

An EU strategic framework

For working with countries to achieve deforestation-free production



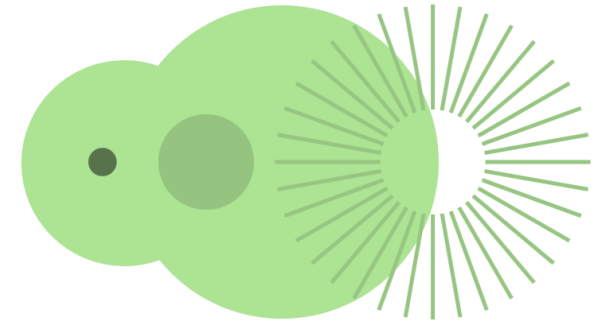
EU Regulation on
deforestation-free products:

Why does the EU need a strategy?

What would be in it?

How would it be structured?

EU & forested countries working together to halt deforestation = KEY



To tackle the root causes of deforestation



To maximise the positive impact

- Improved governance, transparency, monitoring and clarity about regulatory frameworks.
- Prompt reforms that go beyond a single supply chain or commodity.

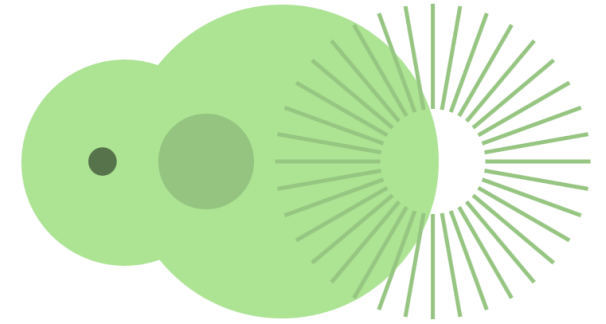
To deliver the EUDR – reduce EU's foot print



To mitigate the following risks

- A two tier system : Clean exports to EU & products tainted with deforestation exported elsewhere
- Resulting:
 - Deforestation in the high-risk zones/No overall reduction
 - Poor farmers & smallholders in high-risk areas lose EU market access
- Production shifts to products not covered by the regulation (e.g. mining)
- Unsustainable production is pushed to other ecosystems beyond forests

EU's commitment to work in partnerships with producing countries

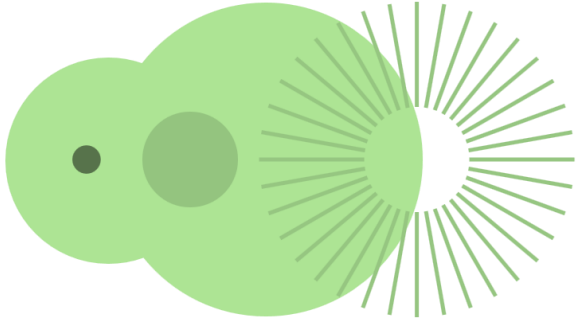


Priority 2: EU's 2019 Communication "Stepping up Action to

Article 28 EUDR

- EC **shall** engage in a **coordinated approach** with producer countries/parts thereof (in particular high risk countries/parts thereof (art 27))
- The EC **shall develop a comprehensive EU strategic framework** for such engagement and **shall consider mobilizing relevant EU instruments**
- **Partnerships and cooperation may include but not limited to structured dialogues, administrative arrangements and existing agreements or provisions as well as roadmaps** that enable transition to agricultural production facilitating compliance with the requirements paying attention to needs of IPLCs, smallholders and ensuring participation of all interested actors.
- Partnerships and cooperation **shall allow full participation of all stakeholders, support tackling root causes of deforestation and promote incentives** for deforestation-free production

EU Strategic framework guiding partnerships



Existing EU partnerships with forested countries are not designed to work with the EUDR

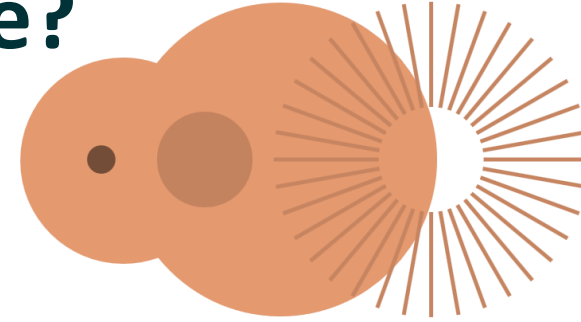
Forest Partnerships:
EU partnerships with forested countries – but most target countries aren't significant exporters of forest risk commodities to the EU

FLEGT VPAs:
Highly relevant but only apply to wood products.

