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ANNEX I

to the Commission Implementing Decision on the financing of the annual action plan in favour of Lao People's Democratic Republic for 2023

Action Document for “Team Europe Partnership with Lao PDR to increase sustainable and inclusive trade, investment and connectivity in the agriculture and forestry sectors (TICAF)”

ANNUAL PLAN

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	<p>“Team Europe Partnership with Lao PDR to increase sustainable and inclusive trade, investment and connectivity in the agriculture and forestry sectors (TICAF)”</p> <p>OPSYS number: ACT-61618</p> <p>Financed under the Neighbourhood, Development and International Cooperation Instrument (<u>NDICI-Global Europe</u>).</p>
2. Team Europe Initiative	Yes, Contribution to the Green TEI for the Lao PDR
3. Zone benefiting from the action	The action shall be carried out in the Lao PDR
4. Programming document	2021-2027 Multiannual Indicative Programme (MIP) for Lao PDR ¹
5. Link with relevant MIP(s) objectives / expected results	<p>MIP Specific Objectives:</p> <p>SO-1: To promote sustainable, climate-resilient, nutrition sensitive, competitive agriculture, while preserving the interests of the smallholders; and to foster rural development through improved rural infrastructure</p> <p>SO-2: To ensure that natural resources are effectively, equitably and sustainably administered through accountable and transparent public institutions for the benefit of the whole people of the Lao PDR and, in particular, rural and poor communities and their natural environment</p> <p>SO-3: To contribute to improving business climate, fostering sustainable and responsible private investment, and increasing exports</p> <p>MIP Expected Result(s):</p> <p>ER-1: Enhanced sustainable and climate-resilient agricultural practices</p> <p>ER-2: Improved inclusive agriculture and nutrition sensitive agriculture</p>

^{1 1} C(2021) 9087 of 14.12.2021.

	<p>ER-3: Improved competitiveness, quality and added-value of agriculture products</p> <p>ER-4: Improved climate-resilient rural infrastructure (including roads and access to safe water)</p> <p>ER-2.1: Forest areas and their biodiversity, as well as protected areas, are efficiently, effectively, and transparently managed as a cornerstone of the Lao PDR's green economy, sustainably and equitably delivering ecosystem services to the people of the Lao PDR</p> <p>ER-2.2: Land resources are efficiently, effectively, and transparently managed as a key asset of the people of the Lao PDR and the foundation of pro-poor sustainable development</p> <p>ER-2.4: The Lao PDR is enabled to effectively contribute to climate change mitigation and substantively benefit from carbon financing through robust, accountable and credible institutions, supported by policies and procedures consistent with international best practice</p> <p>ER-3.1: Expanded and diversified markets for Lao exports</p> <p>ER-3.2: Improved business climate and facilitated access to finance for small and medium sized enterprises</p> <p>ER-3.3: Decent work opportunities promoted for all</p>
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	<p>Priority Area 1 of the Team Europe Strategy (TES) 2021-2025 for Lao PDR: Green and Inclusive Economy; focal sectors: 310 – Sustainable Agriculture & food value chains, 410 - Forestry & biodiversity, 250 - Trade & Private Sector Development</p> <p>Part of the Green Team Europe Initiative (TEI), with two main pillars: Phakhao Lao (Lao concept for “Farm to Fork”) and Forest Partnership</p>
7. Sustainable Development Goals (SDGs)	<p>Main SDG:</p> <p>Forestry: SDG 15 - Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p> <p>Other significant SDGs:</p> <p>Agriculture: SDG 2 - End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p> <p>Climate Action – SDG 13</p> <p>MSMEs: SDG 17 - Strengthen the means of implementation and revitalize the global partnership for sustainable development</p> <p>Gender Equality: SDG 5</p> <p>Peace, Justice and Strong institutions: SDG 16</p>
8 a) DAC code(s)	<p>Climate – 13.1/13.3 & 41010</p> <p>Agriculture: - 310/ 311 & 43040 & 43072.</p> <p>Natural Resources and Environment - 410 - 310/ 312- 14040</p> <p>Private Sector Development, Trade and Tourism - 250- 330- 332</p>
8 b) Main Delivery Channel	Third country government (delegated co-operation) – 13000

9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11. Internal markers and Tags	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @ digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Connectivity @ transport people2people energy digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

	Migration @ (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities (methodology for marker and tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): 14.020131 South and East Asia Total estimated cost: EUR 35 650 000 Total amount of EU budget contribution is EUR 20 000 000 This action is jointly co-financed by: - France for an amount of EUR 4.65 million - Germany (German Federal Ministry for Economic Cooperation and Development - BMZ) for an amount up to EUR 11 million			
MANAGEMENT AND IMPLEMENTATION				
14. Type of financing	Indirect management with Agence Francaise de Développement (AFD) Indirect management with the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)			

1.2 Summary of the Action

This Action is part of the Team Europe Partnership with Lao PDR to increase sustainable and inclusive trade, investment and connectivity in the agriculture and forestry sectors (TICAF), which is the **flagship programme under the Green TEI** for Lao PDR, with **contributions** from the EU, DE, FR, European Financial Institutions, supporting the broader EU **Green Deal**², the **Indo-Pacific Strategy** (2021)³ and the **Global Gateway Strategy** (2022)⁴. . The action intends to support **Lao PDR's Green Growth Strategy**, by contributing to a **greener, sustainable and more inclusive growth through increased domestic production, processing, exports, national revenue, and decent job creation in the coffee, tea and forest-based value chains**. This will be achieved by **improving governance** in the 2 pillars of the green TEI i.e. agriculture value chains, and forestry partnerships, through **policy dialogue, private sector partnerships, sharing of knowledge and expertise, capacity building and technical assistance support** in each of the sectors. EU will play a prominent role, in particular to foster **policy dialogue** in relation to ensuring deforestation-free commodities, responsible investment, climate-resilient approaches, and environment and labour standards. TICAF will not only drive the design and adoption of policies and legislation, but also provide support for their implementation. It will combine national, provincial and district level approaches. Each component will support the sector-strategy: National Forest Strategy 2035 (in drafting process, to be adopted in 2023) and the Agriculture Development Strategy to the year 2025 and vision to the year 2030. The action is also aligned and will contribute to the commitments taken by the Lao PDR in its Nationally Determined Contribution and Disaster Risk Reduction strategy.

Therefore, the TICAF intervention structure aligns with the national architecture. The TICAF is composed of four components, two of which this Action contributes to: **1) Targeted support to sustainable rural development through better governance in the agriculture sector and the coffee and tea value chains**; and **2) Targeted support to enhance forestry governance and sustainable forest conservation and production throughout forest-based value**

² https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

³ [European Commission. 2021. The EU strategy for cooperation in the Indo-Pacific. 16 September.](#)

⁴ [European Commission. 2021. The Global Gateway. 1 December](#)

chains. The two other components relating to **fostering responsible private investment in agriculture and forestry and to improving trade and transport connectivity** with EFIs, are currently being identified, and separate funding has been reserved in the 2021-2024 Multi-annual Indicative Programme for Lao PDR to that effect. The support to private sector investment will be provided through a **guarantee** from an EU Financing Institution providing loan(s) to private sector development in green sectors in Laos (selected through EFSD+ call for proposal). The support to connectivity is expected to contribute, **through an EFSD+ blending operation**, to the Southeast Asia Regional Economic Corridor and Connectivity (SEARECC) programme led by the World Bank for road rehabilitation in Lao PDR. It is complemented by the KfW-led rural road programmes 3 & 4 with targeted intervention in the north and central Lao PDR. A comprehensive action plan covering all EFSD+ budgetary guarantees and the financing decision for the entire annual commitment under the EFSD+ budget line will be adopted separately.

TICAF will also benefit from EU-funded support to Technical and Vocational Education and Training (TVET) in agriculture and forestry, decided as part of the Annual Action Plan 2022 in support of Lao PDR (AAP 2022), that is considered as an enabler.

Synergies/coordination between parts of or the whole of this action will be sought with actions at regional level, including the Green and Sustainable Connectivity Global Gateway Team Europe Initiatives for ASEAN, as appropriate.

2 RATIONALE

2.1 Context

Agriculture and Forestry: Agriculture is a pillar of the national economy, accounting for more than 25% of the gross domestic product (GDP) for the Lao People's Democratic Republic (Lao PDR). Still today more than 70% of the population works in the agricultural sector. Forests and respective forest-based value chains are interlinked with agriculture and contribute significantly to rural livelihoods. The agricultural sector has been feminised for decades, with women comprising just over 50% of the population economically active in agriculture. Women slightly outnumber men in the agriculture, forestry, and fishing workforce: 51.3% of the work force are women, compared to 48.7% men. However, this high level of women's involvement is not a reliable indicator of women's empowerment in agriculture. Also, the majority of child labourers (90%) work in agriculture, forestry or fishing. Out of the working children engaged in the agriculture sector, 55% are girls and 45% are boys, mirroring the overall child workforce gender demographics (FAO 2018, Country Gender Assessment of Agriculture and the rural sector in the Lao PDR).

