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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX VII**

to the Commission Implementing Decision on the Multiannual action plan for the NDICI-Global Europe thematic programme Global Challenges (Planet) for 2022-2025

**Action Document for Global EU action on sustainable forest management, governance and forest value chains**

**MULTI-ANNUAL PLAN**

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

## 1 SYNOPSIS

### 1.1 Action Summary Table

|   |  |
|---|--|
| <b>1. Title</b><br><b>CRIS/OPSYS</b><br><b>business reference</b><br><b>Basic Act</b> | Global EU action on sustainable forest management, governance and forest value chains<br>OPSYS number: ACT-61261<br>Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)   |
| <b>2. Team Europe Initiative</b>  | No   |
| <b>3. Zone benefiting from the action</b>   | The action shall be carried out at global level and in the 26 countries where the EU foresees significant and integrated actions on forest in the MIPs. Other countries showing interest in a Forest Partnership could also benefit from this action. .  |
| <b>4. Programming document</b>  | NDICI-Global Europe ‘Global Challenges’ thematic programme Multi-annual indicative programme 2021-2027   |
| <b>5. Link with relevant MIP(s) objectives / expected results</b>                     | Priority Area 2: PLANET - S.O.2 R4: effective international action to strengthen forest governance including promoting sustainable land management; tackle illegal logging and the associated trade, combat deforestation (including through supply- and demand-side measures for deforestation-free supply chains) with a positive impact on biodiversity and climate mitigation and adaptation<br><br>Priority Area 3: PROSPERITY - S.O.3 R3 3: increased global support for the greening of global forest value chains and the promotion of improved international standards. |
| <b>PRIORITY AREAS AND SECTOR INFORMATION</b>  |  |
| <b>6. Priority Area(s), sectors</b>   | Priority Area 2 (Planet): 312 – Forestry   |
| <b>7. Sustainable Development Goals (SDGs)</b>  | Main SDG: SDG 15 (Life on Land)<br>Other significant SDGs: SDG 8 (Decent work and economic growth), SDG 12 (Responsible consumption and production), SDG 13 (Climate change), SDG 5 (Gender), SDG 16 (Peace and justice)   |
| <b>8 a) DAC code(s)</b>   | 31210 - Forestry policy and administrative management  |

|   |   |  |   |                                     |
|---|---|--|---|-------------------------------------|
|   | 32162 – Forest industries   |  |   |                                     |
| <b>8 b) Main Delivery Channel</b>   | 47000 Other Multilateral Institutions   |  |   |                                     |
| <b>9. Targets</b>   | <input type="checkbox"/> Migration<br><input checked="" type="checkbox"/> Climate<br><input type="checkbox"/> Social inclusion and Human Development<br><input checked="" type="checkbox"/> Gender<br><input checked="" type="checkbox"/> Biodiversity<br><input type="checkbox"/> Education<br><input type="checkbox"/> Human Rights, Democracy and Governance |  |   |                                     |
| <b>10. Markers (from DAC form)</b>  | <b>General policy objective @</b>   | <b>Not targeted</b>  | <b>Significant objective</b>  | <b>Principal objective</b>          |
|   | 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 checked="" type="checkbox"/>   | <input 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 checked="" type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/>            |
|   | <b>RIO Convention markers</b>   | <b>Not targeted</b>  | <b>Significant objective</b>  | <b>Principal objective</b>          |
|   | Biological diversity @  | <input type="checkbox"/>   | <input checked="" type="checkbox"/>   | <input type="checkbox"/>            |
|   | Combat desertification @  | <input type="checkbox"/>   | <input checked="" 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"/>            |
|   | <b>11. Internal markers and Tags:</b>   | <b>Policy objectives</b>   | <b>Not targeted</b>   | <b>Significant objective</b>        |
| Digitalisation @  |   | <input checked="" type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/>            |
| digital connectivity<br>digital governance<br>digital entrepreneurship<br>digital skills/literacy<br>digital services |   | <b>YES</b><br><input type="checkbox"/><br><input type="checkbox"/><br><input type="checkbox"/><br><input type="checkbox"/><br><input type="checkbox"/> | <b>NO</b><br><input type="checkbox"/><br><input type="checkbox"/><br><input type="checkbox"/><br><input type="checkbox"/><br><input type="checkbox"/> |                                     |
| Connectivity @  |   | <input checked="" type="checkbox"/>  | <input type="checkbox"/>  | <input type="checkbox"/>            |