Others where EU is an actor (REDD+, CAFI, others):
Not currently able to make use of market leverage in new regulation.

Potential to find synergies & make use of existing processes, as well as fill gaps. But needs **strategic direction**

What should a strategy on partnerships look like?



It must be:

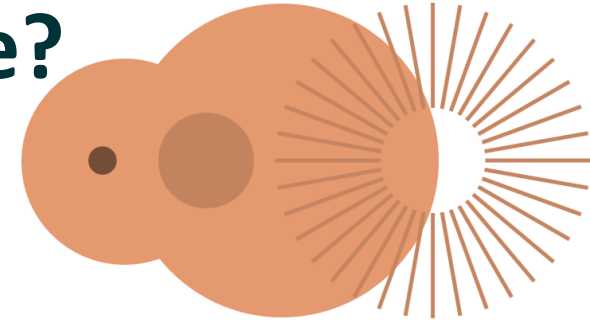
- **Clear enough** to guide EU action and prioritisation when working with forested countries to deliver on the new regulation. **(GUIDING PRINCIPLES)**
- **Flexible enough** to respond to the interests, priorities, needs of and pre-existing relationships with individual partner countries. **(INDIVIDUAL TAILORING)**

Underlying goals of the strategy

To support forested countries to:

- **Tackle underlying conditions** that enable deforestation and human rights violations and obstruct a transition to community based sustainable agriculture and forest management.
- **Assist producers to comply** with the deforestation-free regulation without producing a two-tier production system. Including supporting sustainable production.

What should a strategy on partnerships look like?

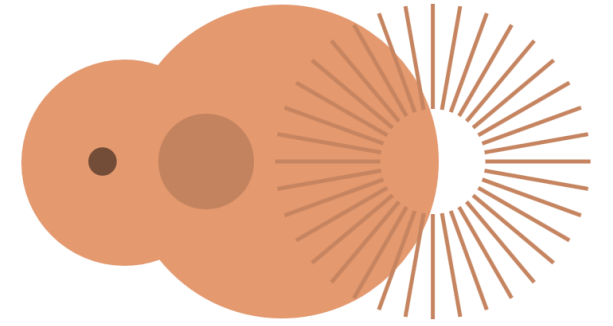


GUIDING PRINCIPLES for partnerships with forested countries:

1. Partnerships must be guided by a clear **Theory of Change** that can be monitored and evaluated
WHAT change is needed? HOW to achieve change?
1. There must be clear and **direct incentives** to encourage actors to change.
2. Some degree of **political will is vital**. Economic incentives are not enough if there is no genuine interest in achieving the aims of the process.
3. **Independent and robust monitoring, linked to enforcement mechanisms**, are needed to be effective. This implies a certain level of transparency and information accessibility.
4. **Multi-stakeholder and inclusive processes** are needed to achieve long term change.
5. Partnerships should deliver **benefits** all throughout the process, not just at the end.
6. Partnerships should be **structured** to avoid a rush to delivering 'regulation-compliant' supply chains at the expense of tackling difficult underlying challenges.
7. **Adequate long-term support (financial, human and political)** is needed to stay the course. This applies equally to the partner country administration, stakeholders, and the EU.

How to apply these guiding principles will be different in each context, depending on the scope, priorities and realities of each deforestation risk country.

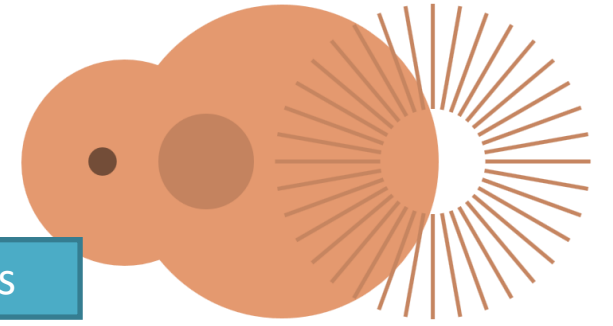
What should a strategy look like?