Coffee sector. In this context, Coffee is one of the main Lao agricultural exports generating substantial cash income to farmers. The coffee is mainly exported to European Union, Vietnam, Japan, China, Korea, USA, others. Coffee cultivation is spreading in the northern regions including forest land. There are differences in the choice of permanent crops, with female-headed households growing the most coffee (29% of households – FAO, 2018). The coffee sector supports more than 20,000 producers and employs more than 300,000 people. Tea could have the same positive impacts if properly promoted. Lao PDR produces two main types of coffee: Robusta and Arabica. The Bolaven Plateau in the South is the historical and main coffee-producing area, representing 95% of the national production. National production is estimated at 33,000 tons of coffee cherries per year. In recent years, coffee cultivation has spread in the northern regions of the country. After several years of low coffee prices, the price is now conducive for farmers to engage in that cultivation. There is a promising market opportunity for the Lao coffee sector, as the local and regional demand for coffee are increasing. Moreover, the global demand for high-grade specialty coffee and/or “sustainable” coffee is rising fast. This importance of quality production is clearly recognized and pushed forward by the Lao government and the Lao coffee strategy. Producer organizations, organic certification and fair trade certification are also important lever to improve significantly the profitability for smallholder coffee producers, as successfully demonstrated by the Coffee Producers' Cooperative (CPC) experience on Bolaven plateau area, with a long and continuous support from AFD. To mitigate the risk of increased pressure on natural resources, the project will privilege promoting renewal of old plantations or the use of already degraded land rather than opening new areas, in line with the new EU Deforestation Regulation.

Tea sector. In 2016 according to the Lao Statistics Bureau, approximately 4,200 ha of tea was harvested in Phongsaly, Oudomxay, Huaphanh, Luang Prabang and Champasak provinces with a production of 7,300 of fresh

leaves. Phongsaly represents 75% of the total production of the country. Tea production is reliant on rural tea communities, the majority of which are ethnic minorities and many women are involved in the sector. The Lao tea Sector has significant potential to grow and contribute further to the development of the local economy. Yet to-date, the sector has been unable to fully capitalize on these comparative advantages. Tea from Northern Lao PDR is recognized for its quality and unique varieties, and has therefore been identified by the Lao government as a niche crop with high potential to promote local and inclusive economic growth in the country. The Lao government and its partners have been promoting higher value and better quality tea, which lead to the registration of two geographical indications for tea in Lao PDR (Paksong tea and Komaen tea), while contributing to land restoration.

Forestry. Forests cover 14.7 million ha (62%) of the land area. The Lao PDR has lost 1.4 million ha (8.6%) of natural forests since 1990. The main cause for deforestation is conversion of forests to subsistence and commercial agriculture, mainly done in form of shifting cultivation, which represents about 80% of deforestation. In addition, forests have been degraded due to shortened rotation circles in shifting cultivation and illegal/unsustainable logging practices. The past economic development in the Lao PDR was greatly dependent on the exploitation of natural forests. In the 1990's, forestry contributed almost 10% to the GDP and log exports from natural forests represented one third of the country's export earnings. Over the past decade, however, the forest sector contribution to the GDP decreased to 3 to 4%, due to forest degradation, the logging ban to protect natural forests, and growth in other sectors. Total wood production in 2021 was estimated at 7.1 million m³, 80% of which was fuelwood and the remaining 20% industrial wood, sourced mostly from plantations. This is far from supplying locally based industry. The engagement of Lao authorities in the Forest Law Enforcement, Governance, and Trade (FLEGT) Voluntary Partnership Agreement (VPA) with the EU is an opportunity to improve forest governance, and includes the development of a national Timber Legality Assurance System, that needs to be finalised and implemented. Forests are still critical for the poverty-stricken rural population representing two-thirds of the Lao population. They provide fuelwood (80% of rural energy consumption), food, fibres, and medicine. Non-timber forest products (NTFPs) from natural forests and plantations contribute significantly to rural populations' income. Forests are also critical for adaptation to climate change and disaster risk reduction, as well as for fresh water management and watersheds, hydropower being the country's most important energy source. There is an opportunity to develop sustainable forest-based value chains and, at the same time, restore and conserve natural forests and benefit local communities. Smallholders can be engaged in development of planted forests and restoration of the natural forests providing positive impacts for biodiversity conservation and ecological benefits at the landscape level; MSMEs can scale up with better access to markets and larger companies can partner with smallholders and MSMEs. This development path requires better governance, improvement of skills and capacities, new products, and applications, as well as appropriate financing.

Food & Nutrition Security: While poverty had declined significantly in the pre-Covid-19 period, the country is now facing the cumulative effects of the pandemic and international inflationary pressures. As a result, malnutrition remains a serious public concern reflecting, among other factors, low dietary diversity. In fact, approximately 60% of household diets consist of rice, mostly glutinous and consume limited sources of other nutrients to fulfil normal requirements (FAO, 2021). In 2017, 33% of children under five were stunted (JME, 2017), and only 36% of children under 2 years reached the Minimum Dietary Diversity (UNICEF, 2017). In addition, 40% of women of reproductive age suffered of anaemia and only 32% reached the Minimum Dietary Diversity (NNSPA, 2020). Although a range of nutritious foods are available, household access to such foods is changing due to decreasing access to land and forests, and shifts in agricultural production towards export crops, and loss of biodiversity. This situation is combined with an increased vulnerability of local communities to climate and other natural hazard risks. In addition, high inflation is eroding the purchasing power of households. In 2022 food price inflation reached 39 %. Two-thirds of households have cut spending on health and education, reduced food consumption, switched to cheaper food options or foraging. These coping strategies are deemed detrimental to long-term human capital development.

Private sector investment, market access and trade facilitation. EU trade with Lao PDR is very modest in comparison to our trade with neighbouring ASEAN countries (the EU is the 4th largest trading partner to Lao PDR). According to ITC studies and considering European partners' interest to increase trade and investment with Laos, there is significant potential for growth especially in the areas of coffee and wood-processing. Many communities – and particularly women – are not equipped to negotiate fair agreements and terms with investors (FAO, 2018). The Team Europe partners in Lao PDR have vowed to promote high-quality and responsible investments via the Global Gateway which contribute to diversifying the productive sectors, improving trade connectivity, creating decent jobs, and fostering sustainable and inclusive growth. Lao PDR is a relatively small coffee exporter, ranking 31st in the world in 2020 (ICO), with an overall approx. 36,000 tons were exported in 2020⁵. The EU-27 market represented 13% of the export value in 2021 while 53% went to Vietnam. Coffee exports to the EU represent EUR 32 Million during 2021 and is expected to grow (Eurostat). Importantly, among the 7 commodities targeted by the new EU regulation to prevent deforestation⁶, coffee represents 99.4% of EU imports from Lao PDR. Coffee is mainly produced by smallholder farmers owning less than 3.5 ha of land and generally selling their coffee cherries through local collectors who bring it to other collectors and processors. Regarding wood, legal supply of domestic logs is insufficient to cover the demand. There is on-going support to establish a Timber Legality Assurance System, with view to medium to long term export. The Lao PDR's Forest Strategy 2035 plans to boost Forestry business including plantation. A few European Investors are involved in coffee and wood production and processing. A main impediment to trade remains the road transport infrastructure within Lao PDR, the wider region and its neighbours as well as cumbersome and lengthy cross-border customs procedures. The often bad condition of transport infrastructure leads to high costs for vehicle maintenance and remains a barrier to the economic development of remote rural areas.

Under the Team Europe Strategy (TES) 2021-2025 in the Lao PDR, the EU made it a top priority objective to strengthen its trade, economic and investment partnership with the Lao PDR, especially focusing on quality investment, which contributes to sustainable, green and inclusive growth and jobs in line with the objectives of the Global Gateway strategy. In addition under the Green TEI, the EU and its Members States intend to support Lao PDR's Green Growth Strategy, by contributing to a greener, sustainable and more inclusive growth through increased domestic production, processing, exports, national revenue, and decent job creation in the coffee, tea and wood value chains. This will be achieved by improving governance in the 2 pillars of the green TEI i.e. agriculture and forest-based value chains, and forestry partnerships, through policy dialogue, private sector partnerships, sharing of knowledge and expertise, capacity building and technical assistance support in each of the sectors. This will also build on Technical and Vocational Education and Training (TVET) in green sectors, decided as part of the AAP 2022. The added value of the EU to the AFD and GIZ initiatives consists in providing additional attention to nutrition and intercropping, promotion of linkages to markets, support to small equipment and infrastructure to enable the transformation processes. The Action is aligned with the Gender Action Plan III 2021-2025 (GAP III), in particular to the thematic areas of engagement “Promoting economic and social rights and empowering girls and women”.

