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ANNEX

ANNEX

to the

COMMISSION DECISION

**on the signature on behalf of the European Union of the Memorandum of
Understanding on a Forest Partnership between the European Union and the Republic
of Honduras**

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Memorandum of Understanding
between the Republic of Honduras and the European Union
Forest Partnership

I. INTRODUCTION

1.1 Purpose

The Republic of Honduras and the European Union, referred to as the "Partners" hereafter, jointly acknowledge their shared responsibility regarding the challenges posed to forests due to climate change, development needs, and agricultural expansion. They also share a common aspiration to ensure that forests can effectively fulfil their economic, social, and environmental functions.

In recent years, the Partners have implemented several significant actions concerning forests. The main achievement is the entry into force and the implementation of the Voluntary Partnership Agreement on Forest Law Enforcement, Governance, and Trade in Timber Products between Honduras and the European Union (VPA FLEGT)¹. This bilateral trade agreement addresses illegal logging and associated trade, with the aim of ensuring that timber products exported to the European Union are produced legally. It is the first of its kind to be implemented in the Latin America and Caribbean region. Recognizing the pressing urgency for focused and strategic cooperation and building on the strong commitment and motivation of the Honduran government, the Partners are now determined to enhance their collaboration on forests.

In this context, the Partners intend to launch a Partnership, hereinafter the "Forest Partnership", in the field of protection, restoration, sustainable management and use of forests aimed at:

- i) ENHANCING the role of forests in sustainable and inclusive national development, and
- ii) ADDRESSING challenges related to deforestation and forest degradation, climate change, conservation, biodiversity loss, and land tenure.

1.2 Context

Forests are ecosystems characterised by remarkable diversity. They serve multiple functions, supporting rich biodiversity and acting as carbon sinks while also releasing oxygen. They play a crucial role in providing livelihoods, security, and income for approximately one third of the global population. Forests played a significant role in meeting human needs throughout history by providing a wide range of forest products, by-products, and valuable ecosystem services. Although the phase of peaked deforestation may have passed, the persistent requirements of a growing world population and urbanization continue to result in the annual disappearance of 10 million hectares of forest worldwide. This ongoing trend has dire consequences for human health, the climate, and the overall well-being of our planet, preventing the achievement of the Sustainable Development Goals outlined in the 2030 Agenda.

Honduras boasts an exceptionally rich biodiversity and it is rich in natural resources due to its tropical location and diverse topography. The forests of Honduras cover 56% of the territory, equivalent to an area of 6.3 million hectares². Due to its mountainous topography, Honduras is one of the few tropical countries with large areas of conifer forests, while also hosting broadleaf forests and mangrove forests. Unique biodiversity hotspots cover about 11% of the country's

¹ [EUR-Lex - 2021A0618\(01\) - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=EUR-Lex-2021A0618(01)-EN)

² [Forest Map of Coverage and Land Use, 2018](https://www.fao.org/forestry/forests/forests-and-land-use/forest-map-of-honduras/)

territory³ and represent 7.5% of the planet's biodiversity⁴. 91 protected areas cover an area of approximately 5 million hectares⁵.

Despite concerted efforts, these forests and their associated habitats remain under significant threat. These risks of deforestation and forest degradation stem from illegal cattle ranching, agricultural expansion, wildfires, pest infestation, land grabbing, unsustainable logging practices, drug trafficking activities, wildlife trade, and infrastructure development. From 1990 to 2020, Honduras witnessed a significant decline in forest coverage, with a loss of 9% over that period⁶. The official data on deforestation indicates an average annual loss of 23,000 hectares⁷, resulting in the emission of around 6,500 tons of greenhouse gases each year⁸.

Honduras is also highly exposed to extreme climate events, such as hurricanes, floods, droughts, and landslides. Their frequency and intensity are projected to increase, leading to higher incidence of crop pests and diseases, forest fires, and lower productivity. Since 2013, the country's forests have been lost due to a bark beetle outbreak, blamed on a prolonged drought and forest fires have been reported⁹.