Should make space for an **INDIVIDUALLY TAILORED** approach:

- **Deciding which countries to engage with:** The EU should choose which producer countries to engage with according to their need, interest, and potential to achieve change. Most of the EU's imported FERCs come from just a handful of countries, which should be the priority for EU engagement if they are interested. So should countries where exports of FERCs to the EU make up a significant proportion of their GDP, as the potential incentives may be more powerful.
- **National or sub-national (jurisdictional) approach:** The choice of whether to pursue partnerships at a national or at a subnational level should be informed by an assessment of the potential to achieve real and relevant change at that level, including considering the powers and attitudes of political administrations at different levels. National approach is preferred, to avoid two-tier systems and leakage dangers. Where relevant, sub-national stakeholders and interests should be included. In contexts where jurisdictional approach is endorsed by broad base of stakeholders, and there is potential to tackle issues at that level, it could be considered.
- **Considering existing processes and engagement:** It will not always make sense to set up an entirely new process. Parties should consider existing engagement structures, if and how they can be used to address issues connected to the new regulation. Developing clear goals and theory of change will help everyone come to a mutual decision.

Incentives: What would keep parties at the table in a partnership?

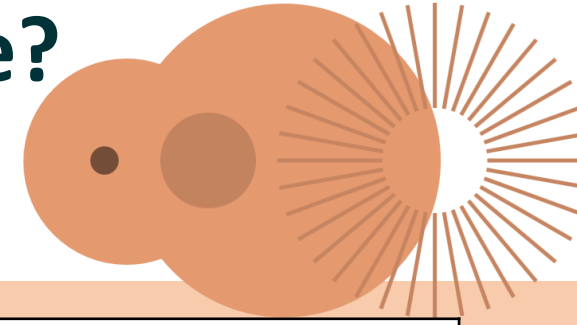


Each of these incentives would be attached to a partnership roadmap, so as to reward progress



- | | |
|---|--|
| <ul style="list-style-type: none">• Linking progress to deforestation-risk benchmarking• Work towards recognition national traceability systems in benchmarking• Establish a sustainable FERC transition fund.• Reduce or remove EU & MS policy barriers preventing smallholders receive a living income.• Facilitating dialogue with other major buying markets | Most potential |
| <ul style="list-style-type: none">• Variable commodity tariffs | Only for countries with ongoing trade negotiations |
| <ul style="list-style-type: none">• Temporary commodity import barriers | Least potential |

Incentives: What would keep parties at the table?



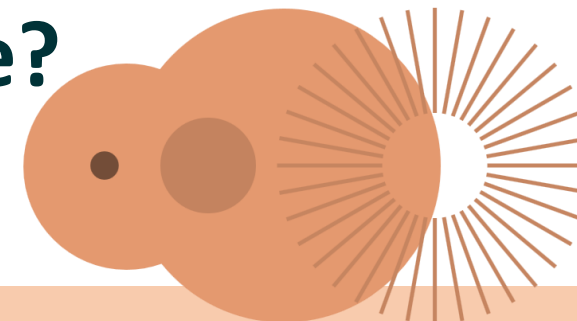
- **Linking progress to deforestation-risk benchmarking**

According to the EUDR deforestation-risk benchmark assessments should take in to account the existence and effective implementation of partnerships and cooperation mechanisms that

“enable producer countries to make the transition to an agricultural production that facilitates the compliance of relevant commodities and products with the requirements of this Regulation.”

Positives	Negatives
<p>Makes full use of the leverage included in the draft Regulation.</p> <p>Provides incentive for both private sector and government engagement.</p> <p>Benchmarking assessments are iterative so they provide ongoing incentives to make progress and resist backsliding.</p> <p>Could help to set a global standard and bring other consumer markets on board.</p>	<p>Current draft benchmarking (in EC proposal) doesn't include legality or tenure issues in its assessment criteria, so parties may not be motivated to work on these issues. (EP position is better on this)</p> <p>Low risk benchmark may create loophole</p>

Incentives: What would keep parties at the table?



- Work towards recognition of national traceability systems in benchmarking

One idea could be to give a significant weighting in the benchmarking to a **credible, robust national traceability system that has been approved by a local multi-stakeholder process.**

Benchmarking could be commodity-specific, such that a country could have a high risk benchmark overall, but a low risk benchmarking for specific commodities that have an approved national traceability system.

Positives	Negatives
<p>Leverage for in-county efforts to raise the bar in national licensing systems</p> <p>Reduces burden on smallholders . They could own the data rather than large companies</p> <p>Could create IM role for NGOs and communities keeping eye on national system and hold companies and government to account</p> <p>IM helps also enforcement authorities in EU and elsewhere</p> <p>Improves market reputation of producer countries regarding export of FERCs also to other consumer markets</p>	<p>Uncertain who will pay for setting up national traceability systems</p> <p>Will promise easier market access be enough?</p> <p>National traceability system may take years to be developed</p> <p>Not enough attention to underlying drivers and focus technical process instead of political process</p> <p>Low risk benchmark may create loophole</p>