



On 21-23 June 2017, the European Commission invited in Brussels stakeholders from across the world to discuss tackling illegal logging and deforestation. The conference involved more than 250 representatives from timber producer and consumer countries, private sector and civil society, indigenous and local communities, European Union Member States, and international organisations. It served as a platform for discussions on the future development of a multi-year work plan for the implementation of the EU FLEGT Action Plan, as well as on opportunities to step up EU action on deforestation and forest degradation.

European Commission Conference on Illegal Logging and Deforestation

21-23 June 2017

Summary report

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Introduction

Addressing the global challenges of illegal logging and deforestation have been and continues to remain a priority for the European Union (EU) especially in the light of the 2030 Sustainable Development Agenda and the Paris Agreement on climate change. Following the recent reviews¹ of its flagship initiative to address illegal logging and the associated trade - the EU Action Plan on Forest Law Enforcement Governance and Trade ("FLEGT Action Plan") - the European Commission has been working towards the development of a work plan to guide strategic management, planning and monitoring for FLEGT implementation. At the same time, the European Commission is also considering the feasibility of options to step up EU action to combat deforestation and forest degradation as a follow-up to the 7th Environment Action Programme and the 2013 EU Forest Strategy.

In this context, the European Commission (EC) invited stakeholders on 21-23 June 2017 to take stock of progress, achievements and challenges as well as to explore opportunities for enhancing implementation of the EU FLEGT Action Plan, as well as for potential further EU

¹ [European Court of Auditors Special Report No 13/2015](#) and the [independent evaluation](#)



action against deforestation. The conference, co-organised by DG DEVCO and DG ENV in Brussels, gathered more than 250 representatives from timber producer and consumer countries, private sector and civil society, indigenous and local communities, European Union Member States, and international organisations. It was organised in two parts: the first part focused on illegal logging, in particular on future implementation of the EU FLEGT Action Plan and the second part on the challenges of deforestation.

On FLEGT, the conference confirmed the strong commitment to the implementation of the EU FLEGT Action Plan and served as a useful platform to obtain stakeholders' input on the draft working paper for FLEGT implementation prepared by the EC. On the issue of deforestation, the conference demonstrated the strong interest from a wide range of stakeholders on stepping up EU action and provided an opportunity to present preliminary findings of the ongoing feasibility study and obtain initial input to inform the completion of the study.

Karmenu Vella, Commissioner for Environment, Maritime Affairs and Fisheries, said in his opening speech that the conference was a major opportunity for international partners and stakeholders to exchange views and provide input to shape future EU action to tackle illegal logging and wider deforestation challenges. Stefano Manservigi, Director-General for International Cooperation and Development said in his opening speech that forests are a global public good and the EU's efforts to address the challenges forests face — including through the FLEGT Action Plan — are part of the wider agenda for development.

Frances Seymour who after several years at the Center for Global Development in Washington recently re-joined the World Resources Institute offered her facilitation skills in guiding the panels and the audience through the conference.

Simultaneous interpretation from and to English, French and Spanish was available while the conference was streamed live on the web and a hashtag (#TDIL) was introduced on Twitter allowing for an even wider participation and expression of views.

PART II: Deforestation

OPENING OF PART II OF THE CONFERENCE

Thursday, 22 June

Moderator: Frances Seymour, World Resources Institute



Speakers: Introduction and welcome by Astrid Schomaker, European Commission
Director for Global Sustainable Development, DG ENV

Keynote speech by Pablo Pacheco, Principal Scientist, Center for International Forestry Research (CIFOR): Deforestation: the magnitude of the problem, drivers and challenges

Astrid Schomaker, Director for Global Sustainable Development in DG ENV, introduced the second half of the conference. The conference was a much-needed opportunity to engage stakeholders on issues of deforestation and forest degradation, she said, to inform any potential future EU efforts to step up action in the area. She highlighted that deforestation is a complex problem with multiple drivers. According to a 2016 FAO report, large commercial agriculture accounts for 40% of deforestation in the tropics and subtropics; 33% is due to small-scale agriculture, while infrastructure and mining also contribute. On top of that, forests are under increasing pressure from demographic growth and populations with changing diets and lifestyles, particularly in emerging economies. The EU can play an important role as a major consumer of commodities associated with deforestation, by working with countries most affected, and through dialogue with other major consumer markets. She furthermore highlighted the need to work at various levels, through collaboration with different partners and with all the tools that we have available. The private sector is already active through its supply chains, and there is a need to build on these efforts.

In his keynote address Pablo Pacheco, CIFOR's principal scientist, presented an overview of deforestation and forest degradation at global level, focusing on the nature and scale of the issue, the drivers of deforestation as well as the environmental, social and economic impacts. Deforestation is often seen as a 'wicked' problem, as there are trade-offs between land-based investments and conservation, different views of what is desirable and many dilemmas on how to reduce it, and what regulation and incentives to apply.

