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This action is funded by the European Union

ANNEX

of the Commission Decision on the individual measure in favour of the Republic of Liberia under the 11th European Development Fund

Action Document for the Support to the VPA/FLEGT process in Liberia

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012), applicable to the EDF in accordance with Article 37 of the Regulation (EU) 2015/323 in the following section concerning grants awarded directly without a call for proposals: 5.4.1.

1. Title/basic act/ CRIS number	Support to the VPA/FLEGT ¹ process in Liberia CRIS number: LR/FED/040-656 financed under the 11 th European Development Fund (EDF)	
2. Zone benefiting from the action/ location	Liberia The action shall be carried out at the following location: Liberia	
3. Programming document	National Indicative Programme (NIP) for the Republic of Liberia (2014-2020) ²	
4. Sector of concentration/ thematic area	Governance	DEV. Aid: YES ³
5. Amounts concerned	Total estimated cost: EUR 4 055 555 Total amount of 11 th EDF contribution EUR 4 000 000 for project modality This action is co-financed by potential grant beneficiaries for an indicative amount of EUR 55 555.	
6. Aid modality and implementation modalities	Project Modality Direct management - grants – direct award Direct management - procurement of services	
7 a) DAC code	31210 – 100 %	

¹ Voluntary Partnership Agreement on Forest Law Enforcement Governance and Trade.

² Commission decision on the adoption of the National Indicative Programme for the Republic of Liberia (2014-2020) C(2015) 1267 final of 26.2.2015.

³ Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

b) Main Delivery Channel	Channel 2			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	⊗	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	⊗
	Gender equality (including Women In Development)	⊗	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	⊗
	Reproductive, Maternal, New born and child health	⊗	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input type="checkbox"/>	⊗	<input type="checkbox"/>
	Combat desertification	<input type="checkbox"/>	⊗	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	⊗	<input type="checkbox"/>
	Climate change adaptation	⊗	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagship	Environment and climate change			
10. Sustainable Development Goals (SDGs)	SDG 12: Ensure sustainable consumption and production patterns SDG 15: Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss			

SUMMARY

Liberia's efforts since 2003 to reform the forestry sector that has been a big contributor to the national economy and played a big role during the prolonged civil war has helped maintain a positive dynamic through political dialogue and external support (EU, UK, USA, and Norway). The conclusion with the EU of the Voluntary Partnership Agreement (VPA) on Forest Law Enforcement Governance and Trade (FLEGT) in September 2013 has been a key milestone to that effect.

Following the conclusion of the VPA, Liberia has been putting in place the required structures to improve forest governance, regulate the informal sector and ensure the legality of the timber placed on the domestic market or exported. Significant achievements have been reached to date, including reforms that contribute to the overall redevelopment of the forestry sector. However, important challenges remain to be addressed mainly with regards to the institutional capacities and the establishment of the Legality Assurance System (LAS).

The overall objective of this action is to strengthen the forestry sector and contribute to the country's sustainable economic development.

More specifically it aims at a strengthened forest sector governance and law enforcement. The implementation of the VPA follows the "3-C" pillars of Liberia's forest policy: Commercial, Community and Conservation and aims at bringing positive change on the overall governance and transparency agenda, as it touches on issues including domestic revenue mobilisation, employment, rule of law, environment and labour standards.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

According to Food and Agriculture Organization for the United Nations (FAO) estimates⁴, around 7.6 million ha of forests are lost every year at the global level, particularly in tropical regions⁵. The associated environmental, economic and social impacts are dramatic. Deforestation⁶ accounts annually for more greenhouse gas (GHG) emissions than the total EU economy, and avoided deforestation represents about a fourth of the global mitigation potential 2005-2030⁷.

Covering 45 % (4.3 million hectares) of Liberia's land mass⁸ forests provide vital resources and opportunities in terms of green economy, notably for the rural population and thus has the potential to contribute to the reduction of extreme poverty and increased inclusive prosperity⁹. Forests have been under threat due to illegal logging and deforestation for the expansion of agriculture and mining activities. During the prolonged civil war, illegal logging played an important role in fuelling conflict, which led to a UN embargo on Liberian timber trade from 2003 to 2006 and raised the international profile of the links between timber trade and conflict. The Liberian forestry sector has been slowly recovering since peace was restored with government efforts concentrating on strengthening the legal and regulatory framework, enhancing transparency and accountability, improving the management of the forest resources and establishing the needed capacities of government, private sector and communities to meet their commitments. At the same time, pressure on Liberian forests due to illegal activities, clearance and degradation remains strong due to the increased value of tropical timber on the one hand and of the rise of palm oil on the other.

Liberia's commitment and efforts since 2003 to reform the forestry sector has helped maintain a positive dynamic through political dialogue and external support (EU, UK, USA, and Norway) and the conclusion with the EU of the Voluntary Partnership Agreement (VPA) on Forest Law Enforcement, Governance and Trade (FLEGT) in 2003 has been a key milestone to that effect.

The VPA aims at addressing illegal logging through strengthening Liberia's governance system, enhancing the policy and legal framework, reinforcing law enforcement and ensuring trade in legal timber, thus promoting a competitive and transparent forest sector and contributing to sustainable development.

In the VPA context, Liberia is establishing a system to ensure that the timber produced in the country complies with national legislation. The definition of legality is built around 11 legality principles that cover all the steps of the value chain, from the allocation of the forest to exploitation and export. Compliance with this legality matrix is assessed through the domestic LAS and is attested by a FLEGT license.