The Government of Honduras acknowledges the magnitude of these challenges and – in response – has committed to:

- GUARANTEE, through the FLEGT Licensing Scheme, that Honduran timber and timber products shipped to the European Union have been legally produced according to national legislation, by making the Honduran Timber Legality Assurance System (TLAS) functional and operational (EU FLEGT Action Plan¹⁰, and EU-Honduras VPA FLEGT, National Strategy for the Control of Logging and Illegal Transportation of Forest Products¹¹);
- REDUCE greenhouse gas emissions by 16% by 2030 compared to business-as-usual (as foreseen in the country's updated Nationally Determined Contribution - NDC¹²);
- RESTORE 1.3 million hectares of forests by 2030, conditional on climate finance committed by developed countries under the Paris Agreement (as foreseen in the country's updated NDC);
- REDUCE household fuelwood consumption by 39% by 2030 (as foreseen in the country's updated NDC), thus contributing to additional greenhouse gas emission reduction;

The EU stepped up its ambition and its international commitments on environmental sustainability, including forests, biodiversity and climate change, in the context of the European Green Deal¹³. The EU Forest Strategy¹⁴ commits to protect, restore, and enlarge forests, supporting their socio-economic functions and boosting a sustainable forest-based economy while achieving carbon neutrality. In its Communication *Stepping up EU action to protect and restore the world's forests*¹⁵, the EU commits to support partner countries in tackling deforestation in a partnership and cross-sector approach. In this context, the EU adopted a

³ ICF, 2018, Forestry Statistical Yearbook

⁴ MiAmbiente, 2021, Update of the Nationally Determined Contribution of Honduras (NDCs)

⁵ ICF, 2009. Strategic Plan for the National System of Protected Areas of Honduras (SINAPH)

⁶ [Forest Reference Emission Level under UN-REDD](#)

⁷ [FLEGT Independent Market Monitor](#), 2023

⁸ Same as reference 6.

⁹ ICF, 2023. In 2022, 982 outbreaks of bark beetle affecting 380 hectares of pine forest and 1.912 forest fires, affecting an area of about 197.000 hectares, were reported.

¹⁰ [EUR-Lex - 52003DC0251 - EN - EUR-Lex \(europa.eu\)](#)

¹¹ ICF, 2018, National Strategy for the Control of the Illegal Cut and Transport of Forest Products, Acuerdo No. 007-2018.

¹² [NDC de Honduras _Primera Actualización.pdf \(unfccc.int\)](#)

¹³ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

¹⁴ [Forest strategy \(europa.eu\)](#)

¹⁵ [EU Communication \(2019\) on stepping up EU action to protect and restore the world's forests | European Commission \(europa.eu\)](#)

Regulation¹⁶ to avoid making available on its market commodities associated with deforestation and forest degradation. In accordance with this Regulation, certain products (timber, cocoa, coffee, cattle, soy, rubber, and palm oil) will be allowed into the EU market provided they were produced legally and on land that was not subject to deforestation after 31 December, 2020. The European Commission President, Ursula von der Leyen, reiterated this commitment to the partnership approach. She called for high-ambition coalitions and partnerships to combat deforestation¹⁷.

The Partners recall their international commitments to the 2030 Agenda for Sustainable Development, the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, the United Nations Convention on Biological Diversity, the Kunming-Montreal Global Biodiversity Framework, the United Nations Convention on Combating Desertification, the New York Declaration on Forests, the United Nations Declaration on Human Rights Defenders and the International Organization Indigenous and Tribal Peoples Convention (n°169). They also recall having voted in favour of the United Nations Declaration on the Rights of Indigenous Peoples, which recognises the principle of free, prior and informed consent (FPIC) as well as their endorsement of the Glasgow Leaders' Declaration on Forests and Land Use.

In view of the above, the Partners confirm their determination to engage in a formal strategic political dialogue and policy cooperation, both bilaterally and in international fora, on key forest-related issues.

1.3 Objective

The Forest Partnership should address the protection, restoration and sustainable management and use of forests in Honduras, with a view to:

1. Increase the area of protected, restored or sustainably managed forests;
2. Reduce the annual rate of deforestation and forest degradation;
3. Increase the number of forest-related decent jobs;
4. Explore ways to facilitate the trade of legal, deforestation free and sustainable forest products between Honduras and the EU, building on the VPA FLEGT.

The Partners envisage to achieve this objective on the basis of a holistic and integrated approach to forests.