2.2 Problem Analysis

Short problem analysis:

The Lao PDR is highly vulnerable to climate change. Agriculture is the main driver for deforestation and biodiversity loss that increases the vulnerability of local communities to climate and other natural hazard risks. Food production and non-timber forest products (NTFPs) have been important sources of food for households since 84% of rice and 64% of vegetables consumed come from production and 62% of animal protein from NTFPs. However, the access to these foods is threatened by decreasing access to land and forests, the shift in agricultural production towards export crops and the loss of biodiversity. Basic commodity prices have been rising every month since the second quarter of 2022, with inflation reaching 47% on food products in January 2023. As a consequence, 14% of Laotian households were food insecure, particularly in rural areas (17% vs. 9% in urban areas). In this context, by contributing to forest and soil restoration alongside income generation the project aims to strengthen resilience and sustainable livelihood opportunities which, in turn, could contribute to better nutritional outcomes, and hence give impetus to socio-economic development of the nation.

⁵ ITC 2021

⁶ Eurostat data - ARES (2022)5046369

The development of the coffee and tea sectors is rather young and small-scale in terms of quantity and quality despite the long history of having coffee and tea production in Lao PDR.

The coffee sector still faces many important challenges:

- Despite recent recognition of quality and increasing demand, Lao coffee is still exported at a discount (around 8-11 cents / lbs) to world markets.
- Low prices make it difficult for smallholder farmers to turn coffee into a profitable business, but high coffee prices from 2022 have greatly improved this situation.
- There is a need to increase competitiveness, including low farm-level productivity and underperformance of specialty coffee, the unreliability of some operators, as well as compliance with international quality standards in order to improve Lao coffee's reputation.
- The country is not represented in the International Coffee Organization (ICO), and the "Conseil National du Café Lao or the Lao Coffee Board" (CNCL), an inter-ministerial steering committee established in 2010, which is not functioning well.
- Traders and exporters also face difficulties, including weak capacity to gather and exploit business-relevant information and knowledge, high transportation costs, issues related to market access, and limited sector organisation. The Coffee production in the North is rather small and it is critical to have well-structured farmers groups linked with fair-trade operators.
- Finally, the coffee sector suffers from weak capacity for research and innovation, and for commercialisation, limited use of voluntary sustainability standards, challenging business environment, issues related to sustainability and inclusiveness, and barriers to digitalisation and e-commerce use.

With regard to the tea sector, the main challenges relate to:

- The threats on ancient and forest tea resources;
- The need to develop equitable and mutually beneficial relationships between producers, processors and traders, in order to make a positive impact to livelihoods;
- The insufficient official recognition of quality products; and
- The fluctuation of incomes during the year, given that during the longer and lower-value wet season period, there is much less demand, and tea producers are often unable to find a buyer (in most tea production areas, there is a high level of competition amongst buyers to purchase the higher quality and value spring pick, with multiple local and Chinese traders entering to buy tea at that time of the year).
- The tea production is impacted by the climate change phenomena such as flooding, draughts, and global warming. The application of the agro-ecology approach is foreseen by diversifying production, intercropping tea with other tree crops to minimise the issues.

In the Forestry sector, the development of sustainable forest-based value chains faces several challenges, such as:

- Deforestation, forest degradation and loss of biodiversity continue, despite the Nationally Determined Contribution (NDC) commitment to increase the country's forest cover up to 70% has been agreed, as encroachment into forest for settlement and agriculture persist, as well as infrastructure development and mining operation;
- The remaining natural forests have only little timber volumes left of economic value. National efforts concentrate on the development of planted forests to satisfy future wood demand;
- Biodiversity conservation is left unmentioned in the national goal of increasing the forest cover; and criteria and mechanisms for inclusion of local communities are unclear;
- The legal framework and forest governance are weak and leave room for conflicts between forestry investors and villagers in the process of land identification;
- Financial gap of public implementation structures, especially for field activities (incl. DOF., PAFO);
- Capacities are weak to make use of existing forest resources (e.g. teak and rubber plantations), especially at local administrative levels and overall, in the value chains that are based on plantation forestry;
- NTPFs such as bamboo and others contribute significantly to local livelihoods, but are not sustainably used and often overexploited;
- Information systems are not serving the market participants around the value chains; and the absence of quality and other standards (e.g. environmental, social, governance, (ESG)) hinders the development of value chains with fair benefit-sharing;

- Smallholders or SMEs are not well organised and have limited knowledge about market opportunities and access to finance.

While substantial debate surrounds rural transformations and the changes in small holder farming, women's future role in agriculture has tended to be overlooked. As opportunities open up in other sectors – tourism, construction, services and industry – men are moving out of agriculture, yet the changing and expanding roles of the women who stay behind are not yet well understood. There is a need for more gender-responsive initiatives focused on empowering women to be meaningfully involved in contract negotiations, through engagement both with local authorities and private-sector actors, and to ensure that women's benefits are specifically mentioned in local-level agreements. Unless women are directly targeted for information dissemination and solicited for their opinions by investors and government, they face barriers in obtaining relevant information on projects thus their voices will be underrepresented (FAO, 2018).

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

- 1) The Ministry of Agriculture and Forestry (MAF), at all levels, including the Division for the Advancement of Women (DAW) as well as the newly established Division of Nutrition and Processing: MAF will coordinate with and facilitate all other ministries and stakeholders in the execution of the outputs 1&2 of the action. The Department of Agriculture, which has the mandate in coffee and tea sectors, would be the main government institution involved in the action related to agriculture production including the certification of the agriculture products for export. The Department of Forestry and the Department of Forestry Inspection cover all aspects of the forestry sector.
- 2) The Ministry of Health, notably the Centre for Communication and Education for Health (CCEH) and the Centre for Nutrition will plan and be part of the implementation of Social Behavioural Change Communication efforts for nutrition in reference to outputs 1&2.
- 3) The Ministry of Industry and Commerce (MOIC), the Chambers of Commerce and private sector representatives. MOIC can provide support to MAF in monitoring wood and non-wood products because of previous experience. It can also provide guidelines for export. Within private sector SMEs and larger companies have to cooperate with smallholders to establish fair business relationship in line with a “do no harm approach” and minimum standards and ensure sustainable sourcing. In the forest sector, SMEs need capacities and finance to invest in new technologies to scale up production, use raw material efficiently and access markets with new products.
- 4) The Ministry of Planning and Investment (MPI): MPI is the ministry with whom the Financing Agreement will be signed. MPI is also expected to play an overall coordinating role for the 4 outputs of the TICAF, given the various ministries involved (MAF, MOIC, Ministry of Works and Transport).
- 5) The Ministry of Natural Resources and Environment who is in charge of the climate mitigation and adaptation policies.
- 6) Local authorities (PAFO, DAFO, DOIC): The local level administration needs to be consistent especially in land use planning. They lack capacities and budget to properly fulfil their duties, especially to carry out field activities.
- 7) The National University of Lao PDR (NUOL)/ Agriculture and Forestry Faculty, other provincial academia, the National Agriculture and Forestry Research Institute (NAFRI): They are responsible in capacity building of all the stakeholders. Research community has a role in applying the latest know-how e.g., in agroforestry, plantation forestry, restoration, biodiversity conservation, (wood) processing technologies and product development. The curricula adapted to support the development of the sectors.
- 8) Civil Society Organisations (CSOs): CSOs have a fundamental role in raising awareness, building capacities, and hosting multi-stakeholder platforms. The expertise of civil society lies particularly in the areas of advocacy for human rights, gender equality, and good governance. CSOs can also raise awareness and train the local communities, especially in relation to forest preservation and land use planning.
- 9) All other relevant public or private organisations: They are EU Member States' agencies and other organisations active in the forestry, agriculture and nutrition sectors involved in EU-funded projects and key development partners for coordination and policy dialogue purpose.
- 10) Financial institutions: They need to be aware of the opportunities in the forest sector. The local finance sector can act as an intermediary to channel international finance for smallholders and SMEs. The Development Financial Institutions need more bankable projects that they can finance in Lao PDR.

- 11) Lao Women's Union (LWU) which was established in 1955 as a small Party-association and expanded in 1984 into a mass organization to support women's development. The LWU is equivalent of a ministry, with sub-national agencies at province, district and village levels.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The **Overall Objective (Impact)** of this action is:

To contribute to green, sustainable and inclusive growth through increased domestic production, processing, exports, national revenue, and decent job creation in the coffee, tea and forest-based value chains, while supporting the Lao PDR delivering on its Nationally Determined Contribution (NDC).