Since 2013 the EU and the Department for International Development (DFID) have provided substantial resources (about EUR 15 000 000 in total) to set up the regulatory and enforcement systems required by the VPA. The current support, which will end in 2018, has

⁴ FAO, Forest Resource Assessment 2015.

⁵ Deforestation is at its highest in tropical and sub-tropical regions. The main regions with gross deforestation are South America (33 %), Sub-Saharan Africa (31 %), and Southeast Asia (19 %).

⁶ The EU is calling for global deforestation to be halved by 2020 and halted by 2030.

⁷ The LULUCF sector within the Intended Nationally Determined Contributions, Giacomo Grassi JRC/IES.

⁸ Liberia was already in 2000 the most forested country in the region (47 % of its total area) strongly contrasting with Ivory Coast (17 %), Ghana 30 %, Sierra Leone (18 %). Actual figures for the countries in the region could be smaller.

⁹ Forestry contributed USD 159.7 million to the economy in 2011, which is approximately 15.2 % of the GDP. Official statistics refer that the main segments (logging and manufacturing of wood products) of the timber value chain provide direct employment to 25 000 people (out of 504 000 employed population).

resulted in major improvements in sector governance, especially in terms of transparency and stakeholders' participation. The EU and the Government of Liberia have mutually agreed on an ambitious roadmap for issuing FLEGT licenses by 2020. The challenges in meeting this objective require renewed political will and additional support, mostly in terms of effective enforcement of legality and core regulatory functions.

1.1.1 Public Policy Assessment and EU Policy Framework

Recognising the role of illegal timber trade in financing the civil conflict, one of the first priorities in the post-conflict era has been to restore governance and redevelop legal economic activity in the forest sector.

The reform process began already in 2006 with the cancellation of all existing logging concessions aimed at developing the forest sector as one of the pillars to rebuild the national economy. The 2006 National Forestry Reform Law (NFRL) and the 2009 Community Rights Law (CRL) provided a new framework for identifying, allocating, and managing logging concessions, as well as for the engagement of communities in forest management. The key objectives of the NFRL and CRL are to: 1) Create rural employment as a means of development and conflict prevention; 2) Mobilise domestic revenue from the sector to fund post-conflict reconstruction; 3) Promote sustainable exploitation; 4) Promote the rights of the forestry community and their involvement in resources management.

Poverty Reduction Strategies (2008-2011, 2012-2015, Agenda for Transformation 2015-2017) have recognised the potential of the forest sector in providing sustainable revenues as well as undervalued products and services and have included it as a key sector that can contribute to economic development and growth. The Agenda for Transformation maintains the 3-C approach (integrate the community, conservation and commercial aspects of forestry) and prioritises the development of community and private-sector forest enterprises, the expansion of sustainably harvested forest production for domestic and export markets, the reduction of illegal harvesting of forest resources and the technical capacity building, and improve coordination among government agencies, arboreal communities and civil society.

The conclusion of the FLEGT VPA with the EU in 2013 was an important momentum-intensifier for Liberia's efforts to address deep entrenched governance weaknesses and reinvent the forest sector. It has enabled the creation of stakeholders' coordination structures with representatives from the government, the private sector and affected communities and a common understanding on the way forward. Furthermore a number of bodies within the Forestry Development Authority (FDA) have been created and/or reinforced, the legal and technical framework has been updated¹⁰, buildings and equipment have been rehabilitated, and the law enforcement capacity has been strengthened. Women are now more empowered to take part in decision making. Communities benefit from the forest exploitation under a revenue sharing system with the forestry companies and receive 30 % of the surface tax paid by the concessioners. A traceability system (LiberTrace) has been set up to follow the timber from the standing tree to the importing company which has allowed the government to collect

¹⁰ The most relevant documents are, on the support to FDA, Reviews of Forest Management Planning guidelines and procedures, Manual on mapping and forest cover classification system for GIS technologies, The Amendment to Liberia Code of Forest Harvesting Practices (CFHP) as well as updates on website improvements. On Legal Support to both the FDA and the Ministry of Justice, a number of regulations –i.e. on Abandoned Timber, Confiscated Timber, Imported Timber, Transit Timber, Third Party and Amendment to Penalties- The support to civil society has covered the capacity strengthening to the NGO coalition and the NUCFDC, as well as support for the formulation of more than 20 community projects to be funded in 2016 by the Government of Liberia through the National Benefit Sharing Trust. On Private sector support, a number of guidelines aiming at the effective engaging of the PS. Additionally, a number of documents supporting the VPA process itself, as the Forward Planner Master, the Plan & Budget for VPA Secretariat to include in FDA budget, Plan & Budget for Liberia Licensing Department include in FDA budget.

between USD 6 000 000 and USD 12 000 000 of revenues per year in the period between 2013 and 2017.

The EU and Liberia review progress under the agreement at regular bilateral VPA Joint Implementation Committee (JIC) meetings, on the basis of an agreed roadmap, the "Forward Planner", which outlines all the necessary steps to issue FLEGT licenses in 2020. The recent JICs acknowledged the significant progress achieved thus far in meeting the objectives of the Agreement and noted the substantial gaps that still need to be addressed especially in terms of implementation and enforcement of forest policy, laws, and regulations.