|                                      |   |   |  |                          |
|--------------------------------------|---|---|--|--------------------------|
|                                      | digital connectivity<br>energy<br>transport<br>health<br>education and research   | YES<br><input type="checkbox"/><br><input type="checkbox"/><br><input type="checkbox"/><br><input type="checkbox"/><br><input type="checkbox"/> | NO<br><input type="checkbox"/><br><input type="checkbox"/><br><input type="checkbox"/><br><input type="checkbox"/><br><input type="checkbox"/> |                          |
|                                      | Migration @<br>(methodology for tagging under development)  | <input checked="" type="checkbox"/>   | <input type="checkbox"/>   | <input type="checkbox"/> |
|                                      | Reduction of Inequalities @<br>(methodology for marker and tagging under development)   | <input checked="" type="checkbox"/>   | <input type="checkbox"/>   | <input type="checkbox"/> |
|                                      | Covid-19  | <input checked="" type="checkbox"/>   | <input checked="" type="checkbox"/>  | <input type="checkbox"/> |
| <b>BUDGET INFORMATION</b>            |   |   |  |                          |
| <b>12. Amounts concerned</b>         | Budget line(s) 14.020241<br><br>Total estimated cost for 2022: EUR 25 000 000<br><br>Total amount of EU budget contribution for 2022: EUR 25 000 000<br><br>The contribution is for an amount of EUR 25 000 000 from the general budget of the European Union for 2022. |   |  |                          |
| <b>MANAGEMENT AND IMPLEMENTATION</b> |   |   |  |                          |
| <b>13. Type of financing</b>         | <b>Indirect management</b> with pillar assessed entity(ies). The entity(ies) are to be selected in accordance with the criteria set out in section 4.3.2.   |   |  |                          |

## 1.2 Summary of the Action

The Action on sustainable forest management, governance, and forest value chains aims at taking a holistic approach to forests in line with the approach on Forest Partnerships. It will help **increase the value of forests in partner countries and promoting the opportunities offered by forests in terms of socio-economic development while** contributing to fighting climate change and loss of biodiversity, and reducing deforestation and forest degradation. More specifically, the Action will foster the role of forests in the green transition, the bio economy, and Covid-19 recovery.

Functioning Sustainable Forest Management and value chains including non-timber forest products and services, require improved regulations, traceability, law enforcement and information systems that allow inclusive participation of all stakeholders (including local communities, smallholders, indigenous peoples, women, youth, and other groups) and ensure sustainability. Such value chains can be scaled up with increased value added and secured benefits for all the market participants. The Action will support the development of methodological and analytical tools which will enable partner countries to develop their national strategies for forest value chains as part of the green transition.

Forest Partnerships between partner countries and EU serve to deepen the cooperation in the field of protection, restoration and sustainable use of forests aimed at: (i) enhancing the role of the country's forests and forest resources in sustainable national development, and (ii) addressing global challenges related to climate change and loss of biodiversity. The Action will work on two main components of the Forest Partnerships, namely (1) improving forest governance for sustainable forest management, protection and restoration, plantation development and forest value chains and (2) developing sustainable forest-based value chains.

The Action will set-up an instrument for knowledge and exchange sharing, development of innovative tools and technical assistance. The anticipated impacts are: (1) increased EU leadership in the international forest agenda covering the three pillars of sustainable development (environmental, social and economic), and (2) Implementation of the EU Forest Partnerships in partner countries facilitated. The action will contribute indirectly

to the country-level Forest Partnerships objectives (i) to increase the area of protected, restored or sustainably managed forests, (ii) to increase the number of forest-related decent jobs, (iii) to reduce of the annual rate of deforestation and forest degradation, and (iv) to facilitate an enabling environment for compliance by operators with the requirements of the EU Regulation on deforestation (under adoption).

The proposed Action intends to contribute to (1) the PLANET S.O.2 R4: effective international action to strengthen forest governance including sustainable land management, tackle illegal logging and the associated trade, combat deforestation (including through supply- and demand-side measures for deforestation-free supply chains) and promote holistic approach for forest in line with the Forest Partnerships including on non-timber forest products and services ; and (2) the PROSPERITY S.O.3 R3 3: increased global support for the greening of global forest value chains and the promotion of improved international standards.

The Action will be of interest for 25 to 30 target countries, where the EU foresees significant and integrated actions on forests in the Multi-Annual Indicative Programmes (MIPs).

## 2 RATIONALE

### 2.1 Context

A common characteristic of many partner countries, particularly in the tropics, is the importance of forests to their development (jobs, livelihoods) as well as to the human kind (climate mitigation/adaptation, biodiversity conservation, water cycle). Indeed, forests offer an untapped reservoir of up to 13 million new jobs worldwide<sup>1</sup>.