The key messages from Pablo Pacheco's presentation were that: deforestation is largely driven by expansion of commercial crops, but this varies across regions; it leads to environmental impacts, influenced by governance conditions; deforestation and sustainability are insufficiently defined and understood; and several responses are emerging through new policy approaches, but there needs to be more partnerships between the public and private sector, as well as additional focus on legal frameworks, fiscal and other incentives and monitoring systems.

It is also important to remember that the impacts of deforestation may be regarded as positive or negative depending on one's perspective. From the positive viewpoint: smallholders rely on forest conversion; it contributes to local economic growth, and generates employment, income and fiscal revenues. On the negative side: it can have significant impacts in terms of biodiversity loss and greenhouse gas emissions, on



hydrological cycles and climate variability, and lead to the displacement of local people and land conflict.

Participants to the conference engaged in a discussion and reacted to the keynote speech raised, in particular regarding the fact that pressure and market signals from the demand-side are important and immediately affecting the speculation and use of land in commodity producing countries. This has a major role to play in Brazil to reduce soy-led deforestation witnessed in the last decade. Along the same lines, public-private partnerships have been very important not only in Brazil, but also in other countries such as El Salvador. This demonstrates that private sector must be seen as part of the solution. Participants raised also the need to clarify terminology (e.g. regarding cases of conversion of forest to eucalyptus or rubber plantation), the important role of communities in protecting forests (e.g. experience of Guatemala) and warned against neglecting the issue of degradation of forests, logging, ecosystem fragmentation and land grabbing.

Session I - Turning high-level commitments into action

22 June

Moderator: *Frances Seymour, World Resources Institute*

Speakers: *Kateřina Konečn, Member of the European Parliament*

Musdhalifah Mahud, Deputy Minister for food and agriculture of Indonesia

Genevive Pons, Director of the WWF European Policy Office

Marco Albani, Director of the Tropical Forest Alliance 2020

Artur Runge-Metzger, European Commission Director for Climate Strategy, governance and emissions from non-trading sectors, DG CLIMA

Thorsten Hinrichs, Federal Ministry of Food and Agriculture, Federal Republic of Germany

Member of the European Parliament Katerina Konečn presented the Resolution on Palm Oil and Deforestation of Rainforests which was adopted by the EP in April 2017. The Resolution expresses the strong view of the EP that palm oil production should not lead to destruction of primary or secondary forests, should respect labour and social rights, and minimise adverse social and environmental outcomes. She highlighted that global solutions, involving a broad range of stakeholders are needed. Certification schemes need to be more robust and made mandatory, and these schemes need to become credible partners that can guarantee indigenous peoples' rights, biodiversity and include smallholders. She also stressed that consumers need better access to information in order to address the production of unsustainable palm oil. The EP intends to pursue the issue with the EC to ensure follow-up action.

Musdhalifah Mahmud, Deputy Minister for food and agriculture of Indonesia, shared the Indonesian experience with palm oil production. She stressed the importance of palm oil for



economic development and livelihoods in Indonesia and stressed that most of the palm oil plantations have been established on degraded land in the country. She stressed that Indonesia is revamping its Indonesian Sustainable Palm Oil (ISPO) standard in an attempt to increase the acceptance of palm oil and meet international commitments. The review of the standard, a multi-stakeholder process similar to the Indonesian FLEGT VPA process, will address governance, market competitiveness, finance and sanctions, where NGOs and other bodies are being asked to provide independent monitoring of the standard.

Artur Runge-Metzger, Director at DG CLIMA in the European Commission, outlined the contribution of REDD+ to reducing deforestation and forest degradation. From an initial narrow focus on incentivising emission reductions from deforestation, its scope has been broadened to address social and human rights issues, as well as biodiversity. The EC has invested a lot in pilot schemes, as well as in monitoring systems which are a precondition for credible results-based payments. Nevertheless, it has to be said that early estimates for the amount of money that REDD+ countries would receive (as compensation for preserving forests) may have been exaggerated. We need to be modest with expectations, he said, and further negotiations will determine the currencies REDD+ may be creating.

Thorsten Hinrichs, of the German Federal Ministry of Food and Agriculture, described the role of the [Amsterdam Declarations](#) group of countries, which have agreed to cooperate to eliminate deforestation from agricultural commodities supply chains and support a fully sustainable palm oil supply in Europe by 2020. The seven signatories represent major consumer markets covering 75% of the palm oil and coffee imports of the EU and 65% of soy imports. The group believes that the role of the consumers is vital, not just as buyers, but as 'agents of change'. There is growing belief that certification has its limits; and that government action is required to help companies implement their commitments. It is also clear that different approaches are needed for different commodities: while palm oil is typically grown on large-scale plantations, cocoa is grown on small farms. He called on the EU to move forward with an action plan on deforestation. A coherent action plan at EU level (not necessarily with legislative proposals from the start), bringing together all EU Member States, using the market leverage of the EU.