As far as the EU Policy Framework is concerned, this action is part of the EU Action Plan on Forest Law Enforcement Governance and Trade ("FLEGT Action Plan")¹¹, adopted in 2003, which sets out "a process and a package of measures" "to address the growing problem of illegal logging and related trade" and foster "EU's wider objective to encourage sustainable forest management"¹² and contribute to sustainable development¹³. The FLEGT Action Plan aims at reducing illegal logging globally by supporting governance reforms and capacity-building in timber-producing countries, by working to develop multilateral cooperation to combat the trade in illegally-harvested timber and by taking measures to reduce the consumption of illegally-harvested timber in the EU and elsewhere in the world. An independent evaluation of the FLEGT Action Plan was completed in April 2016, whose recommendations are, as much as possible, captured in this action.

The proposed action is also framed within a number of other policy initiatives¹⁴.

1.1.2 Stakeholder analysis

The VPA has been supported by all key stakeholders with different interests including the government that saw the opportunity for further forest sector reforms in the post-war environment; the private sector that wanted to improve the business environment and re-

¹¹ Communication from the Commission to the Council and the European Parliament — Forest Law Enforcement, Governance and Trade (FLEGT) — Proposal for an EU Action Plan, COM (2003) 251.

¹² "Since in many countries forest legislation is based on the premise of sustainable forest management, better law enforcement will in general lead to more sustainable forest management. Where this is not the case the EU should encourage a review of the legal framework."

¹³ "The FLEGT Action Plan represents a contribution to the implementation of the WSSD Plan of Implementation, specifically paragraph 45c." "Better forest governance is therefore an important step on the path to sustainable development".

¹⁴ (i) The 2008 Commission Communication on Deforestation, setting out the EU's ambitions on halting deforestation and its effects on climate change, as well as the EU support to reducing emissions from deforestation and forest degradation (REDD+) process in the United Nations Framework Convention on Climate Change (UNFCCC).

(ii) The 2015 UNFCCC Paris Agreement which strengthens the international legal and institutional framework for dealing with forests and REDD+, stressing the role of forests in conserving and enhancing sinks and reservoirs of greenhouse gasses;

(iii) In the new European Consensus on Development the EU and its Member States' commit amongst other things to "support better governance and capacity building for the sustainable management of natural resources, including the prevention of illegal exploitation of forests".

(iv) The 7th EU Environment Action programme (EAP) reiterates EU commitment to reduce tropical deforestation and calls for "assessing the environmental impact, in a global context, of Union consumption of food and non-food commodities and, if appropriate, developing policy proposals to address the findings of such assessments.

(v) The New York Declaration on Forests signed at the UN Climate Summit in September 2014 brought together heads of state, companies and civil society organisations to commit to halving deforestation by 2020 and ending it by 2038. Several European governments reiterated their commitments in the 2015 Amsterdam Declarations on Eliminating Deforestation from Agricultural Commodity Chains and on supporting 100 % Sustainable Palm Oil in Europe.

(vi) The 2016 EU "Trade for all" strategy recalls steps that the EU has already taken towards responsible management of global supply chains.

(vii) On 28 June 2016 the Council adopted conclusions on the evaluation of the FLEGT action plan and of the EU timber regulation (EUTR). Finally, the 2016 EU "Trade for all" strategy recalls steps that the EU has already taken towards responsible management of global supply chains. The set of actions within the FLEGT Action Plan support efforts across a range of SDGs. In particular, there is evidence that FLEGT directly addresses goals 8, 12, 13, 15, 16 and 6.

establish the reputation of Liberian timber on the market; the civil society that looked to strengthen their participation in the sector; and communities that aimed at taking part in decision making to secure their rights and improve their livelihood. The VPA, from negotiation to implementation, has not left any of these stakeholders behind and the process has been rewarded with sustained commitment, albeit within their limited capacities that have exacerbated challenges and complicated comprehensive achievements.

The beneficiaries of this action are essentially the stakeholders of the VPA process including state- and non-state actors involved in the forest sector.

In government, the Forestry Development Authority is a key actor but other agencies involved in VPA implementation, namely the Ministry of Finance and the Liberian Revenue Authority, the Environmental Protection Agency, the Ministry of Labour, Ministry of Commerce and Industry, Ministry of Justice, Ministry of Agriculture or the Land Commission are called to have a role. The Government will benefit from FLEGT VPA implementation by improved planning, increase and sustainability of revenues, improved governance and rule of law while the private sector may benefit from an environment with clearer rules and procedures thus contributing to a better business climate while securing access to the EU and other export markets.

Civil society, be it Non-governmental Organisations (NGOs), forest workers or the general public, have shown in the past years what their involvement in the process could bring in terms of increased law enforcement, forest governance and overall accountability. Even though they lack sufficient human and financial resources, a core group of NGOs and individuals brought instrumental progress to the forest sector in the country. Continued improvements on transparency and access to information, awareness-raising and capacity building of forest-affected communities, independent observation of forest activities and general advocacy will require additional support.

Communities living in and near forests will be important beneficiaries of the improved forest governance to which this action contributes. They will benefit both from the more accountable, sustainable and equitable forest management that the VPA enshrines, and from assurance of the direct contributions required under the Social Agreements which form part of logging companies' contract conditions.

The private sector is diverse and ranges from international large-scale operators to individual chainsaw loggers that face different kind of challenges and an unstable environment. A large number of logging companies take advantage of the weak levels of law enforcement to carry out their activities as they wish to and are not ready to genuinely engage in VPA implementation. Despite these additional challenges, these actors are incremental to the success of VPA implementation and support needs to be provided to ensure an improvement of logging and forest management practices, business environment and securing access to markets (international and regional). This in turn shall bring significant benefits to the Liberian economy and to the livelihoods of Liberians, especially for those living in rural areas.