**Sustainable forest-based value chains** could cover the full range of forest owners or managers, farmers and firms and their successive coordinated value adding activities that produce particular raw materials (e.g., round wood or non-wood products) or services (carbon, watersheds, recreation facilities) from forests and transform them into particular products (e.g. wood and non-wood products) or marketable services (Payment for Ecosystem Services, ecotourism) that are sold to final consumers, in a manner that is profitable throughout, has broad based benefits for society and does not permanently deplete natural resources.

In order to exploit the multifunctionalities of forest, the EU Forest Partnerships aim at enhancing cooperation between the EU and partner countries, with a holistic approach that balances the needs for good forest governance, valuation of the multiple functions of forests, stakeholder commitment, strategic value chain development and financial leverage, while addressing global issues such as climate change and biodiversity.

Protecting and restoring forests in partner countries, particularly tropical countries, will be linked to the opportunities offered in terms socio-economic profit for the partner country, notably as regard jobs or markets.

Development of sustainable forest management and in the partner countries aligns with the objectives of the Green Deal<sup>2</sup>, the Biodiversity Strategy<sup>3</sup>, the EU Forest Strategy, the FLEGT action plan<sup>4</sup>, the proposal for an EU Regulation on Deforestation<sup>5</sup> as well as the Paris Agreement and the Nationally Determined Contributions<sup>6</sup>, the Convention on Biological Diversity<sup>7</sup> and the 2030 Agenda for Sustainable Development<sup>8</sup>.

**EU FLEGT** actions aimed at combatting illegal logging in the world's forests and establishing a foundation for trade in legal and sustainable timber. The EU has also promoted Voluntary Partnership Agreements (VPA), which are legally binding trade agreements between the European Union and timber-producing countries outside the EU and serve as a strong basis for strengthening forest governance in the concerned countries.

Building on the improved legal frameworks created through FLEGT actions, the action will contribute to further improvement of forest governance and the creation of a sustainable business environment that enables the

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<sup>1</sup> FAO, 2015

<sup>2</sup> COM(2019) 640 final

<sup>3</sup> COM(2020) 380 final

<sup>4</sup> COM (2003) 251 final

<sup>5</sup> COM(2021) 706 final

<sup>6</sup> <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

<sup>7</sup> <https://www.cbd.int/>

<sup>8</sup> <https://sdgs.un.org/en/2030agenda>

development of forest-based value chains and services.

**The EU Communication (2019) ‘Stepping up EU Action to Protect and Restore the World’s Forests’<sup>9</sup>** aims at protecting and improving the health of existing forests, especially primary forests, and significantly increasing sustainable, biodiverse forest coverage worldwide. One of its main priorities is work in partnership with producer countries to reduce pressures on forests and to “deforest-proof” EU development cooperation.

In 2021, the EU published the Proposal for a Regulation of the European Parliament and of the Council on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010. The objective of the Regulation is to minimize the risk of deforestation and forest degradation associated with products placed on the EU market and for this purpose, it foresees a due diligence with country benchmarking system, to be implemented by EU operators and traders.

The Action will address deforestation through the revision and implementation of NDCs under the Paris Agreement and NBSAPs under the Convention on Biological Diversity. Building on strengthened stakeholders’ participation and improved legal frameworks, the action will contribute to further improvement of forest governance and the creation of a sustainable business environment that enables the development of forest-based value chains.

**The European Green Deal** is a response to global climate change and environmental degradation, which pose major risks to the world’s economy. It aims to foster a green and inclusive transition to help improve people’s well-being and secure a healthy planet for generations to come. The Green Deal calls for the creation of Green Alliances with EU’s partner countries and regions in Africa, Latin America, the Caribbean, Asia, and the Pacific. Forest Partnerships are among the key alliances promoting the green transition in the partner countries with a holistic and integrated approach to protection, restoration and sustainable use of the forests. The Forest Partnerships aim to contribute to the sustainable management of forests; create sustainable and decent jobs in the forest sector; and reduce deforestation and forest degradation in the target countries working with the EU.

This Action contributes to three key components of the Green Deal: Climate Action, Biodiversity Strategy and Circular economy.

The Action will contribute to the **Sustainable Development Goals** (SDGs) at many levels. The Action’s focus on sustainable economic activities will contribute to SDGs 1, 8 and 12 (end poverty, decent work and economic growth, sustainable production and consumption), and the focus on governance will contribute to SDG 16 (peace, justice and strong institutions) and SDG 17 (partnerships). The Action’s focus on improving sustainable forest management and conservation is a direct contribution to the SDG 15 (life on earth) and SDG 13 (climate action). The Action will also support progress towards SDG 5 (gender equality) and the implementation of Gender Action Plan III, especially its key thematic priority area “addressing the challenges and harnessing the opportunities offered by the green transition”.