The **Specific Objective (Outcome)** of this action is **sustainable rural development of communities** through:

1. Enhanced quality development of coffee and tea sectors through agro-ecological community-based action, climate-resilient and inclusive value chains with a gender and human rights-based approach;
2. Increased participation of local communities, particularly women, in strengthened forest-based value chains for sustainable use and conservation of forests

The above two outcomes of this Action will be complemented by the following outcomes 3 & 4 of the TICA F, expected to be financed under other decisions, in the form of EFSD+ guarantee and/or blending operations, if confirmed, and by other partners:

3. Increased responsible and gender-responsive private investment in agriculture and forestry
4. Increased markets' access /connectivity

A comprehensive action plan covering all EFSD+ budgetary guarantees and the financing decision for the entire annual commitment under the EFSD+ budget line will be adopted separately.

The **Outputs** to be delivered by this action contributing to the Specific Objectives (Outcomes) are:

Output 1.1: Diversified income and improved availability of and access to healthy and diverse foods, through the sustainable management of association of crops and the promotion of female-decision-making;

Output 1.2: Supported research, education/training and capacity building in the coffee and tea sectors, alongside nutrition awareness;

Output 1.3: Promoted higher value and enhanced-quality coffee and tea with special focus on green, climate and disaster- resilience, decent work and women economic empowerment aspects;

Output 1.4: Improved governance of the coffee and tea sectors and recognition of emerging quality labels;

Output 2.1: Partnerships among private sector, villagers, government and CSOs for restoration of forests, biodiversity conservation and climate and disaster resilience are strengthened;

Output 2.2: Knowledge and professional capacities of men and women for the forest sector are strengthened;

Output 2.3: Sustainable and competitive forest-based value chains are strengthened

Output 2.4: Forest governance for an inclusive, with a gender and human rights-based approach, biodiversity-friendly, deforestation-free forest production sector is improved

From the complementary interventions under Outcomes 3 & 4 of the TICA F, the below outputs are expected:

Output 3.1: Access to gender-responsive finance for sustainable private sector investment in green economy sectors is facilitated

Output 4.1: A regional road (ASEAN highway) and rural roads are rehabilitated for better market access and increase climate resilience

SDG 13: Outputs 1.1, 1.2, 1.4, 2.1, 2.2, 2.4 will contribute to climate mitigation and adaptation.

SDG 2: Outputs 1.1, 1.2, 1.3, 1.4 address agriculture development with linkages to nutrition (DAC code 311) as well as household food security (DAC code 43072).

SDG 15: Outputs 2.1, 2.2, 2.3 and 2.4 address general environment protection (DAC code 410) and the forestry sector (DAC code 310). Outputs 2.3 and 2.4 seek to ensure the conservation, restoration and sustainable use of forests. The forest restoration will enable the reduction of greenhouse gases of the sector (SDGs 15.1.1 and 13.2.2) and in combination with output 2.2, aim to progress towards sustainable forest management and biodiversity conservation. (SDG 15.2.1). Output 2.1 seeks to secure tenure rights to land of villagers (SDG 1.4.2)

SDG 17: Output 2.1 the promotion of commercial partnerships.

SDG 5: Outputs 1.1, 1.3, 2.2, 2.4 and 3.1 address gender equality and women's empowerment.

SDG 16: Outputs 1.1, 1.4, 2.1, 2.4 will promote a more equitable development, essential for peace.

3.2 Indicative Activities

Output 1: Enhanced quality development of coffee and tea sectors through agro-ecological community-based action, climate-resilient and inclusive value chains: Activity Outputs (AO):

AO 1.1 – Income diversification and improved availability of and access to healthy and diverse foods, through the sustainable management of association of crops and the promotion of female-decision-making: Activities may include: developing the association of nutrient-dense crops in agro-ecological and agro-forestry coffee production systems by promoting soil health and water conservation (this can also be an opportunity for households to change their eating habits and get used to consuming more nutritious and enriched foods, e.g. through nutrition awareness and demo sessions); developing business opportunities and access to markets for associated crops; studying the “farm economic model” and financing needs according to the associated crops adapted to climate change; tests of associations between fruit trees and tea tree; developing of value-chain of allied crops; and promoting of nutrition-sensitive agriculture value chains.

AO 1.2 - Research, education/training and capacity building: Activities may include scientific support for the selection of the varieties suitable to the climatic and agronomic conditions of the Lao PDR; structuring and formalising thematic training courses, curriculum development, capacity building and education on thematic topics (production, processing, services, marketing, quality, healthy diets).

AO 1.3 - Promotion of higher value and enhanced-quality coffee and tea with special focus on green, climate-resilience, decent work and women economic empowerment aspects: Activities may include plantation mapping and traceability; formalisation of producers' groups; training for organic farming; agroforestry and agro-ecology; post-harvest processing methods to improve the products' quality and food safety throughout the supply chain; promotion of circular economy; promotion of internationally-accepted certification; technical monitoring and communication nationally and internationally, provision of small enabling equipment and infrastructure.

AO 1.4 - Improved sector governance: Activities under this AO may support, amongst others: promotion of landscape approach; development and enforcement of relevant policies and strategies in the coffee and tea sectors; improvement of the sector governance including associations and networks; improvement of the business environment and regulation in these two sectors; promotion of recognition of quality labels including the protection of geographical indications; promotion of the Lao coffee and tea at domestic and international level.

Output 2: Increased participation of local communities in strengthened forest-based value chains for sustainable use and conservation of forests: Activity Output (AO)

AO 2.1 - Partnerships among private sector, villagers, government and CSOs for restoration of forests and biodiversity conservation are strengthened: Activities may include identification of options for forest and biodiversity conservation and restoration jointly by villagers, companies, CSOs and the government; implementation of village forest management plans; establishment of nurseries with native species for restoration; promotion of longer-term revenue models for natural village forests in partnership with private sector; support the development of financial models for restoration and conservation activities; support to management of partnerships between companies and villagers for forests outside forest concessions.

AO 2.2 - Knowledge and professional capacities for the forest sector are strengthened: Activities may include improvement of curricula and training of teachers in topics related to sustainable forestry and value chain; scholarship programs, student and researcher exchanges with EU universities; strengthening of the wood

product testing laboratory at National University of Laos considering support from other parties, dissemination of research results in wood technologies and of best practices for intercropping and biodiversity conservation; research on and propagation of native tree species for forest landscape restoration; development of services and technical capacities for monitoring of resources management and testing of wood quality.

AO 2.3 - Sustainable and competitive forest-based value chains are strengthened: Activities may include economic analysis of the various value chain options; creation of incentives for smallholder to plant trees in plantations or agroforestry systems, trainings and support for improved use of natural resources and Non Timber Forest Products (NTFP) for income diversification, support partnerships among villages, private sector and government for inclusive, biodiversity-friendly, and deforestation-free value chains; strengthening of forest smallholders' and forest product SMEs organization; capacity building of SMEs; development of bankable projects and facilitate access to finance; e-commerce and training for advisory services at district level for set up of (smallholder) plantation registry and monitoring of deforestation to comply with EU and other international standards (traceability, deforestation-free products, FLEGT); support the use of GIS system for plantation registration.

AO 2.4: Governance for an inclusive, biodiversity-friendly, deforestation-free forest production sector is improved: Activities may include facilitation of political dialogue between EU and Lao PDR in the framework of a potential forest partnership applying a holistic approach – landscape approach - to cover value chain development, traceability and geolocation, due diligence related to deforestation-free production and decent work, ecosystem protection and conservation; policy advice for relevant topics; improved inter-sectoral cooperation and exchange of information for forest investments, and strengthening of multi-stakeholder roundtables to identify and address bottlenecks for competitive and sustainable value chains; development of national or product-specific standards.

For reference only, the following indicative activities are expected to be supported under Outputs 3 & 4 of the TICA F (n.b: these activities are not part of this Action Document and financing decision):

Output 3: Increased responsible private investment in agriculture and forestry:

Providing global macro-economic situation allows, it is planned that one or more EFSD+ guarantee operation(s) might contribute to this output. EFSD+ Projects Investment Proposals (PIPs) that include support to private investment in agriculture and forestry in Lao PDR in their indicative pipeline are currently under review. A share of the Multiannual Indicative Programme 2021-24 for Lao PDR has been reserved for this type of guarantee operations.