1.1.3 Priority areas for support/problem analysis

The scope and scale of the needs for institution-building is greater than what had been originally anticipated. The re-establishment of fundamental functional capacity in the post-conflict phase and the need to involve government institutions beyond FDA meant that some VPA dedicated activities (verification mandate, set up of Licensing department) were delayed and could only be addressed as of 2017. The Ebola crisis that affected the country in the period 2014-15 caused operational delays and created further strains in the collection and allocation of domestic resources.

The current support provided for the implementation of the VPA has been instrumental to secure some of the government objectives in the forest sector. The priority areas for this action are mostly related to the completion and consolidation of what has been initiated under the ongoing support in view to ensure long-term sustainability:

- The Forest Development Authority (FDA) has been successful in setting up a VPA Secretariat and all the legal structures for the implementation of the agreement, but the limited human and financial resources have hampered their operations and there are still significant capacity gaps. There is a clear need to continue accompanying the process and to re-strategize the phasing out of the EU support in order to consolidate the development gains that have been achieved so far. The proposed action aims at further strengthening the in-house capacity of the VPA Secretariat and to work with them on a sustainable resourcing strategy.
- The system to track timber and secure revenue collection has been put in place. The VPA and the related support were instrumental to establish and maintain the system through a private service provider. This action aims at completing the transition from the private service provider to FDA's Legal Verification Department (LVD) while ensuring its financial and technical sustainability.
- The capacity of all VPA stakeholders beyond FDA to implement policies and to enforce legislation has greatly improved but there are still many challenges. The current implementation of VPA/FLEGT support has allowed assessing in detail the needs for government and non-government agencies. This action aims at addressing some of these identified constraints and thus consolidates the results reached to date.
- The participatory process created through the VPA was instrumental in creating a necessary national dialogue on community forestry. The current action is focused on supporting stakeholders to advocate successfully for the necessary regulatory reforms. The success with regard to the Social Agreements pose new challenges as communities generally lack capacity to manage their forest and negotiate fair contracts, and FDA has limited means to support them.

It is expected that, once the system is fully operational, Government resources generated from the sector will ensure the long term sustainability of the VPA institutional set up.

1.2 Other areas of assessment

N/A.

2 RISKS AND ASSUMPTIONS

Risks	Risk level H/M /L	Mitigating measures
Limited commitment to the VPA process by the new administration elected in the 2017 elections.	M	Secure strong support from general population, private sector, and donor community through information and education awareness campaigns. Support Civil Society Organisations (CSO) involved in information and outreach campaigns. Regular policy dialogue and article 8 dialogue in case of major disruption in policy orientation. Design of a VPA/FLEGT-related budget support indicator.
The Government of Liberia does not allocate sufficient resources to VPA implementation.	H	Political dialogue between the Government of Liberia and donors to maintain engagement and make it concrete. Design of a VPA/FLEGT-related budget support indicator.
Political instability and insecurity linked to the planned United Nations Mission in Liberia (UNMIL) drawdown.	L	EU and other donors' support to the stabilisation process.
Implementation delays caused by limited capacity of government to handle procedures and mandate.	H	Capacity building and technical assistance.
Enforcement and verification teams not sufficiently prepared for taking over operations. Risk of corruption.	M	Regular assessment of FDA's control and verification operations and additional training and capacity-building if necessary.
The land reform process (Land Right Act) brings about unexpected effects on forest tenure, management and exploitation and community forestry development.	M	Proper assessment of potential impacts and strengthening of communities' capacities and relevant administrative bodies (FDA, Land Commission).
Lack of private sector involvement, because their interest is in maintaining the status quo and consider the business environment as too bad.	M	Foster dialogue between the Government of Liberia, the private sector and donors on improving the business environment and infrastructures. Better inform the private sector on the benefits the VPA can bring about.
The allocation process of Community Forest Management Agreements (CFMAs) is rushed and does not bring the expected benefits.	M	Capacity-building and technical assistance to Community Forestry Management Bodies and to the Community Department of FDA. Ensure that FDA (both the Community Department and LVD) have sufficient resources to monitor these. Revision of the VPA text to ensure that exported

		timber coming from community forestry is covered by the appropriate requirements and controlled.
LVD not ready for the handover of the Chain of Custody.	H	Further support to LVD can be envisaged from alternative sources of funding (i.e. FAO FLEGT Facility).
Assumptions		
<ul style="list-style-type: none"> • The new administration remains committed to the VPA and to improving forest governance. • The new government continues the efforts made to building and strengthening institutions, in particular FDA. • The Liberia Revenue Authority remains a strong and trust-worthy institution, committed to transparent collection and allocation of forest-related revenues. It also remains engaged in high-level dialogue with the EU and the FDA. • Civil society continues to value the VPA as the main instrument for making their voice heard on forest governance issues. 		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

In order to ensure progress under the VPA and meet the target of issuing FLEGT licenses by 2020, it is crucial that all parties remain fully committed to the process and contribute their share. The ongoing EU/DFID support has shown that technical support to the government agencies involved in the process is crucial but not sufficient to ensure real progress. The VPA must remain at the centre of the EU-Liberia high-level policy dialogue and should be multi-sectorial, as it involves many areas including governance and transparency, domestic revenue mobilisation, CSO participation and economic growth.

