

ACTION FICHE FOR THE 2007 ENPI-EAST REGIONAL ACTION PROGRAMME

1. IDENTIFICATION

Title	Improving Forest Law Enforcement and Governance (FLEG) in the ENP East countries and Russia. CRIS: 018-661/4		
Total cost	EC Contribution: 6 M€ Indicative Total Cost: 7M€		
Aid method / Management mode	Project approach – Joint management with an International Organization. World Bank (WB)		
DAC-code	31210	Sector	Forestry policy and administrative management

2. RATIONALE

2.1 Sector context

Illegal forest activities in Russia and the ENP East countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) include illegal logging, timber theft and smuggling, trade of illegal wood, unauthorized forest conversion, unclear legislation, unclear tenure arrangements and lack of enforcement of forest regulations due to corruption.

The causes of unsustainable forest management and illegal forest activities include:

- Lack of capacity of institutions responsible for forest management to review and update their policy, legal and institutional frameworks
- Inadequate capacity to enforce existing forest laws and policies
- Lack of reliable systems of information concerning forest management, policies and legislation and their implementation
- Insufficient awareness and commitment of key stakeholders
- Insufficient regional and sub-regional collaboration/ knowledge and information/ technology sharing
- Lack of transparency and equitable participation of civil.

The effects of unsustainable forest management and illegal forest activities include:

- Loss of revenue to governments, the private sector and local livelihoods
- Degradation of forest ecosystems and loss of biodiversity
- Loss of carbon stocks and climate change (deforestation accounts for 20% of global CO2 emissions)

- Creating a negative image for the sector and the producing countries.

The Forest Law Enforcement and Governance (FLEG) process is the outcome of a number of consultations and initiatives, which have taken place in recent years in response to the growing problem of illegal logging and unsustainable forest governance around the world.

The **Europe and Northern Asia (ENA) FLEG** process was initiated in May 2004, with preparatory activities throughout the region, leading up to the St. Petersburg Ministerial Conference in November 2005. The Ministerial Conference brought together more than 300 stakeholders from the region and the Ministerial Declaration, an expression of commitment to take action against illegal activities in the forest sector, was adopted by acclamation by 44 governments⁹ as well as the EC.

As noted in the Declaration, the development of market economies, changes in energy supply arrangements and the changing role of the public and private sectors in many countries are creating a need for strengthening and reform of the institutions responsible for forest management, reviewing and updating policy, legal and institutional frameworks and increasing capacity to enforce existing laws and policies.

Following the Ministerial Declaration, a number of countries have started working on their national FLEG Action Plan. However, in many cases the formulation work still needs to be completed and the results implemented.

In Russia, for example, forest sector reforms are now at a critical point of implementation. The new Forest Code of the RF has been approved (effective from 01/01/2007), which means that this year will be key to launching these reforms in a responsible and coherent manner. Furthermore, the Russian Government has recently confirmed its continued high interest in interaction with the WB on the issues of forest governance and anticorruption. This project is inscribed in the ongoing FLEG dialogue process and its activities follow up directly on the commitments made at the ENA FLEG Ministerial Declaration of 2005.

EU regional assistance for FLEG is included under priority area n°2 (Environment Protection and Forestry) of the ENPI Eastern Regional Indicative Programme (2007-2010)

2.2 Lessons learned

The WB, the IUCN (the World Conservation Union) and the WWF are expected to be the implementing partners for this project because of their long-standing involvement in FLEG processes (in particular in the Europe and North Asia region) from which they have been able to draw knowledge and expertise, critical to the success of this initiative.

⁹ Albania, Armenia, Austria, Azerbaijan, Belarus, Bulgaria, Bosnia and Herzegovina, Canada, China, Croatia, Denmark, Estonia, Finland, Georgia, Germany, Greece, Hungary, Italy, Japan, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Former Yugoslav Republic of Macedonia, Republic of Moldova, Mongolia, the Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, Serbia and Montenegro, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tajikistan, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America, and Uzbekistan.

The IUCN and the WWF both have a strong track record of facilitating work by civil society and the private sector in various regional FLEG and other forest-related processes, as well as useful contacts in the region concerned.

Furthermore, the WB has collaborated extensively with IUCN during the different phases of the FLEG process in the ENA-FLEG region, especially focussing on civil society self-selection and mobilization processes and the convening of civil society and industry dialogue.

Key lessons learned from this cooperation, and the other regional FLEG processes include: the need for increased awareness and commitment of stakeholders, action at the national-level based on comprehensive and coherent action plans, national ownership and systematic strengthening of national institutions, and linking national action with coordinated action at the sub-regional and regional level. These lessons underpin the approach in this project.

2.3 Complementary actions

To build on a commitment taken in 2002 at the World Summit on Sustainable Development (WSSD), in May 2003 the Commission published an EU Action Plan for Forest Law Enforcement, Governance and Trade (FLEGT)¹⁰. Council Conclusions were issued in October 2003, and the European Parliament motion on the FLEGT action plan was adopted in February 2004. The Action Plan sets out an approach to tackling illegal logging, which links the push for good governance in developing countries with the legal instruments and leverage offered by the EU's own internal market.