1.4 Approach

The Forest Partnership should be transparent, accountable, open and inclusive. To this end, the Partners intend to:

- a. Engage in cross-sectoral policy coordination and political dialogue on issues related to forests, building on the efforts under the VPA FLEGT to establish the *Secretaría Interinstitucional de Implementación del AVA FLEGT* (SIIAVA);
- b. Involve relevant line ministries and competent authorities in Honduras as well as services of the European Union responsible for the key work streams, seeking synergies with the mechanisms established under the VPA FLEGT, including the Joint Implementation Committee (JIC) and the SIIAVA;

¹⁶ REGULATION (EU) 2023/1115 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010

¹⁷ https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_20_1655

- c. Guarantee mechanisms for effective participation of relevant stakeholders in the planning and execution of the activities;
- d. Coordinate with donors (including EU Member States), intergovernmental, non-governmental, academic and private organizations as well as implementing partners and financial institutions;
- e. Undertake to create and strengthen national capacities of forest sector institutions, authorities and relevant stakeholders;
- f. Promote and respect environmental and social safeguards in the forest sector, adopting a human rights-based and gender perspective;
- g. Recognize the contribution and acknowledge expertise of environmental defenders, indigenous peoples and afro-descendants in combating deforestation, biodiversity loss, and environmental degradation;
- h. Seek consensus and alignment during international discussions on forest-related issues, aiming to achieve common positions;
- i. Ensure that the competent authorities generate, collect, update and disseminate information in a systematic, timely, accessible and comprehensible manner.

II. KEY WORK STREAMS

In view of the above objective, the Partners intend to cooperate around the following work streams:

1. Law Enforcement and Governance

The cornerstone of EU-Honduras relations in the field of forest governance, forest law enforcement and timber trade should remain the implementation of the VPA FLEGT, with a view to reaching FLEGT license. In the meantime, the Forest Partnership should complement the VPA FLEGT on issues beyond timber legality. Improving forest governance, strengthening law enforcement, reform laws and policies, improve transparency and accountability, as well as increasing stakeholder participation and supporting policy-making processes are key elements to both processes. Building on the VPA FLEGT (including the TLAS), activities under this work stream could help Honduras comply with some legal requirements under the EU Regulation on deforestation-free products.

Regarding land tenure, activities within this work stream could focus on the following: i) Providing assistance for the clarification, regulation, and implementation of land tenure and titling processes; ii) Supporting national initiatives for land use planning and the demarcation of forest boundaries; iii) Assisting in cadastral improvement, land regularization procedures, and the enhancement of land registration systems to promote equitable distribution of benefits and investment; iv) Contributing to the ongoing efforts of the SIIAVA Strategy under the VPA FLEGT to operationalize the Inter-institutional Roundtable on Land (*Mesa Interinstitucional de Tierras*¹⁸).

The Forest Partnership could also strengthen forest governance by supporting the Government in its regulations, management, application and monitoring tasks. Several activities could be considered, including: i) Enhancing the national system for precise mapping and monitoring of forest cover and forest fires, including the monitoring of GHG emissions. This may involve upgrading monitoring platforms, enhancing the skills of operators, and bolstering data security.

¹⁸ La Mesa Interinstitucional de Tierras is led by the Instituto de la Propiedad with the participation of the Instituto Nacional Agrario, Instituto Nacional de Conservación y Desarrollo Forestal, Áreas Protegidas y Vida Silvestre, la Asociación de Municipios de Honduras, la Secretaría de Planificación Estratégica, la Secretaría de Gobernación, Justicia y Descentralización, and the judiciary.

ii) Strengthening forest monitoring and mapping efforts, thereby enhancing the capacity to monitor, report, and verify (MRV) the national forests component of the country's NDC.

This line of work could also aim at: i) Promoting collaboration among law enforcement authorities in Honduras to combat forest-related crimes and the deforestation being driven by drug trafficking and illegal cattle breeding. To address this issue, law enforcement efforts could be enhanced by building on the *Fuerza de Tarea Interinstitucional Ambiental*¹⁹ and by prioritising capacity building; ii) Facilitating access to justice and effective persecution of forest related crimes, building on Independent Monitoring (IM) projects with civil society organisations under the VPA FLEGT. Whenever possible, lands rights defenders and environmental rights defenders shall be associated to IM; iii) Supporting the ratification of the Escazú Agreement, i.e. the Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean²⁰. The Forest Partnership could complement the work conducted by the EUROCLIMA+ programme. Guarantees could be sought to provide protection mechanisms for environmental human rights defenders and land rights defenders, as well as gender-specific response mechanisms.

