Procedures and methods on bidding of timber sale -Purchase

1. Procedures of the Bidding:

There are two procedures on the timber sale – purchase bidding:

1.1 Procedure 1: Arrangement of bidding, the Department of Industry and Commerce shall take leading roles in arranging the bidding, defining the standard and criteria of the bidders, announce the price, quantities, categories, and species of the timber at landing II (in case of

the log) or the standing trees that could be cut for sale at each points, defining the date, time and venue of the bidding, inviting for bidding and others.

1.2 Procedure 2: the submission of bidding documents of the purchaser. The eligible and qualified purchaser as specified in the Bidding Invitation, the bidders shall submit their bidding documents (bidding envelopes) to the bidding committee of timber sale and purchaser on the date, time and venue provided, so that the bidding committee can assess the eligible and qualified bidders that have conditions and capacity, and those submitted the first 5 highest bids in order to invite such bidders for the bidding on timber sale –purchase accordingly.

2. Methods of the Timber sale – purchase bidding

The bidding on timber sale-purchase is the bidding for the surplus values based on the log list, and that could be conducted in two different ways such as: in the presence of the bidders and submission of bidding documents/envelops, the either way could be selected for implementation:

2.1 Bidding in the presence of the bidders: the bidders could offer their bids directly in the bidding venue basing on the initial offered bids in envelopes, for this round of bidding. The initial offered bids shall be announced by the bidding committee chair person. The bidding in the presence of the bidders shall continue until there is no other higher offer. The highest offered bid shall be considered as the winning bidder.

2.2 Bidding by submitting the bid documents: the invited bidders shall submit their bids by putting their bid prices into envelopes and hand them to the bidding committee to open and read out the prices in front of all bidders. The price shall refer to the highest price offered in the initial bidding envelop as a basis for this round of bidding in which the chairperson of the bidding committee will announce the bidding price. The highest offered bid shall be considered as the winning bidder.

III. Procedures on contract arrangement and payment of log royalties

1. Procedure on contract arrangement

Upon completion of bidding, within 5 working days the winning bidder shall be present in order to sign the timber sale –purchase contract with the Department of Industry and Commerce at provincial level and Vientiane Capital. And then register such contract with the Department of Finance. Later, the purchaser shall deliver such contract to the Department of Agriculture and Forestry, Department of Industry and Commerce, and Department of Finance 1 copy each for their acknowledgement and uniform in managing and monitoring the implementation.

2. Procedure on Payment of Log Royalties

2.1 In case of the sale in logs at landing II:

After signing the contract, the Department of Industry and Commerce shall make the calculation of log royalties basing on the agreed price of sale, species, categories and quantities provided in the log list. And then immediately inform the purchaser to process the

payment, as well as sending the delivery note of such calculation of log royalties to the Department of Finance in order to monitor the payment referring to the duration defined in section 3.1 and 3.2 of this Regulation. The purchaser shall make 100% payment for the log royalties as per the calculation of log royalties to the Department of Finance and send a copy to the Department of Agriculture and Forestry, and the Department of Industry and Commerce for acknowledgement and monitoring the implementation.

2.2 In the case of the sale of standing trees (timbers harvested from the sustainable forest management of production forest as per the standard of FSC)

After the winning bidder entered into the contract with the Department of Industry and Commerce, the purchaser shall make advance payment of 10% of the total values for contract guarantee as defined in section 3.1 of this Regulation. Once the harvested timbers have been transported to the landing II, the Department of Agriculture and Forestry shall do the measurement, grading and accounting of the log list, and hand it to the Department of Industry and Commerce to make calculation of log royalties according to the price agreed in the timber sale – purchase contract per its species, categories and quantities provided in the log list. And then immediately inform the purchaser to process the payment, as well as sending the delivery note of such calculation of log royalties to the Department of Finance in order to monitor the payment referring to the duration defined in section 3.2 of this Regulation. The purchaser shall make 100% payment for the log royalties as per the calculation of log royalties to the Department of Finance and send a copy to the Department of Agriculture and Forestry, and the Department of Industry and Commerce for acknowledgement and monitoring the implementation.

IV. Implementation

1. The timbers sold – purchased according to the contract, shall comply with the timber harvest plan approved by the government for each fiscal year and in case that the harvest could not be complete it shall be revoked and absolutely not authorized to be implemented in the coming year.
2. Any sale and purchase of timber other than regulations on sale and purchase of timber shall be subject to written authorization by the MoIC.
3. This Regulation on sale and purchase of timber is effective from the signing date and shall replace the Regulation no. 1863/MoIC..., dated 5/11/2008.

Minister
Ministry of Industry and Commerce

[Signed and Sealed Dr. Nam Vi Nhaket