The Action also supports commitments under other international agreements, namely the Nationally Determined Contributions (NDCs) to reach the goals of the Paris Agreement, the UN Convention on Biodiversity, the New-York Declaration on Forests, the Bonn Challenge, and the Glasgow Leaders’ Declaration on forest and land use, as well as the Convention on Trade in Endangered Species of Fauna and Flora (CITES).

## 2.2 Problem Analysis

Across the globe, forest resources are under pressure and deforestation is still progressing. This is mainly due to weak governance and unsustainable management practices.

Indeed, unclear legal frameworks, corruption, poor forest and agriculture governance, weak law enforcement and demand for cheap timber products all play a role as drivers of illegal and unsustainable practices globally, which also result in increasing deforestation and forest degradation, with negative consequences on climate, biodiversity and communities, and undermining the opportunities offered by forest-based value chains.

Lack of land use planning, inconsistent legal frameworks, limited inter-sectoral coordination, unclear forest boundaries and protection status, and poor forest monitoring are common obstacles, which result in conflicting policies and an uncontrolled use of the resources. Weak governance is often associated with limited institutional capacity and poor forest law enforcement; forest crimes often go unpunished, allowing for widespread illegality. Forest sector policies may also contradict those in other sectors, particularly agriculture, while measures to combat

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<sup>9</sup> COM(2019) 352 final

corruption are not systematically applied. Stakeholder participation, particularly the inclusion of women, in planning and decision-making in the sector is often low. This has resulted in limited trust among stakeholders and limited benefit-sharing with local communities.

Beyond improving governance and creating a stable and secure business environment, the development of forest-based value chains and services in the partner countries needs further progress in terms of knowledge and investments. Indeed, investments in the forest sector are lagging behind due to the **high risks (or perceived risks) for investors and financiers** and the **limited competitiveness of the forest sector**. Especially smallholders and their organizations, small and medium-sized enterprises (SMEs), and communities have struggled to access finance due to a number of obstacles, such as: (i) limited business development capacities; (ii) limited scale of operations; (iii) poor awareness of natural resources use and management, and of available processing technologies; (iv) unsecure tenure rights; (v) insufficient capacity to access markets and lack of integration among market participants along value chains; (vi) weak organizational structures and management capacities; and poor understanding of the criteria (and standards) needed for investment.

With proper support mechanisms, the various **challenges can be turned into opportunities** to increase productivity and improve the sustainability of forest-based value chains and services. Raw materials (round wood and other forest products) can be used for higher value-added products, under more sustainable management regimes, and with more efficient logistics and processing to supply local and regional markets. In Africa, there is an opportunity to use more wood for construction materials or consumer goods, and to produce and use wood-based energy in a more efficient way. At the same time, other forest products such as honey or medicinal plants can be promoted. This development path requires measures to improve the governance and business environment, to develop new skills and abilities, new products and applications, and increased access to finance, particularly to women and young people.

The ultimate beneficiaries of the action will be the national governments and their agencies, forest producers and their organizations, private sector companies (predominantly SMEs) and their organizations as well as the finance sector - including DFIs and national finance institutions. Special focus will be on women and young people. International organisations, civil society organisations (including indigenous peoples), research centres, and the donor community will contribute to the outputs of the action.

### 3 DESCRIPTION OF THE ACTION

#### 3.1 Objectives and Expected Outputs

The **overall objective** is to contribute to the development and implementation of the EU Forest Partnerships in the field of protection, restoration and sustainable use of forests.

The **specific objectives** are

1. to improve the forest governance including the business environment and land tenure/management ;
2. to promote and develop forest-based (wood and non-wood product) sustainable, inclusive and gender-sensitive value chains

The **expected outputs** to be delivered by specific objectives are:

*Specific objective 1. Forest governance and business environment*

- 1.1 Governance, coordinated policies and regulatory frameworks that guide sustainable land use, multiple functions of forests, inclusive value chains, trade, creation of decent jobs and fiscal revenues improved;
- 1.2 Investment strategies implemented, to catalyse sustainable use of forests at country level;
- 1.3 Information systems on forest resources and product markets strengthened, and tools for timber and non-timber forest products trade tracking, product standardization, service quality and appropriate financial instruments developed;

*Specific objective 2. Forest-based value chains promoted and developed*

- 2.1. Forest-based value chains and services (business models) with most potential to create value and jobs in an inclusive and sustainable way selected and assessed;
- 2.2. Capacities to apply the business models in sustainable forest management (SFM), restoration, conservation, plantation development, value-added production and provision of ecosystem services enhanced with a focus on smallholders;
- 2.3. Understanding of the market opportunities increased;
- 2.4. Capacities in business planning (bankable business plans) and access to finance from local financial institutions, DFIs and other funds improved.