2. Deforestation

The robust enforcement of existing laws and the fight against illegal drivers are key to effectively halt deforestation. A shift from current agricultural practices to deforestation-free agriculture is also of paramount importance. Under this work stream, awareness could be raised about the risks and consequences of deforestation and forest degradation, as well as their effects on production systems, soil and water protection, biodiversity and habitat destruction. The Forest Partnership could help producers develop practices that promote deforestation free practices and traceability systems, in particular for small and medium-sized producers and local communities, for instance by adopting technologies to map their land, improve soil fertility, conservation, yield, profit optimisation and quality product.

The Forest Partnership could explore the relevance and feasibility of developing traceability and due diligence national systems, with a specific focus on small producers and micro, small and medium-sized enterprises (MSMEs). Such systems would allow the efficient due diligence required for certifying trade, by demonstrating that the products are legal, sustainable and produced from a value chain with zero deforestation, in line with the EU Regulation on deforestation-free products.

3. Sustainable forest-based value chains

The Forest Partnership could support the improvement of effective value chains. This could be done by strengthening capacities of all stakeholders along the value chain, with attention to digitalization. This line of work could enhance transport networks and foster the growth of wood industry complexes, commonly known as clusters. Owing to their location, these clusters offer logistical advantages while also serving as development hubs for generating employment opportunities.

Currently, in Honduras forest management plans are established for merely 5% of the forested area. The Forest Partnership could facilitate their establishment, their implementation and digitalisation. In addition, the volume of industrial wood has been about 0.8 million m³ while

¹⁹Led by ICF, with the participation of national Police, the armed forced, the judiciary, and the Supreme Court of Justice.

²⁰Escazú Agreement: Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean, Escazú, Costa Rica, 2018.

production of sawn wood has decreased from 2018 to 2021 from 0.45 million m³ to 0.2 million²¹. Through the Forest Partnership and building on VPA FLEGT, timber supplies could be replenished, creating favourable conditions for the Honduran timber industry to invest in expanding their production capacity and export, including to the European market. Building on the VPA FLEGT, the Forest Partnership could also facilitate dialogue between Honduran and EU forest companies and investors, in order to attract investment in the Honduran forest sector.

Honduras is also home to a wide range of non-timber forest products²². For centuries, indigenous peoples and Afro-descendants have recognized the consumption, medical, and cosmetic benefits of these products. However, the commercial value of these products for trade has not been fully realized. The Forest Partnership could support the development of the related value chains through different actions, including: developing skills and capacities, with a specific focus on small producers, women and indigenous communities; researching business cases and domestications; support product development and marketing; supporting MSMEs; investing in infrastructure to facilitate logistics and transport.

The Forest Partnership could promote ecotourism and its associated value chain. Activities could involve establishing collaborative relationships between local communities and tour operators, including those based in the EU, also fostering a sense of stewardship. The development of eco-tourism initiatives will be guided by FPIC, ensuring cultural appropriateness, and establishing equitable arrangements for sharing the benefits and provide economic incentives for protecting natural resources.

4. Conservation, restoration, climate mitigation and adaptation

In order to effectively tackle the major challenges to conservation in Honduras, such as habitat loss, illegal wildlife trade, unsustainable resource extraction, and pollution, the Forest Partnership could pursue the following objectives: i) Provide support to existing protected areas by enhancing their management; ii) Aim to expand their coverage with the objective of enhancing conservation efforts; iii) Raise public awareness through education campaigns and outreach programs, involving the youth; iv) Support the efforts and measure by the Government of Honduras to promoting co-management schemes and shared responsibilities in protected areas with Indigenous and Afro-Honduran peoples; v) Establish provisions that facilitate private sector investments in reforestation, for example by offering guarantees related to land tenure security and protection against criminal activities or tax incentives.