Output 4: Increased connectivity and market access for agriculture and timber products

If confirmed by the on-going feasibility study (and environmental and social impact assessment) and if the global macro-economic situation allows, the EU plans to take part in a blending operation (EIB loan and EU grant, amount to be confirmed) to contribute to the rehabilitation of a segment of the national road 2 (NR2), in the north of Lao PDR, linking Vietnam to Thailand, as part of the EIB-Lao PDR Resilient Roads Framework Loan. NR2 is identified in the ASEAN connectivity master plan. The envisaged support would take place in the wider context of the Southeast Asia Regional Economic Corridor and Connectivity (SEARECC) programme led by the World Bank (co-financed by Australia), which includes support to road rehabilitation, logistic services and cross-border trade facilitation in particular for agro-products, and capacity building. This regional connectivity project is closely linked with EU and Team Europe Partners' support under Outputs 1 & 2, as it would facilitate the market access for coffee, tea, and timber products to the ASEAN region and beyond. The rehabilitation of NR2 is complemented by the on-going EIB rural roads rehabilitation project, in Northern Laos, and by BMZ parallel co-financing through two programmes rehabilitating rural roads in 2 provinces in the North, including roads directly linked to the NR2.

The commitment of the EU's contribution to the Team Europe Initiatives foreseen under this action plan will be complemented by other contributions from Team Europe partners. It is subject to the formal confirmation of each respective partners' meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise the EU action may continue outside a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

Environmental protection and climate change are at the core of the action, with a clear focus on improved forest governance, management and conservation. Biodiversity conservation is an explicit and significant objective of the sustainable forest management and conservation component. With regard to climate change, by increasing the forest cover and protecting the remaining forests, the action will contribute to increasing Lao PDR's carbon sequestration capacity and hence to mitigating global climate change. Climate change mitigation is therefore also considered to be a significant objective of the forest action, while the agricultural component targets climate resilience as a Specific Objectives; climate change adaptation can also be considered as significant objective of the action. The action will also make available to local CSOs small grants to work on issues such as natural resource management, climate change and the green and circular economy. When possible, activities will have specific focus on environmental protection (including adaptation to climate change and protection of natural resources) to showcase the implementation of CSO-state interaction and the application of the rule of law with the use of specific sectoral examples. The action will also support thematic hearings and independent expertise for NA members on environment matters.

Outcomes of the SEA screening: The Strategic Environmental Assessment (SEA) screening suggests that there is no need for an SEA. The action is likely to have an impact on the environment. Yet, it aims to restore the environment, in particular degraded land and forests, and to practice agriculture in a deforestation-free and sustainable manner.

Outcomes of the EIA (Environmental Impact Assessment) screening: (relevant for projects and/or specific interventions within a project)

C (EIA is not required). The action focuses on improved governance in the agriculture and forest sector, along with institutional support, training, and capacity development. The agriculture component aims at promoting climate-resilient and sustainable agriculture, including agro-ecological and organic farming and agroforestry. The forest component will promote biodiversity-friendly, deforestation-free forest production, as well as partnerships (PPP) for restoration of forests and biodiversity conservation. The action will contribute significantly to the EU commitments to address biodiversity loss (Rio marker 1 for conservation of biological diversity and combating desertification).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that a CRA is not required. The problem analysis acknowledges and addresses the climate risks and impacts through dedicated activities. While the action, notably the development of the deforestation-free agricultural value chains, is affected by natural hazards associated to climate change (see below section on Risks), the agriculture component aims to reduce climate vulnerability and to promote climate-resilient and sustainable agriculture, including organic farming and agroforestry. The action is expected to contribute to both climate resilience of farmers and climate change mitigation, and have a positive impact on ecosystems, land resources and biodiversity. The action will contribute significantly to the EU commitment to address climate change (Rio markers 1 for climate change mitigation and adaptation).

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the action recognizes gender equality is an important and deliberate objective, but not the principal reason for undertaking the project/ programme. Therefore, gender equality and empowerment of women and girls will be both mainstreamed throughout and targeted during the implementation of the action. At the level of both implementing partners and rights-holders, due attention will be given to ensuring gender equality in terms of opportunities (training, employment), decision-making and benefit-sharing. For example, gender balances will be pursued in the envisaged formal trainings and in other capacity building activities. Women will be directly targeted in the activities related to village forest management. Finally, the development of value chains for wood and for Non Timber Forest Products (NTFP) provide ideal opportunities for promoting gender equality in relation to decision-making and benefit-sharing.

The Action is in line with the Gender Action Plan III 2021-2025 (GAP III), in particular to the thematic areas of engagement "Promoting economic and social rights and empowering girls and women".

Human Rights

The proposed action is aligned with the EU's Action Plan on Human Rights and Democracy 2020-2024 and links up with human rights in the aspects of (1) right of expression and (2) right to work, corresponding respectively to articles 19 and 23 of the Universal Declaration of Human Rights. Freedom of expression will be addressed especially under the AO1 – Governance component of the programme. And regarding art 23, the action-supported development of value chains, will generate a substantial amount of jobs in the formal sector and help to reduce Lao PDR's current rate of unemployment. Labour rights as a sub-category of human rights (including the abolition of child labour) will be adequately reflected in the communication activities as well. Synergies will be sought with the ongoing project fostering social protection and decent work in the agro-food industry (including in the coffee and tea value chains) co-financed by the EU and Belgium, and implemented by ILO and OXFAM.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the action does not include activities that specifically aim at the integration of or care for disabled persons. Nonetheless, throughout the implementation of the action, due attention can and will be given to opportunities for involving disabled persons.

Democracy

Strengthening capacity of state actors and institutions is a main objective of the action. The enhanced capacities should enable them to better comply with their mandates in the areas of forest governance and sustainable forest management. In addition, the action will support the effective implementation of village forest management arrangements and smallholders' engagement in plantation forestry and value chains. This modality is foreseen by law (Forest Act) and involves villagers in managing and using public forest resources.

Conflict sensitivity, peace and resilience

It is expected that the implementation of the action will have positive effects on the resilience of local communities by promoting income generating activities (value chains), by assisting them in the registration and sustainable management of planted forests, and by improving the productive capacity of their environment (agroforestry, restoration).

Disaster Risk Reduction

Good forest cover has a regulating effect on the hydrological systems in the concerned watershed. By addressing deforestation and promoting forest restoration, the action contributes to reducing the risks of flooding, landslides and of wells and rivers drying up during the dry season, and enhancing climate and disaster resilience. In addition, the action includes reforestation of slopes for watershed protection. This contributes to reducing the risks of disasters caused by local landslides and soil erosion, it strengthens the integrity of the ecological systems and the role of forests in building resilience to climate-induced and other disasters.

Other considerations if relevant

Because of resurgence of poverty, youth tend to leave their villages to find jobs in neighbouring countries, and are exposed to risk of human trafficking. By supporting a sustainable rural development and providing alternative or complementary sources of incomes, the project would have an impact on preventing migration.

Risks and Lessons Learnt

The most important risks under this priority area relate to the slow pace of reforms, limited capacities, and the pressure on the use of natural resources from ongoing and new investments. There may be insufficient political attention and/or budget allocations to support effectively the adopted plans and proposed sector reforms. New investments for plantations, mining and/or large infrastructure may put additional pressure on availability of land for smallholders and threaten the sustainable use of natural resource. Business environment facilitation reforms may not be implemented rapidly enough, which in turn hampers private sector development, trade and tourism. European Partners will strive to mitigate these risks through continued dialogue at political, policy and project level, encouraging an integrated/holistic development planning and budgeting for the sake of a balanced, non-contradictory promotion of all relevant sectors and areas. European Partners will also provide specific technical assistance and

advisory services to facilitate reforms and strengthen policy dialogue in this regard. Refer to Annex IV for a comprehensive list of identified risks and mitigations measures.

Category	Risks	Likelihood	Impact	Mitigating measures
External Environment	<u>Climate change and natural hazards</u> affecting agriculture production	Medium	High	The Action will promote climate-resilient and deforestation-free agriculture, reforestation, and possibly support climate-resilient infrastructure through blending.
	<u>Economic, financial and fiscal environment</u> Urgent need for revenue, leading to investment decision harmful to protected areas Insufficient political attention and/or budget allocations to support the adopted plans and proposed sector reforms. Weak business environment, un-transparent business practices, and limited access to finance by MSMEs hampering private sector development, trade and tourism. Macroeconomic/fiscal risks, and low fiscal revenues can limit human resources available in national and local administrations as well as the private sector/cooperatives	High	High	Policy dialogue on environment, climate, sustainable use of natural resources, the EU Deforestation Regulation, trade and private sector development, strengthening of governance and ongoing EU projects will mitigate this risk. Germany co-chairs the official Laos-Dialogue Partners Round Table Meeting working group on Natural Resources, France co-chairs the working group on agriculture, and EU co-chair the working group on private sector. European Partners will also provide specific technical assistance and advisory services. TICAF will be of immediate support. In the short to medium term, a Budget Support operation may be formulated in 2025 (if conditions are met) for further support to the forestry sector. As the project aims at increasing the domestic revenue collection of the country, in the long-term, fiscal risks should be mitigated.
Planning, processes and systems	Weak capacity of national actors in planning and monitoring processes and systems.	High	Medium	The project will provide technical support to and capacity building of national and local officials to address this risk.
	Weak cross-sectoral coordination reduces the potential of the project to make meaningful impact.	Medium	Medium	The project will maintain close, regular, and proactive communications with all project partners, and organise regular cross-sectoral meetings to bring project partners together. The annual Steering Committee meetings will provide the opportunity for higher-level cross-sectoral coordination within the scope of the project. (see also governance structure 4.6). On the field, regular communication including on EU Deforestation Regulation will targets all stakeholders, including smallholders.
People and the organisation	The level of quality required mobilizes labour intensively in farming systems where coffee is still not always the top income activity of farmers.	High	High	Nutrition sensitive multi-cropping based on agro-ecology principles will be encouraged
Local economy/	Farmers convert planted forests into other crops jeopardizing			

