

## EN

## THIS ACTION IS FUNDED BY THE EUROPEAN UNION

#### **ANNEX**

to the Commission Implementing Decision on the financing of the annual action plan in favour of EU foreign policy needs on support to the EU's bilateral and multilateral engagement on deforestation and forest degradation for 2023

# Action Document for EU foreign policy needs on support to the EU's bilateral and multilateral engagement on deforestation and forest degradation

## **ANNUAL PLAN**

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

## 1 SYNOPSIS

## 1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Support to the EU's bilateral and multilateral engagement on deforestation and forest degradation  OPSYS number: ACT-62131  Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)					
2. Team Europe Initiative						
3. Zone benefiting from the action	The detion blidle be edified out in particular in this colonion, indonesia, many sta,					
4. Programming document	NA					
5. Link with relevant MIP(s) objectives / expected results	NA					
	PRIORITY AREAS AND SECTOR INFORMATION					
6. Priority Area(s), sectors	Multisector					
7. Sustainable Development Goals (SDGs)	Main SDG: SDG 17 – Partnerships to achieve the goal					
8 a) DAC code(s)	43010 - Multisector aid					
8 b) Main Delivery Channel	61000 - Private sector in provider country					

9. Targets	<ul> <li>☐ Migration</li> <li>☒ Climate</li> <li>☐ Social inclusion and Human Development</li> <li>☒ Gender</li> <li>☒ Biodiversity</li> <li>☐ Education</li> <li>☒ Human Rights, Democracy and Governance</li> </ul>			
10. Markers	General policy objective @	Not targeted	Significant objective	Principal objective
(from DAC form)	Participation development/good governance		$\boxtimes$	
	Aid to environment @		$\boxtimes$	
	Gender equality and women's and girl's empowerment		$\boxtimes$	
	Reproductive, maternal, new-born and child health	$\boxtimes$		
	Disaster Risk Reduction @	$\boxtimes$		
	Inclusion of persons with Disabilities @	$\boxtimes$		
	Nutrition @	$\boxtimes$		
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @		$\boxtimes$	
	Combat desertification @	$\boxtimes$		
	Climate change mitigation @		$\boxtimes$	
	Climate change adaptation @		$\boxtimes$	
11. Internal markers and Tags	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	$\boxtimes$		
		YES	NO	
	digital connectivity			
	digital governance			
	digital entrepreneurship			
	digital skills/literacy digital services			
				/
	Connectivity @	$\boxtimes$		
	digital connectivity energy transport health	YES	NO	
	education and research			l/

	Migration @	$\boxtimes$			
	Reduction of Inequalities @	$\boxtimes$			
	Covid-19	$\boxtimes$			
	BUDGET INFORMATION				
12. Amounts concerned	Budget line(s) (article, item): 14 02 03 30				
	Total estimated cost: EUR 5 000 000				
	Total amount of EU budget contribution EUR 5 000 000				
MANAGEMENT AND IMPLEMENTATION					
13. Type of financing	Direct management through:				
	- Procurement				
	<b>Indirect management</b> with an entity to be select in section 4.2.2	ed in accordance	e with the criter	ria set out	

## 1.2 Summary of the Action

This action will enable the EU to address short and medium-term foreign policy needs and opportunities by supporting innovative policies/initiatives and by deepening EU relations and dialogues, forging alliances and partnerships. In particular, this action will strengthen the EU's bilateral and multilateral engagement with Argentina, Colombia and five countries<sup>1</sup> in Southeast Asia on the external impacts of EU Green Deal policies and regulatory frameworks with a special focus on deforestation and forest degradation.

## 2 RATIONALE

#### 2.1 Context

As part of the EU's global commitment under the EU Green Deal, including the EU's commitments to address climate change and biodiversity loss, the EU has decided to reduce the impact of its production and consumption on global deforestation and forest degradation which are to a very large extent driven by land conversion to agricultural use. For this purpose, on 6 December 2022, the European Parliament and the Council have reached an agreement on an EU Regulation on deforestation-free supply chains. The draft regulation is part of the European action plan to tackle deforestation and forest degradation, "Stepping up EU Action to Protect and Restore the World's Forests" and based on the European Commission proposal of 17 November 2021 for a "Regulation on deforestation-free products3."