## 3.2 Indicative Activities

### ***Output 1.1. Governance, coordinated policies and regulatory frameworks that guide sustainable land use, multiple functions of forests, inclusive value chains, trade, creation of decent jobs and fiscal revenues improved***

Technical and institutional capacity development, targeting governments and their agencies, to increase the adoption of inclusive SFM practices, traceability, monitoring of forest governance, compliance and law enforcement, promotion of harmonized laws/regulation on timber and non-timber forest products trade.

Support organizational development, structuring and capacity building, targeting smallholders, civil society, indigenous peoples, and communities, in order to participate more strongly in the national debates and processes, promote inclusive land-use planning approaches, land tenure and policy making with all stakeholders – special consideration of indigenous rights, gender equality, and youth.

Promote organizational development of producers, SMEs and their organizations and participation in partnerships. Special attention will be paid to women led SMEs, and to women organisations.

### ***Output 1.2 Investment strategies implemented, to catalyse sustainable forest investments at country level***

Provide guidance to governments and their agencies, as well as private and finance sectors and CSOs, on the preparation of investment strategies that enhance the development of sustainable forest-based value chains and ecosystem services. The strategies require robust information of the resources, stakeholder/gender analysis, and markets. The market studies may include several countries in a region as the trade is often regional or global. In addition, assessments of financing opportunities also need to have a regional scope, since DFIs and other finance institutions typically have funds that are global or regional in scope. The effective financing of projects is market-based and depends on bankable business opportunities, i.e., finance is seldom ear-marked to support one specific country. It is important to consult private and finance sector as well as civil society in strategy preparation and ensure commitment from these stakeholders to implementation and respect of legality and sustainability criteria.

### ***Output 1.3 Information systems on forest resources and product markets strengthened, and tools for timber trade tracking, product standardization, and appropriate finance developed***

Support forest information systems that provide relevant information on resources, ecosystems and markets, and enhance traceability systems to improve sustainable sourcing and overall performance of the value chains.

The quality of current information systems varies from country to country. Most partner countries have quite basic information systems and lack information that can form the basis for sustainable value chains. Likewise, they lack market information systems that can address the trade opportunities, including non-wood products. In addition, other common tools are needed to support product standardization, technological applications and innovative financial instruments.

The governments and their agencies play a key role in providing services for private and finance sectors as well as other relevant stakeholders. The government agencies are normally in charge of key datasets such forest resources and overall statistics. In addition, the government is important standard setter.

The producers, in particular smallholders, their organizations, SMEs, industry associations, financial institutions and CSOs are the ultimate users and beneficiaries of information systems that help them to make the best business decisions. It is crucial that the information is easily accessible and serves the demand well. EU digital tools such as Copernicus Land Management System will be promoted.

### ***Output 2.1 Forest-based value chains and services (business models) with most potential to create value and jobs in an inclusive and sustainable way selected and assessed***

There is an emerging need to develop appropriate business models that value the forest resources and engage communities, smallholders, and SMEs in scalable value chains and services. The role of government is to ensure that the value chains and services are aligned with national priorities (e.g., green growth agenda) and benefit the society in broader terms.

There are good examples of smallholder organizations, out-grower schemes, and community-company partnerships that have worked well in certain geographies. The Action will further develop such business models and share information among the partners in the action about the most appropriate models for different value chains (VCs).

The business models for different VCs should include an assessment of key issues of sustainability and inclusivity such as gender and youth, social issues, and environmental and climate impacts. There is a need to select the most potential forest-based VCs (based on markets, resources, infrastructure and comparative advantages), followed by an analysis of the selected VCs, mapping the actors and their interests, capacities, opportunities, risks and constraints specific to each actor (m/f), and formulation of strategies how to address these. The analysis should also consider the effects of climate change on the VC and how to increase the resilience of the VC actors. Existing tools for value chain development (EU VC4D) can serve as a possible method for VC analyses.

#### ***Output 2.2 Understanding of the market opportunities improved***

Understanding the market opportunities and creating market access for different products and services (including wood, non-wood products, ecotourism, and green bonds) is critical for all value chains. For wood products, for example, the competitive edge is to have such product mixes that have several market channels and allow for an efficient use of raw materials. While global markets may have opportunities for high value niches, local and regional markets often have emerging needs for basic products. The Action will complement the national-level efforts to cover regional and global aspects of the markets.

Government agencies will need to ensure that trade policies and infrastructure support access to markets for the identified value chains. Producers, SMEs, and their organizations need to understand local, regional and global markets and make informed investment decisions based on the best available information.