Category	Risks	Likelihood	Impact	Mitigating measures
Value chains	<p>future sustainable sourcing of raw materials for value added</p> <p>The market prices of wood and non-wood products are low or market access does not exist</p> <p>Unfair benefit sharing – smallholders failing to integrate into value chains</p> <p>Uncompetitive volume of production to the world markets</p>			<p>Incentives to continue forestry practices, alternative income generation activities for short term, agroforestry</p> <p>Assessment of value chains with market outlook.</p> <p>Support Small and Medium Enterprises (SMEs) in developing scalable businesses</p> <p>Address such models (agroforestry systems) and fair contract among government, companies and villagers that ensure benefits for smallholders.</p> <p>The quality (specialty coffee and tea) production should be focused</p>
Legality and regulatory aspects	Lao state partners are reluctant to agree on TICA's implementing strategy to work in close partnership with INGOs and local CSOs.	Medium	Medium	The Government of Laos (GoL) has participated in the design of the Action since its outset and coordination will be ensured also during the implementation of the project activities, including those implemented by CSOs.
Gender equality	Natural resource tenure and access rights of women and female-headed households remain insecure relative to men and male-headed households. ⁷	Medium	Medium	Continuous dialogue with GOL to promote gender mainstreaming in the natural resources and environment sector. Foster strategic collaboration with women's advocacy groups. Meaningful internal benchmarking of gender equality within European programming. ⁸
Communication, information and coordination	Weak or irregular flow of information within project stakeholders, including communication to central-level ministry counterparts	Medium	Medium	The project will maintain close, regular, and proactive communications with all project partners, and organise regular cross-sectoral meetings to bring project partners together.

Lessons Learnt: Lessons are gathered from past and on-going interventions. Taking time to build relationships is essential for creating trust and ownership of partners. The interactive process of developing the implementation approach and designing activities with partners successfully built joint understanding among programme implementers. Remaining flexible in preparing operations plans was essential, and selecting the right entry points unlocked the opportunity to extend the project's scope of work.

A landscape approach and a multi-stakeholder approach are key to establish a common understanding and lead to a more inclusive and equitable development as well as it ensure a strong commitment from all stakeholders. Communication for awareness raising, education is essential to ensure a good quality dialogue with all stakeholders. In addition, and specifically for the forestry sector: i) An assessment of the most appropriate value chains needs to be carried out to ensure profitability, sustainability, and benefits for all stakeholders namely for the smallholders; ii) Farmers do not get involved in tree planting if their immediate needs are not satisfied (poverty alleviation); and iii) Delays in land use planning and land tenure may affect negatively the project planting activities.

In addition, and specifically for the forestry sector:

- An assessment of the most appropriate value chains needs to be carried out to ensure profitability, sustainability, and benefits for all stakeholders namely for the smallholders;
- Farmers do not get involved in tree planting if their immediate needs are not satisfied (poverty alleviation);

⁷ [European Partners Joint Programme Strategy \(EJPS\) with the Laos PDR 2021-2025](#).

⁸ Ibid.

- Land use planning and land tenure are critical preconditions for any forest action especially aiming at sustainable production.

3.4 The Intervention Logic

The underlying intervention logic for this action is that:

Overarching assumptions:

IF poverty is reduced, *AND* revenue of local communities sufficient, *THEN* deforestation and forest degradation will reduce;

IF national revenue from agriculture and forestry sectors, *AND* sectors' governance is enhanced, *THEN* more resources will be available to both protect the protected areas and develop the production;

IF agro-ecological practices, awareness and capacity building at all levels – local communities, local and national policy makers, private sector- *AND* responsible investment standards, supporting in-country value chains development *AND* access to markets through better connectivity are ensured *THEN* there will be a decreased deforestation and an enhanced forest protection, while sustainable production and processing will develop, thus improving the livelihood of the people, their nutritional status as well as the country resilience to climate change.

Agriculture:

IF agro-ecological and intercropping practices are promoted at the community level *AND* business model are developed *THEN* income will be diversified, access and availability to nutritious food will improve and communities' resilience will be strengthened (AO 1.1),

IF research for more suitable species is boosted *AND* education along the supply-chain conducted *THEN* the overall sustainability of the supply chain will improve for both coffee and tea.(AO 1.2),

IF producers are better organised *AND* receive capacity building for improving their production quality *THEN* they will access better market opportunities. (AO 1.3),

IF coherent strategies and action plans are developed *AND* their implementation is ensured thanks to the capacity building to stakeholders *THEN* Lao coffee and tea sectors will get better recognition (AO 1.4).

Forestry:

IF government, villages and companies agree through landscape approach to ensure forest restoration, biodiversity conservation and ecosystem resilience through dialogue and education, *AND* alternative revenues i.e. to deforestation/forest degradation are ensured to the communities, *THEN* eco-systems will be better protected. (AO 2.1)

IF the research and education in the sector is improved *AND* disseminated on the field along the value-chain and within the relevant authorities *THEN* knowledge and professional capacities in relevant topics such as sustainable plantation forestry, forest restoration, wood technologies and product development will be strengthened and overall governance will improve. (AO2)

IF smallholders and SMEs receive incentive for coping with long gestation periods typical in forestry, *AND* medium and large wood processing enterprises are willing to cooperate with smallholders and SMEs and comply with sustainability standards, *THEN* value chain actors will scale up their production, making forest-based value chains more competitive and sustainable. (AO 2.3)

IF forestry policies and strategies (forest management, land rights) are improved and implemented *AND* capacity of stakeholder continue to develop through policy dialogue, *THEN* the governance of the forestry sector will improve, i.e inclusivity and sustainability (AO 2.4).

IF one or more of the four components above are effective (eg: inclusive forest sector governance oriented towards conservation; competitive and sustainable forest-based value chain; strengthening of sectorial multi-stakeholder partnerships; strengthening of knowledge and professional capacities) *AND* MSME improve capacities for a more efficient use of raw material, explore “new” materials and apply wood quality, legality and sustainability standards *THEN* forest-based value chains for sustainable use and conservation of forest will be developed.

In parallel, this action will be complemented through Green Technical and Vocational Training (TVET) as decided in the AAP 2022, and targeted investment leverage using blending operations with International Financing Institutions (IFIs) and, wherever possible, EFSD+ guarantees. This will be done with an IFI eligible for EFSD+ funding that has relevant experience in the sector and country/region through blending and/or sovereign loans. A comprehensive action

plan covering all EFSD+ budgetary guarantees and the financing decision for the entire annual commitment under the EFSD+ budget line will be adopted separately.

Private sector investment:

IF lending operations of EFIs are covered by a guarantee, AND regulatory business environment is improved, THEN private sector operators will have a better access to finance and gain in competitiveness.

IF private sector investment increase in both agriculture and forestry sector AND transformation process of raw material into semi-finished or finished products takes place in the country THEN jobs creation will increase as well as the added value retained by the country.

Connectivity:

IF there is a better connectivity between rural production areas, AND private sector manufacture, THEN the supply chain will develop, and rural revenues will increase.

1.1 Logical Framework Matrix

The indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention. On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

At inception, the first progress report should include the complete logframe (e.g. including baselines/targets). Progress reports should provide an updated logframe with current values for each indicator. The final report should enclose the logframe with baseline and final values for each indicator. The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action. The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

In the logical framework below GERF means Global EU Results Framework.