For the VPA process to unfold its full potential it should be better integrated into the broader EU-Liberia dialogue on issues of transparency and accountability. A briefing paper released by Global Witness in early 2017 calls on the EU to "raise the issue of corruption up the political agenda with producer country governments; re-orientate policies to address key dimensions of an anti-corruption strategy – accountability, transparency, participation and integrity; and strengthen enforcement of EU Timber Regulation to tackle corruption risks in the EU's timber supply chain"¹⁵. The regular policy dialogue with the government notably through EU budget support operations should be leveraged for this purpose.

The first five years of the VPA agreement were dedicated to establishing the institutional structures to implement the agreement. It is important to use the jointly agreed monitoring tool (the Forward Planner) as the roadmap towards the final objective of issuing FLEGT licenses. EU Delegation is following up on a permanent basis with the many stakeholders involved, including the CSOs and the private sector. This process is time- and resource-consuming but it has a potential to bring about changes well beyond the sector.

The lack of information on the economic viability of commercial forestry also had its impact on VPA implementation these past years. As the forest resource has not been properly assessed (forest inventory that informed the national forest policy was flawed), and operating costs are high, a viable tax system that would bring the needed revenues while incentivising good practices has still not been designed. A national forest inventory will be developed with support from FAO in 2018. Its outcome will inform the ongoing review of the tax regime.

¹⁵ <https://www.globalwitness.org/en/campaigns/forests/tackling-corruption-protect-worlds-forests/>

The importance of the informal sector that feeds the domestic market is increasing. Now that structures are in place to manage the formal sector, it is critical for the economy to start addressing the informal sector. Recent reports show that they now exceed the formal sector in volume of timber and forest loss. The support provided under this action will factor in this reality.

3.2 Complementarity, synergy and donor coordination

Considered as a pillar for rebuilding the country after the conflict, the forest sector has been supported by the international community over the past ten years. Donors with a lead role in the sector include the EU, the USA, the UK, Norway, the World Bank and FAO.

The EU and the UK (through DFID) have worked together to provide substantial support (EUR 15 000 000) to Liberia's VPA implementation activities, including support on capacity-building of all stakeholders, development of the legality verification management system, legal revisions or establishment of monitoring structures. In addition, both the EU and the UK provided direct support through grants and other funding to stakeholders on activities such as independent observation, VPA facilitation or Small and Medium Sized Enterprises (SME) support. The support given to FAO-UE FLEGT and to FLEGT Facility also enabled to launch work on impact monitoring (an obligation under the VPA), gender rights in the forest sector or chainsaw milling. The proposed action seeks to continue providing this critical support to ensure long-term sustainability of the VPA process while developing a suitable exit strategy for the EU support.

The FAO in Liberia intervenes through the "Farm and Forest Facility", the objective of which is to ensure forest and farm producers are involved in national decision-making processes that impact their livelihoods and the sustainable management of forests.

In 2014, Norway and Liberia entered into a partnership to improve forest governance, strengthen law enforcement and support efforts in reducing greenhouse gas emissions. The partnership will also support development of a "deforestation free" agricultural sector. In particular, they are looking at improving forest management, strengthening the capacity of rural communities, and improving the management of protected areas. This support is given in conjunction with the World Bank working on Reduction of emissions from deforestation and forest degradation (REDD+) implementation and sustainable management of natural resources and land planning. An independent review of forest concessions in order to assess whether some have been allocated illegally is also included. The results of this study will directly feed into the verification of several principles of the VPA legality definition.

Over the last years, the United States Agency for International Development (USAID) focused its actions on community forests. Its project "People, Rules and Organizations Supporting the Protection of Ecosystem Resources" (PROSPER) led to the creation of the "nine step approval process" for establishing a forest community under Community Forest Management Agreements (CFMAs), formally endorsed by the FDA. The VPA process has followed closely this process and is working on including these requirements into the VPA. Since the PROSPER project was mostly focused on community forestry for conservation purposes, support given to communities who wish to get a CFMA for logging purposes will nicely complement previous actions and is necessary to avoid this ambitious reform being diverted.

3.3 Cross-cutting issues

The main cross-cutting issues addressed in this action are: gender, rights-based approach and environmental sustainability, and climate change.

As a post-conflict country and given the role that timber played in the conflict, this action also addresses concerns related to the risks of avoiding future conflict in Liberia.

This project has a clear link with the rights-based approach, as the purpose of the agreement is to strengthen governance and law enforcement. Improved labour regulations and mechanisms to share forest sector benefit with forest-affected communities (improved agreements with companies, transparent revenue collection, systematic benefit sharing) will advance the human rights and livelihoods of vulnerable populations in remote areas of Liberia.

Encouraging broad participation of affected communities also contributes to improving the engagement of women in debates and management of resources and the inclusion of their needs and particular concerns. Several projects under the VPA umbrella and funded by the FAO FLEGT Facility, the EU or coming directly from the national budget (benefit sharing of forest revenues for affected-communities) are actively promoting governance, strengthening the roles of communities and directly supporting women's rights and direct participation in forest management. Such activities form a good basis that this action can use to further advance both the rights-based approach and gender equality.

While the VPA is primarily a trade agreement on timber legality, it will also contribute to the maintenance of the forest cover and hence the associated habitats and biodiversity. Better enforcement of environmental regulations will also contribute to environmental sustainability and reduce illegal deforestation, hence enabling better biodiversity conservation and strongly supporting the fight against climate change.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

Overall objective: The overall objective of this action is to strengthen the forestry sector and contribute to the country's sustainable economic development.