The goals of this project are consistent with those set out in the EU FLEGT Action Plan, and the role of regional FLEG processes is mentioned in Section 4.2.2.

The WB and IUCN have on-going forest programmes and broader governance reform activities in Russia and in most ENP East countries which will provide a platform for mainstreaming the innovations developed through this project. The project will also benefit from the existing collaboration between the WB and EU MS in the ENA-FLEG process.

The on-going actions of the WB-WWF Alliance will also provide a significant contribution to the ENA FLEG implementation process, supported by the projects which the WWF is carrying out with important private companies (e.g. IKEA and StoraEnso). Additionally, the proposed activities will be linked to on-going WWF projects in the region (in particular the *WWF Forest Strategy for the Southern Caucasus*). With regard to cross-border trade, the project will benefit from contributions to project activities by *TRAFFIC*. Synergies will also be made with all relevant on-going projects in the region

Synergies will also be made with relevant FLEG activities in Central Asia, in order for the project to benefit from useful exchanges of experience and information, and build better cooperation between both regions.

¹⁰ The AP sets out an approach to tackling illegal logging which links the push for good governance in developing countries with the legal instruments and leverage offered by the EU's internal market. The core components of the AP are support for improved governance in wood-producing countries, and a licensing scheme to ensure only legal timber enters the EU.

2.4 Donor coordination

By following up directly on the resolutions made by the countries in the Ministerial Declaration on FLEG, this project is closely aligned to the beneficiary countries' priorities.

Ownership: The project will respect the leadership of countries over their development policies, strategies and procedures and align and coordinate actions with them. Effective use will be made of existing capacities and the capacities of different stakeholders will be harmonized.

Alignment and Harmonization: The cooperation of different organizations in the implementation of a single multi-faceted project will be an example of donor harmonization where the principle of complementarity is observed and fragmentation of aid is avoided. This project will also contribute to greater harmonization and alignment of aid, for example, through the ENA-FLEG International Steering Committee, which will include all of the major donors with an interest in improving forest governance in the ENP East and broader ENA-FLEG region (including the EC). The ENA-FLEG International Steering Committee is co-chaired by Russia and the WB.

For the purposes of decision-making in the context of this project, a specific coordination mechanism will be established, which will also include a representative of the EC (from Headquarters or Delegation). The WB representative will provide linkage between this committee and the above-mentioned ENA-FLEG International Steering Committee.

3. DESCRIPTION

3.1. Objectives

The overall objective of the project is to contribute to the achievement of legal and sustainable forest management and utilization practices, a strengthened rule of law and improved local livelihoods in the 6 ENP East countries and Russia.

The specific objective (purpose) of the project is to put in place improved forest governance arrangements through the effective implementation of the main priorities set out in the ENA FLEG Ministerial Declaration, with the support of selected pilot activities and with the active involvement of governments, civil society and the private sector.

3.2. Expected results and main activities

The project is proposed to be implemented through coordinated work by the three institutions (WB, IUCN and WWF) in the following 7 result areas:

- Result 1: Effective national and regional FLEG action processes in place

Focal area 1.1: Analytical work, including: Assessment of level of FLEG awareness (existing efforts, key actors, etc); Baseline studies on illegal logging; Identification of governance constraints, development and testing of responses.

Focal area 1.2: Consultative national action planning, including: Stakeholders mobilisation and involvement on national, regional and local level; Development of National Action Plans with stakeholder involvement.

Focal area 1.3: Mobilization of broader implementation support, including: Identification of investment needs; Facilitation of civil society inputs to official financing proposals; Assessment of fiscal/financial instruments to address illegal logging.

- Result 2: Increased National ownership and capacity

Focal area 2.1: Capacity building and training, including: Provision of ongoing support to FLEG efforts of different stakeholder groups; Support national and regional civil society networks; Enhance involvement of governmental staff at forest management unit level on identifies priority actions (in co-operation with *TRAFFIC*); Establishment (and local support) of monitoring mechanisms for illegal logging

- Result 3: Improved regional and sub-regional collaboration and knowledge sharing

Focal area 3.1: Specific events and mechanisms to share lessons learned, find solutions to trans-boundary issues and link with FLEG processes in other regions. Potential areas include: strengthening prosecutorial capacity, using the money laundering regime to combat forest crime, customs collaboration and transparency; Analysis/ strengthening of vulnerable trans-boundary areas for illegal timber trade and increase reliability of public data on cross-boarder trade.

Focal area 3.2: Cooperation with regional and national processes

- Result 4: Effective engagement of key trading partners

Focal area 4.1: Specific events and dialogue, including: Facilitation of special events, small awareness raising missions and dialogue; Cross border dialogue on FLEG between China and Russia; Facilitation of dialogue with forest industry from EU Member States and China.

- Result 5: Continuation of the formal official ENA FLEG process

Focal area 5.1: Organization of specific regional FLEG events defined in the Ministerial Declaration: Organization of workshop and of 2nd Ministerial conference (tentatively in 2010) and facilitation of participation of private sector, regional and local authorities in ENA FLEG process.