The draft Regulation covers seven commodities<sup>4</sup>, requires mandatory due diligence by operators and allows only relevant commodities and products where full traceability shows that they are deforestation-free and have been produced in accordance with applicable law in the country of production to be placed by operators and traders on the EU market or to be exported from it. As a flanking measure, the draft regulation envisages enhanced cooperation with the main producer and consumer countries of those commodities falling under the Regulation.

The draft regulation is to be adopted very soon and the 12-month transition period for its implementation

<sup>&</sup>lt;sup>1</sup> Indonesia, Malaysia, Laos, Thailand, and Vietnam

<sup>&</sup>lt;sup>2</sup> https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52019DC0352

<sup>&</sup>lt;sup>3</sup> https://environment.ec.europa.eu/system/files/2021-11/COM 2021 706 1 EN ACT part1 v6.pdf

<sup>&</sup>lt;sup>4</sup> Soy, beef, palm oil, wood, cocoa, coffee and rubber

should be used to establish direct and genuine dialogue on the risks and opportunities of the legislation in the targeted countries.

## 2.2 Problem Analysis

Priority 'Traceability of export products and sustainability in Argentina and Colombia': The products covered by the draft deforestation Regulation concern major export products from Argentina and Colombia to the EU. Its future implementation is raising a series of concerns among the government and exporters in these two countries although the precise economic impact of the measures is yet unknown. In July 2022 the European Commission received a Joint Letter of Producer Countries (including Argentina and Colombia) that complained about the initiative as a unilateral measure taken without appropriate dialogue with partner countries. In order to reach compliance with the upcoming Regulation, satellite-based information is one of the tools that producers could use to collect precise geographical information on their farmlands, and thus prove the deforestation-free origin of their sourced products. In April 2022 and March 2023, EU technical missions assessed Argentina's capabilities in terms of space technologies and, among their main conclusions, recognised the potential for the improved use of the EU observation system Copernicus by local stakeholders, to directly address part of the requirements that exports will now need to comply with in relation to its due diligence and traceability.

Priority 'Engagement with Indonesia, Malaysia, Laos, Thailand and Vietnam to raise awareness on and to promote better understanding of the EU approach to reducing EU-driven deforestation and forest degradation': ASEAN countries are amongst those whose products will be impacted by the foreseen legislative requirements of the draft EU regulation on deforestation and forest degradation if they wish to export their products to the EU. Particular attention is to be paid to improving the countries' understanding of the traceability requirements in the EUDR, and the corresponding compliance. While the EU has actively engaged with some ASEAN partner countries to present the proposal both before and after its adoption, engagement has, so far, not been considered sufficient to alleviate concerns in all ASEAN countries. Indonesia and Malaysia, two major producer countries of commodities covered by the draft regulation, such as palm oil, have continuously voiced strong criticism on the proposal, including on its alleged discriminatory and protectionist nature, even if parts of the civil society have been very supportive. In other ASEAN producer countries, such as Vietnam, Thailand and Laos, concerns on the draft regulation were also frequently voiced primarily related to coffee and timber production. In all countries, questions as to the full implication of the future legislation remain. In addition, several of the ASEAN countries are in negotiations for Voluntary Partnership Agreements (Thailand, Laos). Under the upcoming regulation, FLEGT licences will continue to be recognised as proof of legality for wood products, but other requirements of the regulation, such as deforestation-free element and the requirement for due diligence statement, will not be covered by FLEGT. It is thus crucial for the EU to maintain an open and continuous dialogue with Indonesia (where excellent cooperation was established with all stakeholders on timber legality through FLEGT VPA; the new action will explore how legality assurance can be extended to cover deforestation-free aspects and how the lessons learned on timber legality can be transferred to other commodities), Malaysia, Vietnam, Thailand and Laos after the adoption of the regulation, to alleviate the current political irritant over it and facilitate compliance of operators in the countries with the forthcoming rules, which will be related to a more holistic approach that goes beyond legality and beyond timber. Furthermore, a coherent approach is needed to take into consideration the ASEAN regional angle and internal dynamics. Considering the above points, and while the legislative process moved faster than expected (with an agreement reached on December 2022) there is an urgent need to scale up outreach efforts in this region with main stakeholders.