The partners could prioritise specific areas of interest for intervention in climate change mitigation and adaptation actions. These interventions could focus on conserving existing forest areas and restoring degraded ecosystems through forest restoration efforts. The Forest Partnership could also provide support in implementing the NDC component establishing the goal of restoring 1.3 million hectares by 2030. Furthermore, it could provide support to ensure the National Forest Restoration Strategy of Honduras is effectively implemented. Additionally, it could assist in the finalisation of the forest and ecosystem services programmes associated with the National Adaptation Programme of Action (NAPA).

²¹ FAOSTAT

²² Most important are resins, medicinal plants, xate (palm leaves from *Chamaedorea* species) utilised for handicrafts, the natural gum of chicle, a variety of fruits and nuts including masica or breadnut (*Brosimum alicastrum*), honey, and pine bark. Known for centuries for their medical and cosmetic purposes by communities in the eastern parts of Honduras (Atlántida, La Mosquitia, Río Plátano), the commercial value of Batana (*Elaeis Oleifera*) and swa (*Carapa Guianensis*) have grown more important in the recent years.

III. INVESTMENTS

The Partners should explore opportunities to mobilise funding and create conducive conditions aimed at attracting innovative finance, stimulate private sector initiative, and implement the Forest Partnership.

The Government could allocate a portion of its domestic resources towards the Forest Partnership, from taxes or non-tax sources. Among others, domestic revenue mobilisation could stem from resources directly raised through the Forest Partnership (such as eco-tourism, protected areas fees, and others).

Engaging the private sector through private-public partnerships (PPPs) can be an effective means of funding, especially in the area of eco-tourism.

The Partnership could support the development of national policies and legislation related to payment for ecosystem services and carbon markets, including Article 6 of the Paris Agreement and Result-based Payment Programs. In this context the Forest Partnership could support a comprehensive assessment of the different financing options in terms of their costs, benefits, and impact on NDCs and Long-Term Strategies implementation and achievement. In doing so, the Partnership would support the implementation of the “Call to action for Paris aligned carbon market”²³.

Together with European Development Financial Institutions, the Partnership could explore opportunities to support bankable forest-related projects, especially with the European Fund for Sustainable Development Plus (EFSD+) and in particular the Carbon Sink.

IV. IMPLEMENTATION AND REPORTING

Within six months from the signing of the Forest Partnership, the Partners should develop a Roadmap, based on the key work streams in Section II of this Memorandum of Understanding.

The Partners should cooperate and seek synergies with the mechanisms established under the FLEGT VPA, including the Joint Implementation Committee (JIC).

Specifically, a Political Working Group should oversee the management and the implementation of the Forest Partnership. It should ensure the effective dialogue and cooperation between the Partners and respective stakeholders (as specified in the Roadmap). The Political Working Group should provide guidance and oversight for the implementation of the Roadmap, ensuring progress is monitored and achievements are tracked. The Political Working Group should diligently handle any concerns or conflicts arising from the interpretation and implementation of the Forest Partnership. It should facilitate their resolution in a fair and collaborative manner, aligning with the context, purpose, and objectives of the Forest Partnership. The Political Working Group would be scheduled to hold meetings at least twice a year, ensuring that the timing of the meetings takes into account the calendar of the JIC of the VPA FLEGT when it is relevant.

The Political Working Group should be jointly chaired by the Head of the EU Delegation in Honduras and the Government of Honduras by Executive Director of the ICF (*Instituto Nacional de Conservación y Desarrollo Forestal, Áreas Protegidas y Vida Silvestre*).

²³ Synthesis of the Chair (nouveaupactefinancier.org)

A Technical Working Group should assist the Political Working Group. It should meet at least twice a year, considering the schedule of the technical JIC of the FLEGT VPA, as appropriate and relevant. It should be jointly chaired by the Head of Cooperation of the EU Delegation in Honduras and the Executive Director of the ICF.

The composition of both working groups should be determined during the development of the Roadmap through mutual agreement.

V. FORMAT

This instrument is not intended to create rights or obligations under international or domestic law.

Nothing in this Memorandum shall represent a commitment of financing by either Partner.

This Memorandum is not intended to represent any commitment by either Partner to give preferential treatment to the other Partner in any matter contained herein or otherwise.

The cooperation envisaged in this Memorandum should commence on the day after it has been signed by both Partners.

Signed at the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change on 2 December 2023, in Dubai, in two original copies.