- Result 6: Sustainable forest management practices implemented

Focal area 6.1: Support to implementation of priority FLEG actions, such as: Pilot local level governance activities involving a range of partners in all 7 countries; Implementation of actions to, e.g., improve transparency of timber and financial flows; Implementation Introduction/development of timber tracking systems; Revision and harmonization of forest law and regulations to remove overlaps; Resolution of constraints to effective law-enforcement and forest crime prosecution.

Focal area 6.2: Monitoring: Development of indicators on illegal logging and forest crime, linked with broader governance indicators and elaboration of sustainable forest management standards

- Result 7: Increased awareness and commitment of key stakeholders on FLEG

Focal area 7.1: Production of materials and organization of events for target audiences and key stakeholders.

Representatives from the Central Asian countries may also be invited to participate to the regional and sub-regional FLEG events where there is clear added value in co-operation across the Neighbourhood/Central Asia border.

The WB will sign agreements with the other two implementing organizations and a clear division of roles and responsibilities will be defined.

3.3. Stakeholders

The project will target three main stakeholder groups: **Governments** (including line department staff, parliamentarians, the judiciary, senior representatives to regional and global forums, key trading partners, and sub-national and local authorities); **Civil society**, particularly non-governmental and community-based organizations and forest dependent communities; and **the private sector**, particularly companies and industry and trade associations involved in timber production and processing.

3.4. Risks and assumptions

Government agencies and some companies may perceive the project as a threat, which would impede their necessary participation and could affect access to information. There might also be a lack of interest on their side with regards to the project. Nevertheless, these risks are unlikely to materialize, considering that the commitment of governments to FLEG, as evidenced by their endorsement of the Ministerial Declaration and the fact that the FLEG process has enjoyed strong civil society engagement and private sector participation. Additional efforts are needed to strengthen the involvement of the private sector and these will be built into the project.

3.5 Crosscutting Issues

The project directly supports several of the priority approaches to be encouraged under the ENP, including promoting political dialogue and reform, strengthening national institutions and bodies responsible for the elaboration and the effective implementation of policies, supporting policies aimed at poverty reduction, and cross-border cooperation.

Good governance and human rights: The project will support democratization and enhance the role of non-state actors through participatory processes, capacity-building and training and by supporting the implementation of pilot actions. It will also allow issues concerning the role of indigenous and local forest-dependent communities to be addressed.

Gender equity: The participation of women in the project implementation and in the broader FLEG processes will be encouraged.

The project will make all possible efforts to achieve balanced gender representation in the consultative mechanisms established under this project. Gender equity as a key element of good forest governance will be promoted in all project materials as well as the inclusion of gender in analysis of forest legislation, in particular with respect to the impact on local livelihoods.

Environmental sustainability: Is not a cross-cutting issue, but a main objective

4. IMPLEMENTATION ISSUES

4.1 Implementation method

Joint management through the signature of an agreement with the World Bank. The grant will be provided to the WB through a multi-donor trust fund to be established through a specific Administration Agreement with the European Community, represented by the Commission of the European Communities, in accordance with the "*Trust Funds and Cofinancing Framework Agreement between the EC and the WB*", Dated November 8, 2001 as amended March 17, 2003 (EC-WB Framework Agreement).

4.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned, the WB.

4.3. Budget and calendar

The EC contribution is of € 6 Million, out of an indicative total cost of 7M€.

Possible additional sources of the Trust Fund include: 506 500 USD WB/BNPP contribution to support illegal logging action plans; 30 000 € IUCN/Canadian Forest Service contribution; 220 000 € IUCN/BBI MATRA contribution (to be confirmed); and 520 000 € WWF/IKEA contribution (Russia.)

Indicative starting date: Beginning 2008 and the foreseen duration of the project is 3 years.

4.4. Performance monitoring

A joint project coordination team of the Trust Fund donors will be constituted to ensure close alignment, coordination and an effective use of resources.

Developing the project monitoring system will include clarifying and confirming project stakeholders, institutional capacity, objectives and resources; analyzing the relationships between different organizations and stakeholder groups and their capacities; determining what additional information implementers and other stakeholders will need; and reviewing what existing information collection systems and procedures exist.

4.5. Evaluation and audit

Financial Audit and Control shall take place as stipulated in the Article 6 of the EC-WB Framework Agreement.

A midterm and final external evaluation of the project will be carried out in the course of the project's implementation.

Technical evaluations and quality control will be implemented in accordance with established WB procedures. This evaluation will be based specifically on the objectively verifiable indicators of achievement, as they appear in the LogFrame. Communication and visibility

As stipulated in the Article 7 of the EC-WB Framework Agreement, all publications, training programmes, seminars or symposia financed under the trust fund, and all press releases or other information materials issued by the WB with respect to the trust fund shall clearly indicate that the activities in question have received funding from the EC.

The WB will also follow the procedures listed in the *Interpretative Letter on the Visibility Clause of the EC-WB Group Framework Agreement*, signed by EC Commissioner Ferrero-Waldner and by the WB President, Mr Wolfowitz on 02/06/2006. Any additional specific visibility requirement of the Commission shall be set out in the administrative agreement.