See below

Results	Results chain (@): Main expected results (maximum 10)	Indicators (e): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To contribute to green, sustainable and inclusive growth through increased domestic production, processing, exports, national revenue, and decent job creation in the coffee, tea and wood value chains, while supporting the Lao PDR delivering on its Nationally Determined Contribution (NDC).	<p>GERF 2.9 Areas of terrestrial and freshwater ecosystems under (a) protection, (b) sustainable management with EU support (km2) [NDICI-Global Europe][SP]‡</p> <p>GERF 2.39: Number of people (disaggregated by sex, age and disability) directly benefiting from EU supported interventions that aim to reduce social and economic inequality</p>				<i>Not applicable</i>
Outcome	Oc 1: Enhanced quality development of coffee and tea sectors through agro-ecological community-based action, climate and disaster-resilient and inclusive value chains, with a gender and human rights-based approach	<p>IOc 1.1: GERF 2.1 Number of smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land (disaggregated by sex);</p> <p>IOc 1.2: GERF 2.6 Number of Micro, Small and Medium Enterprises applying Sustainable Consumption and Production practices with EU support;</p> <p>IOc 1.3 Food consumption score</p> <p>IOc 1.4 Crop diversification index</p>	TBD	TBD	<p>Final and final evaluation reports</p> <p>Baseline/endline</p>	The national revenue from agriculture and forestry sectors, and sectors' sustainable development are enhanced, more resources will be available to both protect the protected areas and develop the production

Results	Results chain (@): Main expected results (maximum 10)	Indicators (e): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
	Oc 2: Increased participation of local communities in strengthened forest-based value chains for sustainable use and conservation of forests	<p>IOc 2.1: Number of policy instruments adopted supporting an inclusive, gender-responsive, biodiversity-friendly and productive forest sector based on a holistic landscape approach in line with international requirements</p> <p>IOc 2.2: Area (ha) of forests planted, restored or conserved with smallholders / villagers (including company out grower schemes and other initiatives with private sector)</p> <p>IOc 2.3: Number of MSMEs that confirm an increase in value added by applying national standards and regulations</p> <p>IOc 2.4 GERF 2.1 Number of smallholders reached with EU supported interventions aimed to increase their sustainable production, access to markets and/or security of land</p>	TBD	TBD	<p>2.1 Records from line ministries / National Assembly minutes</p> <p>2.2 DAFO database, plantations registry, project progress reports</p> <p>2.3 Survey among MSMEs on increases in value added in compliance with national standards (quality, sustainability) and regulations (incl. Timber Legality Definition 8).</p>	MSME improved capacities for a more efficient use of raw material and exploring “new” materials such as timber from rubber trees, application of wood quality standards, certification under Voluntary Sustainability Standards (VSS)
Output 1	Op 1.1: Diversified income and improved availability of and access to healthy and diverse foods, through the sustainable management of	<p>IOp 1.1.1 % of households able to afford and consume diversified diet.</p> <p>IOp 1.1.2: % of farmers’ and smallholders practising nutritious intercropping</p>	TBD	TBD	<p>Baseline/Endline</p> <p>Project reports/ PAFO and</p>	The agro-ecological practices are promoted at the community level and business models are developed.

Results	Results chain (@): Main expected results (maximum 10)	Indicators (e): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
	association of crops and the promotion of female-decision-making ;	showing diversified income and higher degree of resilience to hazards (climate and other natural hazards, market hazards). IOp 1.1.3: % of women leading coffee production processes.			DAFO data / MOIC data Mission reports Final evaluation report	
	Op 1.2: Supported research, education/training and capacity building in the coffee and tea sectors, along with nutrition awareness.	IOp 1.2.1: # of scientific publications related to the coffee and tea sectors, including intercropping IOp 1.2.2: # of students who have access to specific curriculum on coffee and tea (disaggregated by sex) IOp 1.2.3: # of trainings (and # of training participants disaggregated by sex) delivered by the CPC	TBD	TBD	Baseline/Endline Project reports/ PAFO and DAFO data / MOIC data Mission reports Final evaluation report	The research for more suitable species is boosted and education along the supply-chain conducted.
	Op 1.3: Promoted higher value and enhanced-quality coffee and tea with special focus on green, climate and disaster-resilience, decent work and women economic empowerment aspects	IOp 1.3.1: # of tons of green coffee exported from the Northern Coffee Producers at the end of the project IOp 1.3.2: # of companies applying the CUP Principles ⁹ IOp 1.3.3: Total coffee plantation areas (ha) in target provinces IOp 1.3.4: # of HH whose economic situation have improved IOp 1.3.5: Volume of production under quality label (ton)	TBD	TBD	Project reports / PAFO and DAFO data / MOIC data Mission reports	The producers are better organised and receive capacity building for improving their production quality.

⁹ CUPP – Coffee from Upland Partnership and Pricing Principles

Results	Results chain (@): Main expected results (maximum 10)	Indicators (e): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
	Op 1.4: Improved governance of the coffee and tea sectors and recognition of emerging quality labels	IOP 1.4.1: the current coffee strategy reviewed and new coffee and tea strategy developed and supported reflecting the membership to ICO, Lao coffee festival, coffee database, GI monitoring framework. IOP 1.4.2: The nb# of members of the LCA has increased and LCA is representative of the actors from the whole value chain. IOP 1.4.3: CNCL (Lao Coffee Board) and its secretariat functioned. The board members meeting at least once a year.	Up to 2025	2026-2030	Project reports/ final project evaluation report LCA / CNCL annual operation reports / Mission reports	The coherent strategies and action plans are developed and their implementation is ensured thanks to the capacity building to stakeholders Continued willingness to strengthen land governance
Output 2	Op 2.1: Strengthened partnerships among private sector, villagers, government and CSOs for restoration of forests and biodiversity conservation	IOP 2.1.1: Number of Partnership agreements and contractual arrangements for conservation / restoration and enhanced ecological connectivity at landscape level (in all types of land, including forest land for plantation concessions) IOP 2.1.2: Number of village forests with restoration activities linked to market options IOP 2.1.3: Number of villagers (% of women) confirming that they benefit from biodiversity and forest	TBD	TBD	2.1.1 Documentation of areas identified based on participatory village land use planning (LUP) processes 2.1.2 Survey and project documentation 2.1.3 Survey among villagers involved in restoration or conservation activities [incl. agroforestry and use of NTFP]	Continued willingness to strengthen land governance

Results	Results chain (@): Main expected results (maximum 10)	Indicators (e): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
		conservation or restoration				
	Op 2.2: Strengthened knowledge and professional capacities of men and women for the forest sector	<p>IOp 2.2.1: Number of districts with (smallholder) plantation registry</p> <p>IOp 2.2.2: Number of students (disaggregated by sex) enrolled in relevant courses (e.g. on Forest Land Restoration (FLR), sustainable planted forests, wood processing, conservation management) offered at University and Vocational Training Centers (Level 4 and above)</p> <p>IOp 2.2.3: Upgraded National University of Laos (NUOL) wood laboratory offering services to private and public clients</p>	TBD	TBD	<p>2.2.1 DAFO plantation registry</p> <p>2.2.2 Survey among educational institutions supported by the project; MoES data</p> <p>2.2.3 Inventory of the NUOL wood laboratory and services offered</p>	<p>MAF and other relevant ministries for the forest sector improve the digital database of forest data and coordination or proving deforestation free value chains and to facilitate registration of deforestation-free tree plantations.</p> <p>The wood laboratory can count on basic facilities and staff with knowledge in wood processing (incl. supported by ACIAR) a demand for services from private and public sectors.</p>
	Op 2.3: Strengthened sustainable and competitive forest-based value chains	<p>IOp 2.3.1: Number of smallholder farmers (% women) involved in forest-based production models participating in initiatives for improved market access (producer organization, application of national standards, certifications)</p> <p>IOp 2.3.2: Number of SME with business plans for access to finance for improving productivity (incl. technology) in compliance with</p>	TBD	TBD	<p>2.3.1 Project reports, possibly completed by DAFO databases on out grower schemes, contract farming and smallholder plantations</p> <p>2.3.2 Project records, SME business plans</p> <p>2.3.3 Partnership Agreements / contracts among value chain actors</p>	<p>Financial service providers include legal compliance, esp. TLAS to their criteria of responsible investment.</p> <p>Medium and large wood processing enterprises with interest to cooperate with smallholders for supply chains based on fair and sustainable standards/principles can be identified. Companies are willing to comply with sustainability standards – e.g.,</p>

Results	Results chain (@): Main expected results (maximum 10)	Indicators (e): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
		<p>sustainability standards of Development Finance Institutions (IFC Principles)</p> <p>IOP 2.3.3: Number of commercial partnerships among smallholders, SMEs and larger companies for sustainable supply chains (e.g. for sourcing of wood and non-wood, market entry, technology)</p>				IFC principles, UNCTAD BioTrade
	Op 2.4: Improved governance for an inclusive, with a gender and human rights-based approach, biodiversity-friendly, deforestation-free forest production sector	<p>IOP 2.4.1: Number of solutions to bottlenecks that are hindering development of selected wood and non-wood forest product value-chains developed by multi-stakeholder groups (based on existing sub-sector working groups)</p> <p>IOP 2.4.2: Number of guidelines for national standards applied for sustainability criteria (such as deforestation-free, biodiversity friendly, socially inclusive, gender and HRBA) and product quality along the value chain</p> <p>IOP 2.4.3: Formats for (EU) policy dialogue to enhance the forest governance applied</p>	TBD	TBD	<p>2.4.1 Minutes of multi-stakeholder workings groups, documentation of solutions</p> <p>2.4.2 Documentation of (pilot) applications of guidelines for national standards</p>	<p>Existing working group such as the Agriculture, Rural Development and Natural Resource Management Sector Working Group (ANR-SWG), Forestry Sub-Sector Working Group (FSSWG) and other roundtables can be used for multi-stakeholder analysis and discussion to jointly identify solutions for VC bottlenecks, to address donor coordination, and support government plans.</p> <p>The stakeholders agree on the need to develop national guidelines for the definition and procedures for deforestation-free supply chains, environmental and social standards for plantations and responsible investment in the</p>

Results	Results chain (@): Main expected results (maximum 10)	Indicators (e): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
						forestry sector, quality standards for wood products, and labour safety in forest sector.