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

Priority 'Traceability of export products and sustainability in Argentina and Colombia': relevant Ministries and State agencies, at central and local level (including Environment/Forestry, Agriculture, Climate, Trade and Development Cooperation); private sector stakeholders in key agricultural sectors expected to be impacted by these regulations (based on trading relationship in terms of quantity and value of trade flows, the relevance for sustainable development (e.g., livelihoods of smallholders concerned), as well as deforestation rate in each partner country); relevant non-governmental organisations and associations, including agricultural associations and grain exchanges across the country; EU Member States and their agencies, with relevant expertise; EU Joint Research Center; Comisión Nacional de Actividades Espaciales (CONAE) and national space agency of Argentina in Argentina; the Institute of Hydrology, Meteorology and Environmental Studies (IDEAM) in Colombia.

Priority 'Engagement with Indonesia, Malaysia, Laos, Thailand and Vietnam to raise awareness on and to

promote better understanding of the EU approach to reducing EU-driven deforestation and forest degradation': relevant ministries (Environment/Forestry, Agriculture, Climate, Trade and Development Cooperation) of the targeted countries, agencies and other governmental structures (e.g. experts from parliament and the executive), local authorities, private sector stakeholders in key agricultural sectors expected to be impacted by the regulation (based on trading relationship in terms of quantity and value of trade flows, the relevance for sustainable development (e.g., livelihoods of smallholders concerned), as well as deforestation rate in each partner country), relevant non-governmental organisations and associations of smallholders, EU Member States and their agencies with relevant expertise.

## 3 DESCRIPTION OF THE ACTION

## 3.1 Objectives and Expected Outputs

The Overall Objective of this action is to support the achievement of the EU's foreign policy priorities in relation to urgent or imperative engagement, in particular to strengthen the EU's bilateral and multilateral engagement with Argentina, Colombia and countries in Southeast Asia on the external impacts of EU Green Deal policies and regulatory frameworks with a special focus on deforestation and forest degradation.

The Specific Objectives of this action are to:

- 1. Enhance the understanding and alleviate concerns in Argentina and Colombia on a) EU's legislation related to the EU green Deal, in particular that on deforestation and forest degradation b) the necessary steps to implement effective traceability systems for implementation of the legislation, and c) promote the use of already available technological tools to achieve it, in particular Copernicus-based imagery and Copenicus services.
- 2. Enhance the understanding for and alleviate concerns about the draft EU Regulation on deforestation and forest degradation in relevant Southeast Asia countries, in particular on its core elements (i.e. mandatory due diligence rules, traceability, benchmarking), and on the EU's flanking measures to create enabling environment for compliance by operators.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives are:

- 1.1 contributing to Outcome 1 (or Specific Objective 1): Provision of relevant sectoral expertise through the production of economic studies on the impact of the regulation on bilateral trade and targeted analytical materials; engagement with key stakeholders through the organisation of exchanges and dialogues to build consensus on implementation issues of the legislations; public diplomacy/communication support to improve understanding of the elements and the expected impact of the relevant legislations in Argentina and Colombia; development of training modules and satellite information-based solutions that improve awareness and use of Copernicus-based tools by the operators, to comply with the due diligence and traceability requirements of the upcoming Regulation on deforestation and forest degradation.
- 1.2 contributing to Outcome 2 (or Specific Objective 2): Provision of relevant sectoral expertise through production of targeted analytical materials related to the EU Regulation on deforestation and forest degradation, including on relevant flanking measures and the interplay with the relevant Southeast Asian producer countries, engagement with key stakeholders in targeted countries to present and discuss the deforestation proposal, public diplomacy/communication support to improve understanding of the elements and the expected impact of the upcoming EU regulation on deforestation and forest degradation in the targeted countries.