Specific objective: Strengthened forest sector governance and law enforcement

Expected results: The results and activities framed into this action follow on from those outlined in the VPA and include in particular:

1. Liberian stakeholders have improved capacities and ownership to implement the commitments laid out in the VPA;
2. Ongoing regulatory reforms necessary for VPA implementation will be completed and better enforced;
3. Implementation of the VPA is extended to community forestry as well as the informal sector;
4. Effective monitoring to review and strengthen progress in forest sector governance will continue to be developed and implemented.

The action is fully coherent with the Liberian development strategies (Agenda for Transformation) and with EU policies (notably the EU FLEGT Action Plan). This programme is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of SDG 15 (Sustainable management of forests), but also promotes progress towards Goals 8 (Sustainable economic growth), 13 (Climate change) and 16 (Just, peaceful and inclusive societies). This does not imply a commitment by Liberia benefiting from this programme.

4.2 Main activities

The main activities proposed are structured around the four expected results:

Result 1: Liberian stakeholders have improved capacities and ownership to implement the commitments laid out in the VPA.

1. Support to participatory structures and mechanisms to implement the VPA;
2. Support communication around the implementation of the VPA, including public outreach.

The Action will support all stakeholders to establish the necessary capacities to meet their commitments and obligations under the VPA aimed at the improved management of forest resources in a way that ensures legal production and expected environmental, economic and social benefits.

The Action will continue assisting the government to coordinate and facilitate VPA implementation. It will also continue strengthening capacities of government agencies involved in the implementation, including FDA, the Environmental Protection Authority, the Bureau of Customs and Excise, the Judiciary, the Ministry of Labour and the Ministry of Finance, to fully roll out the mechanisms and tools that the current support has already helped establish.

Along with this, the Action will also continue training private sector operators to understand and apply the legal requirements of the VPA. It will support civil society organisations in community outreach as well as train forest affected communities on their rights and responsibilities.

The Action will support the government of Liberia in developing and implementing a targeted communication plan as required by the VPA.

An important contribution of the VPA will arise from the improved reputation and access of its timber product exports in international markets. The programme will support promotion efforts in key markets for Liberian timber products. This will aim to establish the credentials of Liberian timber with regard to its legality and sustainable contribution to the country's economy.

Result 2: Ongoing regulatory reforms necessary for VPA implementation will be completed and better enforced

1. Support the development of regulations that will complete the legal framework;
2. Train stakeholders on compliance with the VPA commitments;
3. Strengthen capacities of Government agencies, including FDA, to regulate and systematically verify legality in the forest sector;
4. Support civil society for the independent forest monitoring function;
5. Support effective law enforcement.

The VPA commits Liberia to adopt and implement a range of laws and regulations that are currently under development. The Action will assist the government of Liberia to finalise a number of regulations to address the gaps identified including: formalisation of chainsaw lumber operations; defining community tenure rights to forest land and resources; regulation of timber in transit and imported timber; regulations to guide the disposal of timber confiscated under Liberian law; abandoned logs and their incorporation (or otherwise) into the LAS; regulation to secure the incorporation of agricultural by-products (primarily rubber wood) into the LAS; safety and welfare regulations, and environmental requirements in timber contract areas.

In addition, the Action will support the government of Liberia to enforce laws and regulations, building on recent improvements under the current support: revised penalty regulations, effective collaboration between the FDA and the Ministry of Justice, and tools such as LiberTrace and the law enforcement handbook.

Result 3: Implementation of the VPA is extended to community forestry as well as the informal sector

1. Reinforce support to stakeholders to ensure community forestry development is in line with VPA commitments;
2. Address informalities of the sector as part of the VPA implementation.

The Action will support FDA and other government agencies to properly include timber extracted from the commercial Community Forest Management Agreements into the VPA system. This requires adapting the legal framework and enforcement, which is currently modelled on commercial concessions, to the specificities of CFMAs and ensure the legality of timber independently of its origin.

The Action will focus on supporting the development of community forestry in a way that preserves livelihoods of communities, bring rural development and ensure sustainable management of forest resources. The Action will also support the process of formalisation of artisanal logging.

Result 4: Effective monitoring to review and strengthen progress in forest sector governance will continue to be developed and implemented

1. Monitoring of the process and its impact in Liberia;
2. Support to the Government of Liberia in markets-related (domestic and exports) monitoring.

The VPA foresees monitoring by civil society, government services and forest-affected communities to strengthen forest sector governance. The Action will continue supporting the effective participation in the National Multi-stakeholder Monitoring Committee, which serves as a platform for public participation in VPA implementation and forest sector development. The programme will continue the support to the Government of Liberia in routine monitoring for assessing the contribution of the informal sector to the economy; access of exports to international markets; as well as the monitoring required in the JIC to produce annual reports of VPA implementation, including FLEGT licenses issuance; problems with FLEGT licenses; annual quantities of timber and timber products exported to the EU.

4.3 Intervention logic

Based on the context analysis, the risks and assumptions and the lessons learnt, the proposed intervention logic builds on the successes of current VPA support initiated in 2013. The legality assurance remains the backbone of the VPA process and it is defined in a comprehensive legality matrix containing 11 principles and additional cross-cutting issues.

Activities under results 1 and 2 aim at supporting respectively the institutional capacity and the legal reforms that are necessary to ensure compliance with the VPA Legality Matrix. Once the capacity and the legal framework are in place, it will be possible for Liberia to issue FLEGT licenses.