#### ***Output 2.3 Capacities to apply sustainable business models in SFM, restoration, plantation development, value-added production and provision of ecosystem services enhanced***

The business models for sustainable forest management, restoration and plantation development, and related value chains may have common regional nominators that can serve several countries. The action will develop thematic capacity building and training modules for selected topics critical for value chain development.

Government agencies have a key role in providing or enabling capacity building for the various stakeholders e.g. by creating appropriate platforms.

Producers, SMEs, their organizations and financial institutions are the ultimate target group of the capacity building activities. It is also important that all value chain participants interact and learn from each other.

#### ***Output 2.4 Capacities in business planning (bankable business plans) and access to finance from local financial institutions, DFIs and other funds improved***

Leverage of private and other sources of finance is a challenge for all target countries. As the application of EFSD+ instruments for private sector is mostly at global and regional level, the action will support the access to such investment funds for the countries and actors targeted by the action. One common need, for all target countries, is to develop bankable business plans. The action will develop appropriate capacity building packages that serve several countries and facilitate successful investments.

Government agencies play a key role in enabling capacity building of the various stakeholder groups e.g., by creating appropriate platforms. Government agents interacting with the private and finance sectors should also have a good understanding of the importance of business planning.

Producers, SMEs, their organizations and financial institutions are the ultimate targets of the capacity building activities. The action will allow these value chain participants to interact and learn from each other.

### **3.3 Mainstreaming**

#### **Environmental Protection & Climate Change**

The Strategic Environmental Assessment (SEA) screening concluded that no further action was required. The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment). The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further



assessment).

The action is intended to create positive environmental and climate change benefits. Improved forest governance and the development of sustainable forest-based value chains will provide an enabling environment and economic incentives for the conservation and sustainable management of the global forest resources and natural capital. It is expected to reduce deforestation and forest degradation, thereby contributing to both climate change mitigation and adaptation objectives, to biodiversity conservation, and to increased resilience of forest-dependent peoples.

### **Gender equality and empowerment of women and girls**

As per the OECD Gender DAC codes identified in section 1.1, the action is labelled as G1. This implies that it will include activities that explicitly promote gender equality and empowerment of women and girls. The identified value chains and business models will be assessed through a gender and youth lens. Forest-based value chains will strengthen and support women and young people in moving from the informal to the formal forest sector, providing better working conditions, training, and social security.

### **Human Rights**

Similar to the FLEGT action plan, which puts an emphasis on governance and human rights (including indigenous peoples rights and youth), the proposed action articulates with human rights in terms of (1) right of expression and (2) right to work, corresponding respectively to articles 19 and 23 of the Universal Declaration of Human Rights. The Action will consider a rights-based approach (encompassing all human rights, whether civil and political or economic, social and cultural) in order to integrate human rights principles, to support the right holders in claiming their rights, with a focus on poorer, marginalised and vulnerable people and groups.

### **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 the capacities of state actors and institutions is a main objective of the action. The enhanced capacities will enable them to better exercise their mandates in the areas of forest governance and sustainable forest management. In addition, the action will support the effective implementation of participatory forest management arrangements, a modality that is typically foreseen by law (Forest Act), involving local communities in managing and using public forest resources.

### **Conflict sensitivity, peace and resilience**

The implementation of country-level actions will have positive effects on the resilience of local communities, through the promotion of value chains, assistance in the registration and sustainable management of local communal forests, or improved productive capacities of the environment (agroforestry, watershed protection).

### **Disaster Risk Reduction**

The conservation of global forests and their sustainable use contributes to stabilising the global forest ecosystems and the global climate. This will reduce the risk and incidence of global disasters (floods, storms, and drought) and their impacts on people globally. The focus on promoting sustainable forest-based value chains also strengthens the economic and social resilience of forest-dependent peoples.

## **3.4 Risks and Lessons Learnt**

| Category<br>(1) External environment<br>(2) Planning processes and systems<br>(3) People and organizations<br>(4) Legality and regulatory<br>(5) Communication & information | Risks  | Likelihood      | Impact | Mitigating measures                                   |
|--|--|-----------------|--------|---|
|  |  | High/Medium/Low |        |   |
| (5)  | Proposed actions by the project are not implemented at country level | M               | H      | Political dialogue through Forest Partnerships        |
| (2)  | The approval and implementation of the interventions under country   | M               | H      | Linking planning processes at global and local levels |

|          |   |   |   |   |
|----------|---|---|---|---|
|          | level FPs are delayed   |   |   |   |
| (3), (5) | The key stakeholders at country levels are not committed to the shared vision of forestry development (specifically the objectives of the forest partnership), especially producers and SMEs                            | M | H | Frequent stakeholder consultations and use of relevant platforms  |
| (1), (4) | Interest primarily in developing trade, while addressing illegality and deforestation is secondary, resulting in possible increase of trade in products coming from illegal and/or unsustainable related supply chains. | M | H | Step by step approach, ensuring that legality and sustainability are addressed before (as a precondition) promoting trade |