#### 3.2 Indicative Activities

Activities relating to Output 1.1: Production of targeted analytical materials (e.g. economic study on the impact of the upcoming Regulation on bilateral trade; identify the sectors most prominently impacted by the upcoming Regulation and develop relevant materials); organisation of exchanges/dialogues aiming at building consensus on key implementation issues of the legislations, such as the due diligence and traceability systems, on the ground and satellites systems, necessary for the national exports to comply with the future EU

regulation and other legislative initiatives; inputs to prepare for peer-to-peer, policy and political dialogues between the EU and either Argentina or Colombia; public diplomacy/communication support (e.g. communication material, videos, fact sheets, booklets, media-, social media-, and public awareness raising-campaigns, outreach to targeted audiences, people-to-people contacts, to increase awareness and visibility of the undertaken interventions); promote the use of Copernicus-based technological tools and information provided by the Copernicus services in agriculture (e.g. identify existing traceability systems for agricultural products and possibility of technical reinforcement using Copernicus or other satellite-based tools); identify key Ministries and State agencies to be involved in these traceability systems and the coordination mechanisms required; develop a training programme with modules on access to and use of Copernicus products and services for the traceability of agricultural products and services; develop satellite information-based solutions.

Activities relating to Output 2.1: production of targeted analytical materials for targeted industry sectors, ministries, agencies fitted to different stakeholder groups, organisation of exchanges (e.g. virtual discussions/workshops/video calls/trainings/etc.), public diplomacy/communication support (e.g. communication material, fact sheets, booklets, organization of media-, social media-, and public awareness raising- campaigns), ensure regular and coordinated interdisciplinary outreach to targeted audiences, facilitate people-to-people contacts, or other similar activities to increase awareness and visibility of the undertaken interventions.<sup>5</sup>

#### 3.3 Mainstreaming

This action mainstreams the following cross-cutting issues: Multilateralism (building alliances) contributing to a global order based on international law, EU principles and values (democracy, rule of law, human rights and fundamental freedoms, respect for human dignity, the principles of equality, including gender equality, and solidarity), Resilience and Innovation.

#### 3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
Targeted countries do not engage sufficiently in the deforestation action.	Risk 1	Medium	Medium	EU delegations engaged to regularly liaise with national authorities.
Political environment deteriorates and become less conducive to cooperation on environmental action.	Risk 2	Medium	Medium	The design of the project includes a level of flexibility to adapt to such evolutions, in particular through a multi-stakeholders approach.

#### **Lessons Learnt:**

The action on deforestation in Argentina and Colombia will target urgent activities seeking linkages and synergies to planned future relevant engagement of the EU in the region. It will build on past and ongoing sectoral dialogues between EU and Argentina/Colombia and Public Diplomacy activities that brought together relevant stakeholders and will seek complementarities and synergies with ongoing relevant projects implemented in Argentina and Colombia, e.g. AL-INVEST Verde, EU Climate Dialogues, Low Carbon and Circular Economy Business Action, SAFE, Team Europe initiative Gran Chaco, Team Europe Initiative in preparation on the Amazon. It will also seek synergies with ongoing activities of the 2 COPERNICUS Centres in Panama and Chile, with the COPERNICUS Core Services as well as with the relevant deforestation related

<sup>&</sup>lt;sup>5</sup>. Action covering South East Asia countries should cover communications and awareness raising activities and shall be coordinated with INTPA.

activities of the JRC in the region.

The action on deforestation in Southeast Asia will seek complementarities and synergies with the ongoing relevant projects implemented in the region, e.g. SAFE, KAMI - Sustainability of Malaysian and Indonesian palm oil, EU Climate Dialogues, Regional-ASEAN Forest Governance support programme (FLEGT), as well as seek linkages to planned future engagement of relevance to the region, e.g. Forest Partnerships with individual ASEAN Member States.