Activities under result 3 address the emerging issues of community forestry and the informal sector. At the time of VPA negotiations and in its initial years of implementation, Community forestry was not of major significance, but in the meantime it has become an important source of timber for export and it is expected to increase. The objective of these activities is to create the conditions for this timber to enter the VPA system, so it will be compliant with the principles of legality to the advantage of the producers who could eventually improve their negotiation positions and sales. This will not hamper the sustainability of the forest resources after the end of the exploitation cycle. Currently, the informal sector does not target the export market but it needs to be considered in light with its direct linkages with the formal commercial exploitations and its economic relevance.

Activities under Result 4 aim at further strengthening the capacity of CSOs and other Non-State Actors (Private sector and universities) to play their role in the VPA implementation in view to reinforce checks and balances.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2 will be carried out and the corresponding contracts and agreements implemented, is **36** months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) 2015/322.

5.3 Implementation of the budget support

N/A.

5.4 Implementation modalities

Both in direct and indirect management, 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 measures affecting the respective countries of operation.

5.4.1. Grant: direct award (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results.

This grant will deliver mainly into the activities listed under 4.2: Activity 1.2 as supportive measure for CSOs enabling them to be part of the decision-making bodies (multi-stakeholder forum and others) as well as a much needed continuation of the support to civil society for independent forest monitoring (Activity 2.4).

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the recourse to a direct award of the grant without a call for proposals is justified because the country is in a crisis situation referred to in Article 190(2) RAP and based on the lessons learnt from EU and other donors' support to Liberian CSOs, there is strong evidence that there are very few local NGOs with the technical and financial capacity to implement EU grants in Liberia without the support of international counterpart, and even fewer are active in the forest sector.

(c) Eligibility conditions

Eligible candidates include legally recognized CSOs and or NGOs established in a Member State of the European Union or in Liberia, with a clear mandate and experience in implementing similar actions in the sector in the country.

The indicative amount of the EU contribution is EUR 500 000 and the grants may be awarded to sole beneficiaries and or to consortia of beneficiaries. The indicative duration of the grant (its implementation period) is 36 months.

(d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the action; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 90 % of the eligible costs of the action.

In accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 applicable in accordance with Article 37 of Regulation (EU) 2015/323, if full funding is essential for the action to be carried out, the maximum possible rate of co-financing may be increased up to 100 %. The essentiality of full funding will be justified by the Commission's authorising officer responsible in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative timing to conclude the grant agreement

Second quarter of 2019.

5.4.2 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical Assistance (VPA support unit)	Services	1	Q3 – 2018
Technical Assistance (Support to Legal Verification)	Services	1	Q1 – 2019

It is expected that the tender procedure for the award of the service contract under Component 1 will be launched with a **suspensive clause** in order to minimise potential gaps with the current support.

5.5 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.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

Implementation modalities	EU contribution (in EUR)	Indicative third party contribution (in EUR)
5.4.1 Direct grants (direct management)	500 000	55 555
5.4.2 Procurement (direct management) composed of indicative amounts	3 400 000	
<i>VPA support unit – Support to legal verification</i>	<i>3 400 000</i>	
5.9 Evaluation and 5.10 Audit	50 000	
5.11 Communication and visibility	50 000	
TOTAL	4 000 000	55 555

5.7 Organisational set-up and responsibilities

A Project Steering Committee (PSC) shall be established in order to ensure that the commitments from both partners are respected and that the implementation for the project is undertaken in a timely and effective manner. The Project Steering Committee will include:

- The EU and FDA (Co-Chairs);
- NAO representative;
- Representatives from the Technical Assistance service contractor;
- Representatives from relevant institutions/organisations financially supporting FDA (as observers).

The Project Steering Committee shall meet at least twice a year or on a need basis to monitor progress made in the implementation of the project and to discuss the orientations to be taken. The Steering Committee may decide to invite other stakeholders if appropriate.

5.8 Performance 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. The implementing partner shall establish a permanent internal, technical and financial monitoring system for the action 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 specific objectives) as measured by corresponding indicators, using as reference the logframe matrix, that coincides with the roadmap for the VPA implementation, (known as *forward planner*¹⁶ or *dashboard*). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action.

Some indicators in the logframe will be further defined in the Inception Report on the basis of a baseline study. The project team will repeat the same study in the last months of the Action so that results can be evaluated (data is to be included in the Final Report). The final report, narrative and financial, will cover the entire period of the action implementation.

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).

5.9 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission and funded under the Technical Cooperation Facility, if this will be relevant for learning purposes, in particular with respect to the contribution of the VPA process in Liberia to the FLEGT Action Plan and the overall Agenda for Change.

¹⁶ Since the VPA is a bilateral agreement between EU and Liberia, it is governed by the Joint Implementation Committee, which meets twice a year. Orientations for the implementation of the VPA are thus jointly agreed at the JIC. The JIC has put in place a planning and monitoring instrument, designed around the commitments of the VPA. The instrument tracks progress on areas of legal compliance that are being monitored by the Liberian government and the capacity of the government to do so. The JIC has set up a sub-committee in charge of the technical follow up. That committee meets regularly to steer and monitor the implementation of the VPA using the monitoring instrument.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.10 Audit

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 audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, two contracts for audit services shall be concluded.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.6 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

The EU Delegation will procure communication and visibility services through a dedicated service contract in direct management. The budget allocated for this purpose is EUR 50 000. Specific activities will be designed on the basis of a communication and visibility plan to be developed by the selected contractor.