**Lessons Learnt:**

- It is important to distinguish which activities are carried out at country level and which at global level
- At global level, the focus should be on sharing best practices and on regional issues such as trade, markets, and finance
- Countries and regions within countries are different and require different approaches – the same model is not fit for all
- Communication must be a systematic effort as it is an essential element in mitigating potential risks
- The global action needs scale, i.e., there must be a critical “flow” of actions at local level before the global action can be effective
- Avoid top-down approaches that could compromise the commitment of local stakeholders, as a critical condition.

### 3.5 The Intervention Logic

The underlying intervention logic is for the Action to improve EU interventions in support of forest governance and development of forest-based value chains. This, in turn, will facilitate the development of Forest Partnerships at country level. The focus is on actions that benefit several countries or regions, in terms of strategic processes, development of approaches, methodologies, best practices and development of capacities.

The Action will benefit the national-level forest interventions, by identifying the forest value chains with most potential (based on market and comparative advantage analyses), most appropriate business models, and financing mechanisms, and by promoting best practices. In addition, the action will complement the efforts in developing national strategies for forest investment and in assessing trade and market opportunities at different levels. Specific attention will be paid to increase women’s and indigenous community participation in forest governance mechanisms and in various forest value chains to be supported in order to promote gender equality and human right based approach

Ultimately, the Action will help the partner countries to develop Forest Partnerships with a holistic approach that considers governance, multiple functions of forests, stakeholder commitments, strategic value chain development and financial leverage. The Action will serve as an instrument for sharing the experiences of different Forests Partnerships among the participating countries. It will enable investments and financing from EU Member States and European Financial Institutions, assuming that the Forest Partnerships are perceived as an efficient way to contribute to sustainable forest development.

The action will support the establishment of a platform for the Forest Partnership countries and other partner countries that have substantial interventions in forestry. It will help create a community of practice around forest partnership with a view to promoting the concept, sharing information of best practices and exchanging scalable business models with promising outcome. It is proposed that the implementing organization, together with DG INTPA, establishes a platform that can deliver the services efficiently and allow interactions among the partner countries.

### 3.6 Logical Framework Matrix

This indicative log frame constitutes the basis for the monitoring, reporting and evaluation of the intervention. On the basis of this log frame matrix, a more detailed log frame (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 log frame (e.g. including baselines/targets).
- Progress reports should provide an updated log frame with current values for each indicator.
- The final report should enclose the log frame 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 log frame matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

| Results          | Results chain:<br>Main expected results<br>(maximum 10)                                      | Indicators:<br>(at least one indicator per expected result)  | Baselines 2022<br>(Values and years) | Targets by<br>2027<br>(Values and<br>years) | Sources of<br>data                                     | Assumptions  |
|------------------|--|--|--------------------------------------|---|--|--|
| <b>Impact</b>    | To contribute to the development and implementation of EU Forest Partnerships                | - Number of countries with Forest partnerships<br>-  | 0                                    | 15  | programme  | Target countries commitment to Forest Partnerships |
|                  |  |  |                                      |   |  |  |
| <b>Outcome 1</b> | To improve the forest governance and the business environment around the forest value chains | - Area of forest under SFM in countries receiving EU support                                       | 0                                    | 40 million ha                               | programme  | Country level under actions MIP/FP implemented     |
|                  |  | - Reduction of illegal timber harvesting and trade increase in supported countries                 | Tbd at inception                     | By 20%                                      | Ministries of forest and trade, Interpol annual report |  |
|                  |  | - Increase in tax collection from timber and non-timber products in countries receiving EU support | Tbd at inception                     | By 20%                                      | National fiscal reporting                              |  |

|                  |  |   |                  |   |           |                                  |
|------------------|--|---|------------------|---|-----------|----------------------------------|
|                  |  | <ul style="list-style-type: none"> <li>- Increased participation of women and girls in all their diversity in decision-making processes on forest governance issues (adapted from GAP III)</li> </ul> | Tbd at inception | By 20%  | Programme |                                  |
|                  |  | -   |                  |   |           |                                  |
| <b>Outcome 2</b> | To promote forest-based (wood and non-wood product) value chains in the target countries | <ul style="list-style-type: none"> <li>- Number of supported value chains receiving EU support</li> </ul>   | 0                | <ul style="list-style-type: none"> <li>- 10 timber related</li> <li>- 7 non-timber related</li> </ul> | programme | Investments made in value chains |
|                  |  | <ul style="list-style-type: none"> <li>- Scale of value chains (investment, production volume, area, # of persons involved)</li> </ul>  | Tbd at inception |   | programme |                                  |
|                  |  | <ul style="list-style-type: none"> <li>- Number of women with increased training, financial resources, technology or other resources from forest based activities (adapted from GAP III)</li> </ul>   | 0                | 5,000 new trained women   | programme |                                  |

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

## 4 IMPLEMENTATION ARRANGEMENTS

### 4.1 Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with partner countries

### 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 72 months from the date of adoption by the Commission of this Financing Decision.