## 4 IMPLEMENTATION ARRANGEMENTS

## 4.1 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 60 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.

#### 4.2 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>6</sup>.

#### 4.2.1 Direct Management (Procurement)

The procurement will contribute to achieving specific objective 1 in section 3.1.

### 4.2.2 Indirect Management with entrusted entities

A part of this action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria: proven expertise in the environmental sector, sufficient pool of relevant experts on the ground, experience with prior project interventions in the targeted region, the level of acceptance and legitimacy with the relevant authorities in focal countries for this action, and good understanding and pursuit of the EU Green Deal policies. The implementation by this entity entails achieving the specific objective 2 in section 3.1.

#### 4.3 Indicative Budget

Indicative Budget components	EU contribution (EUR)	
Objective 1 – Traceability of export products and sustainability in Argentina and Colombia - composed of:	2 000 000	
Procurement (direct management) – cf. section 4.2.1	2 000 000	
Objective 2 - Engagement with Indonesia, Malaysia, Laos, Thailand and Vietnam to raise awareness on and to promote better understanding of the EU approach to reducing EU-driven deforestation and forest degradation- composed of	3 000 000	
Indirect management with an entrusted entity – cf. section 4.2.2	3 000 000	
Totals	5 000 000	

## 4.4 Organisational Set-up and Responsibilities

The action shall be implemented under direct and indirect management. A strong policy steering and monitoring of the action will be ensured by the DG Environment and the Foreign Policy Instruments in close

<sup>&</sup>lt;sup>6</sup> 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.

coordination with DG International Partnerships (INTPA), the European External Action Service (EEAS), EU Delegations, and other relevant services. The EU delegations in the region will also ensure direct contacts with the implementing partners and monitoring of the activities and will also ensure complementarity with other actions directly supporting the authorities and private sector related to the key commodities in each country. Pertinent services in INTPA HQ and in the EU Delegations will be involved in the TORs and ensure that there is no duplication with ongoing and future interventions. Action covering Southeast Asia countries should cover communication and awareness raising activities and shall be coordinated with INTPA. Any other type of action in addition to this should be discussed with INTPA to ensure coherence with other programmes

Dedicated steering committees may be established to act as advisory and reporting mechanism in order to provide the strategic and policy guidance needed to ensure smooth project implementation. Steering committees will define the priority work streams to be addressed. Steering committees will review and endorse annual work plans, monitor project outputs and achievements, and not least provide advice on how to address obstacles and challenges identified during implementation. Steering Committees, whose composition will be further detailed in the legal commitments, will comprise representatives of the European Commission services, the EEAS and relevant EU Delegations. Particular attention should be paid to coordination complementarity with existing country and regional programmes both in the relevant Southeast Asian countries and in Argentina and Colombia (e.g. SAFE and others) as well as new initiatives in the pipeline which will be approved over the life of this Action.

Agile mechanisms for communication and exchange of information will be set up with current key EU programmes to jointly steer the actions and ensure more impact.

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

## 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 logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

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 of the action, a final evaluation may be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partners/contractors at least 3 months in advance of the dates envisaged for the evaluation missions. The implementing partners/contractors 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 may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination<sup>7</sup>. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

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

#### 5.3 Audit and Verifications

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

## 6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

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

In line with the 2022 "Communicating and Raising EU Visibility: Guidance for External Actions", it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States.

<sup>&</sup>lt;sup>7</sup> See best practice of evaluation dissemination

## Appendix 1 REPORTING IN OPSYS

A Primary Intervention (project/programme) is a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

Articulating Actions or Contracts according to an expected chain of results and therefore allowing them to ensure efficient monitoring and reporting of performance;

Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);

Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention chosen can be modified (directly in OPSYS) and the modification does not constitute an amendment of the action document.

The intervention level for the present Action identifies:

Co	Contract level				
$\boxtimes$	Group of Contracts	Objective 'Traceability for export products and sustainability in Argentina and Colombia'			
$\boxtimes$	Single Contract	Objective 'Engagement with Indonesia, Malaysia, Laos, Thailand and Vietnam to raise awareness on and to promote better understanding of the EU approach to reducing EU-driven deforestation and forest degradation'			