

MANAGEMENT AND IMPLEMENTATION	
13. Type of financing	<p>Direct management through:</p> <ul style="list-style-type: none"> - Grant - Procurement <p>Indirect management with the entity(ies) to be selected in accordance with the criteria set out in section 4.4.3.</p>

1.2 Summary of the Action

The EU is widely recognised as a trailblazer on forest with its policies and legislation on illegal logging⁸ and the timber trade agreements (Voluntary Partnership Agreements) with tropical countries. In the aftermath of the 2019 Communication on Stepping up EU Action to Protect and Restore the World's Forests, the EU pledged EUR 1 billion on forests and the Commission President signed the first Forest Partnerships at UNFCCC27, as part of the Global Gateway Strategy. In the meantime, the forthcoming EU Deforestation Regulation is raising the interest of partner countries, donors, EU Member States and international organisations, in working and coordinating with the EU on forests.

The “VPA & Beyond: Voluntary Partnership Agreement, Forest Partnership and Green Business” Action will focus on the forest sector, supporting Honduras in accomplishing:

1. Its binding legal requirements under the VPA FLEGT and seeking compliance with the forthcoming EU Deforestation Regulation (legality component);
2. Its non-binding goals under the potential future Forest Partnership (FP), under the Global Gateway Strategy (sustainability component); and
3. support to green business within this overall framework of the above bilateral agreements (enabling environment component).

Firstly, the Action will support the implementation of the EU-Honduras VPA FLEGT. Honduras was the first country in the Americas to enter into VPA negotiations. The VPA was ratified in 2021 and entered into force in September 2022. This bilateral trade agreement legally binds the EU and Honduras to address illegal logging and associated trade, aiming at making the timber exported to the EU legally produced. Key implementation steps, such as the crucial Timber Legality Assurance System (TLAS), which is at the heart of the VPA FLEGT, will be operationalized within this programme. This component of the Action will contribute to demonstrating compliance of the wood value chains with the requirements under the Deforestation Regulation. Honduras has voiced strong concerns over the forthcoming Deforestation Regulation, as shown by the Ambassadors to the EU co-signing a letter to the Presidents of the EU Institutions on the 22 of July 2022. In this letter, Honduras – together with other key producers' countries – described the Deforestation Regulation as punitive, discriminatory and unilateral. The average exports of Honduras to the EU for the seven focal commodities under the Deforestation Regulation represent of 3.77% of GDP in terms of value.

Secondly, this Action will support activities to pave the way for the potential FP. FPs encompass the EU's holistic cooperation framework for joint work on forests, aimed at reversing deforestation in supported countries and consequently enhance climate and biodiversity protection. In July 2022, the Commissioner Jutta Urpilainen proposed to the Honduran President Xiomara Castro to further engage in the forest sector under a FP. Honduras' interest in such partnership was confirmed at UNFCCC 27 in November 2022 and in writing by the *Secretaria de Relaciones Exteriores y Cooperacion Internacional* in March 2023. The Memorandum of Understanding, also through this Action, will contribute to reaching the ambitious targets of Honduras under the Climate Change Agenda, established under the Paris Agreement through

⁸ EU FLEGT Action plan (COM (2003) 251 final), EU Timber regulation (No 995/2010)