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this Action, it is envisaged to conclude a financing agreement with the Lao PDR.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 78 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹⁰.

4.3.1 Indirect Management with an entrusted entity

The specific objective 1: Enhanced quality development of coffee and tea sectors through agro-ecological community-based action, climate-resilient and inclusive value chains with a gender and human rights-based approach, may be implemented in indirect management with Agence Française de Développement (AFD).

The envisaged entity has been selected using the following criteria:

- i) experience working in the sector;
- ii) experience in promoting alignment of EU interests, policies and values in partner countries; and
- iii) expertise in providing advisory services, capacity building and/or technical assistance to the public and civil society sectors.

This implementation entails a contribution to the achievement of the specific objective (outcome) and the four corresponding outputs specified in 3.1 (1) 1.1, 1.2, 1.3 and 1.4.

On i) AFD has demonstrated experience in Lao PDR and in the region, in the agriculture sector (especially in coffee and tea value chains).

On ii) AFD as part of French Development Cooperation is fully integrated in the planning and implementation of the European Joint-Programming process in the Lao PDR, including the current Team-Europe Strategy

¹⁰ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

2021-2025. Under delegated cooperation arrangements, AFD is also accredited to manage European Commission funds set aside to support partner countries. As such, AFD has proven experience in focusing on common goals while promoting alignment of EU interests, policies and values.

On iii) AFD has demonstrated its capacity to provide advisory services, capacity building and technical assistance through its work in partnership with the Government of Lao PDR and partners, enabling smooth facilitation of policy dialogue, advisory services and capacity development.

Therefore, indirect management through AFD is assessed to be the best option to ensure a fully integrated and coherent implementation of the component 1 of the Action, while also ensuring full compliance with the EU's requirements of minimum contract size and EU visibility. France is anticipated to contribute 34% of the total cost of the proposed action which will be channelled through and implemented by AFD.

The specific objective 2: Increased participation of local communities, particularly women, in strengthened forest-based value chains for sustainable use and conservation of forests, may be implemented in indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)

This implementation entails a contribution to the achievement of the specific objective (outcome) and the three corresponding outputs specified in 3.1 (2) 2.1,2.2,2.3 and 2.4.

The envisaged entity has been selected using the following criteria:

- i) experience working in the sector;
- ii) experience in promoting alignment of EU interests, policies and values in partner countries; and
- iii) expertise in providing advisory services, capacity building and/or technical assistance to the public and civil society sectors.

On i) GIZ has demonstrated experience in Lao PDR and in the region, in forestry.

On ii) GIZ, as part of the German Development Cooperation, is fully integrated in the planning and implementation of the European Joint-Programming process in the Lao PDR, including the current Team-Europe Strategy 2021-2025. Under delegated cooperation arrangements, GIZ is also accredited to manage European Commission funds set aside to support partner countries. As such, the organisation has proven experience in focusing on common goals while promoting alignment of EU interests, policies and values.

On iii) GIZ has demonstrated its capacity to provide advisory services, capacity building and technical assistance through its work in partnership with the Government of Lao PDR and partners, enabling smooth facilitation of policy dialogue, advisory services and capacity development.

Therefore, indirect management through GIZ is assessed to be the best option to ensure a fully integrated and coherent implementation of the component 2 of the Action, while also ensuring full compliance with the EU's requirements of minimum contract size and EU visibility. Germany (BMZ) is anticipated to contribute 51% of the total cost of the proposed action which will be channelled through and implemented by AFD and GIZ.

If negotiations with the above-mentioned entities fail, that part of this action may be implemented in indirect management with alternative entities, the Commission's services may select another replacement entity using the same criteria. If the entity(ies) is(are) replaced, the decision to replace it(them) needs to be justified.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 4.3.3 below.

4.3.2 EFSD+ operations covered by budgetary guarantees.

A part of this action may be implemented through budgetary guarantees under indirect management. The budgetary guarantees would fall within the following priority areas of the MIP 2021-27 to guarantee private investment in the agriculture/forestry value chains in the TICAF programme (TEI flagship programme) and to support access to finance to SMEs especially in green economy sectors. This will be through a different financing decision under the European Fund for Sustainable Development (EFSD+).

This section 4.3.2 is included for information purposes only. A comprehensive action plan covering all EFSD+ budgetary guarantees and the financing decision for the entire annual commitment under the EFSD+ budget line will be adopted separately.

4.3.3 Changes from indirect to direct management mode due to exceptional circumstances

Alternative option to deliver the assistance mentioned in 4.3.1.

Grants: (direct management)

(a) Purpose of the grant(s)

1.Sustainable rural development of communities through enhanced competitiveness of the coffee and tea sectors, through the promotion of quality, climate-resilient and inclusive value chains and the recognition of quality labels

2.Sustainable rural development of communities through enhanced development of forest-based value chains for sustainable use and conservation of forests

(b) Type of applicants targeted

International organisations in partnership with local NGOs.

Selection criteria will include:

- i) experience working in the sector;
- ii) expertise in providing advisory services, capacity building and/or technical assistance to the public and civil society sectors.

4.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions:

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realization of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.5 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Third-party contribution (amount in EUR)
Objective 1 Agriculture composed of		
Indirect management with AFD cf. section 4.3.1	9 000 000	4 650 000
Objective 2 Forestry composed of		
Indirect management with GIZ cf. section 4.3.1	11 000 000	11 000 000
Audit – cf. section 5.3	May be covered by another decision	N.A.
Contingencies	N.A.	N.A.

Totals	20 000 000	15 650 000
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4.6 Organisational Set-up and Responsibilities

The Contracting Authority (EU) is managing this action in indirect management through two contribution agreements: one with the Agence Française de Développement and the other with the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) who will act as implementing agencies for their respective component.

It is planned to have one operational structure for the whole programme, with two sub-sector-related technical operational committees.

The formal Steering Committee Meeting of the whole TICAF programme will meet at least once a year to take stock of progress and challenges, exchange on policies, and provide strategic guidance. Core members will be high-level representatives from Ministry of Agriculture and Forestry, from Ministry of Planning and Investment, a representative from the EU Delegation, a representative from BMZ, a representative from each of the implementation agencies, and representatives from other concerned Ministries.

The two technical committees, one for agriculture and one for forestry, will meet at least twice a year, for technical discussions. The meetings will discuss specific sector progress and challenges, and include policy dialogue.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

4.7 Pre-conditions

There are no legal pre-conditions for this action.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical and financial monitoring system for the action components and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Monitoring and reporting shall assess how the action is considering the principle of gender equality, human rights-based approach, and rights of persons with disabilities including inclusion and diversity Indicators shall be disaggregated at least by sex.

Roles and responsibilities for data collection, analysis and monitoring:

The M&E plan. Building on past projects, implementing agencies will develop a results-based monitoring system to monitor progress against the agreed outcome, component objectives and indicators, as presented in the Logical Framework.

Results-oriented reporting system: Progress of TICAFA will be reviewed jointly in the Technical Coordination Mechanism meetings per Output that are part of the TICAFA Coordination Structure. The annual progress of overall TICAFA will be reported to the Advisory Board.

5.2 Evaluation

Having regard to the nature of the action, a mid-term evaluation may be carried out for this action or its components via independent consultants and / or jointly with an implementing partner. It will be carried out for problem solving and learning purposes, in particular with respect to progress against each project component.

A final evaluation will be carried out for this action or its components via independent consultants and/ or jointly with an implementing partner. It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the scope of future actions and Team Europe approaches in the governance sector.

Evaluations shall assess to what extent the action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment and disability inclusion. Expertise on human rights, disability and gender equality will be ensured in the evaluation teams.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

The financing of the evaluation may be covered by another measure constituting a Financing Decision.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, duty bearers, grant rights-holders or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.