Geneviève Pons of WWF also called on the EU to adopt an action plan on deforestation, in order to address the 80% of deforestation linked to commodity-driven agricultural expansion. She stressed that the EU needs to take responsibility for these impacts, noting that it was the main global importer of products linked to deforestation – such as palm oil, beef, leather, soy, cocoa and timber - from 1990 to 2008, even if global trends may have changed in recent years. She called on the EU to provide more technical assistance to protect and maintain forests; to establish a regulatory framework to ensure deforestation-free supply chains in compliance with international standards; to introduce forest-specific requirements in EU trade and investment agreements; and to promote due diligence for the banking and finance sector. Stakeholders in the EU and in producer countries should work together to tackle the drivers of deforestation and forest degradation.

Marco Albani spoke on behalf of the [Tropical Forest Alliance 2020](#), a platform set up by corporate bodies to bring together governments, private sector and civil society to remove



deforestation from commodity supply chains. The aim is to support high impact partnerships with different stakeholders, although it does not provide funding. Notable outcomes include the African Palm Oil initiative to develop a sustainable palm oil sector in Africa, and involvement in a large risk mitigation fund, funded by Norway, to support jurisdictions with the sustainable production of agricultural commodities. The aim is to build partnerships to channel international blended investment to sustainable commodity production; to increase transparency around commodity supply chains and investments; and to engage domestic capital markets.

In the ensuing discussions between panellists and participants, industry representatives highlighted their ongoing efforts and commitments. They nonetheless stressed that the ability of certification alone to drive and accelerate changes in the supply chain was limited, and that action by the private sector needs to be complemented by government, jurisdictional and policy support to help achieve results beyond reducing legal deforestation. Several participants called also for a positive agenda to decouple agricultural production from deforestation, by supporting production of commodities outside forest areas, increasing productivity of the agricultural sector and promoting reforestation as a way to reduce pressure on forests. More market recognition and consumer awareness of the private sector's efforts was also called for. It was suggested that the EU needs to send realistic and constructive demand-side signals and that any future initiative would need to reflect a menu of tools that is flexible enough to accommodate to country contexts. The issue of land-use planning and more effective land governance was also stressed by several speakers, along with the need to increase productivity and promote sustainable agricultural intensification. Participants highlighted also the necessary role of indigenous people to address deforestation, including on monitoring.

Session II - Agenda of solutions to address deforestation: perspectives and initiatives from governments, the private sector and civil society organizations – 23 June

Moderator: *Frances Seymour, World Resources Institute*

Speakers:

- Fiona Wheatley, Sustainable Development Manager, Marks & Spencer
- Nicole Polsterer, Sustainable Consumption and Production Campaigner, Fern
- Thomas Sembres, REDD Expert, EU REDD Facility
- Datuk Borhanudin Arshad, Deputy Director General, Forestry Department Peninsular Malaysia
- Tiego Mpho, Conservation International, Gaborone Declaration on Sustainable Development

The second panel discussion considered concrete actions that may contribute to address deforestation, thereby focussing on supply- and demand-side interventions as well as finance and investments.



Datuk Borhanudin Arshad, Deputy Director General, Forestry Department Peninsular Malaysia, explained the important role of agricultural commodities for Malaysia's economic development, and highlighted the recent shift in cultivation to diversify away from rubber and tea to focus on oil palm and cocoa. Palm oil has helped to address rural poverty and is very productive: 18.87 million hectares – or 0.38% of global agricultural land – is planted with palm oil in Malaysia; contributing over 20% of global edible oils and fats. The average income of smallholders has risen from USD150/month average in 2004 to USD700/month average in 2014. Malaysia introduced its voluntary Malaysian Sustainable Palm Oil (MSPO) certification scheme in 2011, and is taking measures to strengthen this, including by training smallholders to increase capacity, and making it compulsory. Also, Malaysia is focussing on innovative solutions to double the production capacity as no large-scale agricultural expansion is allowed by 2020.

Nicole Polsterer of FERN discussed EU responsibility in terms of consumption of commodities from land illegally converted from forests to agricultural land. She presented FERN's vision for possible EU measures to ensure that commodities imported into the EU have been legally and sustainably produced. She called on the EU to adopt mandatory due diligence requirements for forest-risk commodities, along the line of EU legislation on timber, fish and conflict minerals, taking into account local communities' tenure rights. FERN commissioned a recent study on company commitments, and found out that the 23 major companies trading in commodities interviewed said they could not meet 2020 goals (to halt deforestation) without support from governments in producer countries. The EU should also focus on transparency in agricultural commodity supply chains and look at human rights and community tenure. Already 190 countries have signed up to FAO voluntary guidelines on the responsible governance of tenure of land, fisheries and forests. The EU should support countries to draw up baselines based on these guidelines, and then put them into practice, using multi-stakeholder processes.