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 measures.<sup>10</sup>

#### 4.3.1 Indirect Management with a pillar assessed entity

This action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

- has adequate institutional capacities and presence in partner countries, through its network of country offices, ongoing programmes or representatives;
- has adequate procedures and resources to support tailored and numerous initiatives from different counterparts with different needs and capacities; capacity to establish re-granting mechanism and manage call for proposals.
- has the right technical capacities, particularly regarding the support to governance, legal frameworks, traceability systems, sustainable forest management and forest-related value chains;
- Shows experience in working with forest communities, private sector, in particular MSMEs and timber/wood associations or federations;
- Flexible enough and with proven expertise to handle emerging issues in the forest based domain
- Absence of conflict of interest

The implementation by this entity entails Specific objective 1 and 2.

However, specific objectives 1 and 2 may be granted to two different entities which will be selected on the same selection criteria above.

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<sup>10</sup> [www.sanctionsmap.eu](http://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.

#### 4.3.2 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

If negotiations for indirect management fail due to unforeseen circumstances outside the Commission's control that part of this action may be implemented in direct management procurement

#### 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.

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 realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

#### 4.5 Indicative Budget

| <b>Indicative Budget components</b>   | <b>EU contribution<br/>(amount in EUR)</b> |
|---|--|
| <b>Specific Objective 1</b> composed of Forest governance and business environment        |  |
| Indirect management with name of MS Organisation, EU agency or international organisation | 14 000 000                                 |
| <b>Specific Objective 2</b> composed of Forest-related value chains                       |  |
| Indirect management with name of MS Organisation, EU agency or international organisation | 11 000 000                                 |
| <b>Totals</b>   | 25 000 000                                 |

#### 4.6 Organisational Set-up and Responsibilities

A Steering Committee will be established that will be responsible for the general oversight, policy guidance and monitoring of the Programme. The Commission, represented by DG INTPA, and the implementing organisation are members of the Steering Committee. Main operational responsibilities of the Steering Committee are to: i) Provide strategic direction on the operations of the programme; ii) Receive information and give feedback on monitoring and evaluation exercises with regard to progress in meeting the objectives; iii) Review and approve the annual progress and financial reports; iv) Review and approve forecast budgets and work plans; v) Provide guidance on operations.

## 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 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 direct Outcomes) as measured by corresponding indicators, using as reference the log frame matrix. 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).

### 5.2 Evaluation

Having regard to the importance and nature of the action, mid-term and final evaluation(s) will be carried out for this action or its components via independent consultants contracted by the Commission or via an implementing partner.

Mid-term evaluations will be carried out for problem solving, learning purposes, in particular with respect to possible fine tuning of the approach, for the three components of the action.

Final evaluations will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that all components of the action are innovative.

The Commission shall inform the implementing partner at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

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.

The financing of the evaluations shall 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 has adopted a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

Action documents for specific sector programmes are no longer required to include a provision for communication and visibility actions promoting the programmes concerned.

However, in line with Article 46 and subject to Article 47 of the NDICI Regulation, all entities implementing EU-funded external actions shall take all reasonable measures to publicise the European Union support. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

## Appendix 1 REPORTING IN OPSYS

An Intervention (also generally called project/programme) is the operational entity associated to a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Interventions are the most effective (hence optimal) entities for the operational follow-up by the Commission of its external development operations. As such, Interventions constitute the base unit for managing operational implementations, assessing performance, monitoring, evaluation, internal and external communication, reporting and aggregation.

Primary Interventions are those contracts or groups of contracts bearing reportable results and respecting the following business rule: ‘a given contract can only contribute to one primary intervention and not more than one’. An individual contract that does not produce direct reportable results and cannot be logically grouped with other result reportable contracts is considered a ‘support entities’. The addition of all primary interventions and support entities is equivalent to the full development portfolio of the Institution.

The present Action identifies as:

| Action level                        |               |   |
|-------------------------------------|---------------|---|
| <input checked="" type="checkbox"/> | Single action | Present action: all contracts in the present action |