6. PRECONDITIONS

N/A

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective	Strengthen the forestry sector and contribute to the country's sustainable economic development *	<p>Value of FLEGT certified timber exports</p> <p>Domestic revenue generated by the forestry sector</p> <p>Value of non-collected taxes</p>	<p>0 (31st December 2017)</p> <p>Invoiced USD 9.2M and collected USD 6.7M</p> <p>USD 23M (31st December 2017)</p>	<p>Increasing from Yr.3. (Depending on market conditions)</p> <p>Both absolute and relative figures increased</p> <p>TBD (to be further define during JIC in 2018)</p>	<p>Reports mentioned in section 5.8</p> <p>GDP official statistics</p> <p>Reports from independent auditor contract</p>	<ul style="list-style-type: none"> • Political stability continues after the 2017 elections. • National economic development provides an enabling environment for increasing private investment to timber production and processing for export. • Necessary investments are made in infrastructure (roads, ports, ...) to support forest production • Post 2017 administration focuses on good governance, accountability, anti-corruption and progresses with relevant due reforms in civil service. • International timber market prices remains stable
Specific objective(s): Outcome(s)	Strengthened forest sector governance and law enforcement	<p>Number of FLEGT Licenses issued by Liberia</p> <p>Value of forest sector-generated funds disbursed to communities</p> <p>Number of cases</p>	<p>0 (31st December 2017)</p> <p>USD 1.5 M (31st December 2017)</p> <p>10 (Period 2007-31st)</p>	<p>Yr 3: At least 1 License issued</p> <p>Increased (Exact figure TBD depending on private sector operations)</p> <p>Increased (Exact figure TBD during JIC in 2018)</p>	<p>Ministry of Commerce official statistics</p> <p>LRA reports on tax collection</p> <p>Sectorial reports form technical Departments</p> <p>Reports from</p>	

		processed and resolved by the Law Enforcement Division (FDA)	December 2017)		FDA Law Enforcement Division	
Result 1:	Liberian stakeholders have improved capacities and ownership to implement the commitments laid out in the VPA.	Status of compliance with all indicators under principle 1: legal existence/ recognition and eligibility to operate in forestry sector	TBD by the Forward planner update (intended for 2 nd half 2018)	All (3) sub-indicators complied with by year 3	Forward planner successive updates	<ul style="list-style-type: none"> Government of Liberia agencies (FDA specifically) have adequate budget and are able to recruit staff, to acquire and maintain equipment –cars, offices- and support running costs enabling it to develop operations for the VPA implementation. Government of Liberia agencies are able to absorb resources aimed at developing necessary personnel and other institutional capacities.
		Status of compliance with all indicators under principle 2: forest allocation		All (9) sub-indicators complied with by year 3	Audit reports from independent auditor contract	
		Status of compliance with all indicators under principle 3 social obligations and benefit sharing		All (5) sub-indicators complied with by year 3		
		Status of compliance with all indicators under principle 4 forest management operations and harvesting		All (2) sub-indicators complied with by year 3		

		Status of compliance with all indicators under principle 5 environmental obligations		All (5) sub-indicators complied with by year 3		
		Status of compliance with all indicators under principle 8 workers' rights, health safety and welfare		All (6) sub-indicators complied with by year 3		
		Status of compliance with all indicators under principle 9 taxes, fees and other payments		All (4) sub-indicators complied with by year 3		
		Status of compliance with all indicators under principle 10 export, processing and trade requirements		All (3) sub-indicators complied with by year 3		
		VPA Implementation Structures functional		All structures (VPA secretariat, MSHF, ...) financially self-dependent by year 3		

Result 2:	Regulatory reforms necessary for VPA implementation completed and better enforced.	Status of compliance with all indicators under principle 6: timber transportation and traceability	TBD by the Forward planner update (intended for 2 nd half 2018)	All (6) sub-indicators complied with by year 3	Forward planner successive updates Audit reports from independent auditor contract	<ul style="list-style-type: none"> • Strong political commitment to seeing reforms through is established and maintained.
		Status of compliance with all indicators under principle 7: transformation and timber processing		All (3) sub-indicators complied with by year 3		
		Number of principles from the legality matrix adapted to community forestry		Yr 1: 11 principles from the legality matrix adapted to community forestry		
		Number of relevant legality matrix principles incorporate informal sector (mainly chainsaw and charcoal production)		TBD (to be further define during JIC in 2018)		
	Implementation of the VPA is extended to community	Status of compliance to adapted legality matrix principles. (Principles 1 and 2)	TBD by the Forward	TBD (to be further define during JIC in 2018)	Forward planner successive updates Audit reports	<ul style="list-style-type: none"> • Strong political commitment to seeing reforms through is established and maintained. • Structures that enable communities to participate sufficiently in negotiations

Result 3:	forestry as well as the informal sector	Degree of compliance by the informal sector with principles 3, 4 and 5.	planner update (intended for 2 nd half 2018)	TBD (to be further define during JIC in 2018)	from independent auditor contract	with contract holders and the government can be developed.
Result 4:	Effective monitoring to review progress in forest sector governance	Status of compliance with all indicators (11.1, 11.2 and 11.3) under principle 11 on transparency and general disclosure	TBD by the Forward planner update (intended for 2 nd half 2018)	All (3) sub-indicators complied with by year 3	Forward planner successive updates Audit reports from independent auditor contract	<ul style="list-style-type: none"> • Effective follow-up actions are taken to address shortcomings identified through monitoring • Improved access to public information strengthens accountability • Overall government commitment to transparency and accountability.
Deviations, bad practices or shortcomings from implementation of the VPA system (private sector, regulators or others) identified and adequately responded to by CSOs	By year 3 (0) issues on VPA implementation remain unaddressed by local CSOs					