Thomas Sembres of the EU REDD Facility presented on recent progress in the area of land use and supply chain transparency. Transparency platforms such as Global Forest Watch and others have greatly advanced ability to monitor changes on the ground. More recently, the sustainability community has started to use trade-related datasets from customs authorities to track movements in forest-risk commodities (e.g. TRASE initiative - Transparency for Sustainable Economies). Progress on ensuring transparency of supply chains raises the relevance of risk-based approaches as a complementary approach to certification. The Supply Chain Transparency Network was mentioned, with more than thirty transparency initiatives coordinating their action. The EU could further contribute to these efforts by developing its own forest-risk market intelligence, using notably its customs data to quickly acquire global coverage of forest-risk supply chains; and also by becoming a global lead to convene stakeholders on forest-risk definition and assessment, in partnership with interested partners from producing countries.

Fiona Wheatley of Marks & Spencer described how the company had committed to give preference in their product sourcing to jurisdictions that commit to zero deforestation. She reported that sustainability in business has grown exponentially across the world in recent years because it makes business sense: it prevents waste and builds trusting relationships



with customers and supply chain partners. M&S has made it part of their routine business practice, and does not expect customers to choose between ‘good’ and ‘bad’ products. The retailer highlights the importance of partnerships and collaboration that are key to success. M&S supports the Roundtable on Sustainable Palm Oil (RSPO), which now covers 20% of total palm oil production. It is not without its critics, but provides a space for partners who wouldn’t typically meet to discuss challenges and solutions. It is also a member of the Consumer Goods Forum, created in 2010, joining a broad range of retailers and producers committed to remove deforestation from their supply chains by 2020. ‘We do what industry does best: innovate and lead.’ Of course, not every business can be a leader, but these partnerships provide an entry point that can help incentivizing companies.

Tiego Mpho of Conservation International then explained the role of the Gaborone Declaration for sustainability in Africa, a platform to promote sustainable development across the continent. It involves field work and demonstration projects as well as institutional action. He gave the example of coffee, of which production carries risks for deforestation, since 60% of suitable land for coffee is forested. Conservation International works with smallholder farmers in Rwanda to use agroforestry along with coffee production, and links them to markets to ensure their product gets premium prices. This helps fund infrastructure, education and incentives to protect the environment. These efforts contribute to the Sustainable Coffee Challenge, a campaign that aims for coffee to become the first fully sustainable agricultural commodity and that is supported by a large number of companies and organisations. As the EU is the foremost ‘importer of embedded deforestation’, it ought to provide more financial and technical assistance to producer countries to maintain and restore forests, and support livelihoods of local communities.

Questions and comments followed the panel discussion, and focused on the important role that can be played by transparency platforms that are independent and public. The experience shows that these can be effectively used to monitor both forest cover and markets.

A participant asked about how gender equality was included in the initiatives presented today, given the role of women as leaders in rural enterprises. Conservation International said that they mainstream gender in their projects, and in site feasibility analyses they map resource access and usage. FERN also expressed an interest in bringing this aspect out more clearly, as explicit invitations to women to participate in processes have proven successful.

Fiona Wheatley answered a question on how to pay for sustainability in the supply chain by referring to efficiencies and scale, and the simplification of processes.

A participant from Malaysia expressed concerns about the spread of ‘no palm oil’ labels, which convey to consumers a negative message about palm oil consumption. He stressed the need to ensure that, when sustainability is proven, ‘no palm oil’ labels should be removed. Marks & Spencer replied that any claims needed to be substantiated, and that, rather than mandatory labelling that would mainly increase costs and not value, M&S would welcome measures focussing on removing unsustainable production globally and reducing disadvantage felt by the most ambitious companies.



Other issues raised included the respect for land tenure rights of indigenous peoples and forest communities, and the importance that any financing and resources should extend down to the level of indigenous peoples.

Session III – Thematic Group discussions

Luca Perez, European Commission, presented the context for the feasibility study on options to step up EU Action against deforestation, commissioned by DG ENV in 2016. This study builds on the broader EU objective set in 2008 to halt deforestation by 2030 and halve tropical deforestation by 2020². This study follows also on an earlier EC study on the impact of EU consumption on deforestation in 2013 and 2014 conference on the matter. This 2017 conference is part of the trajectory to inform the discussion and gather input in view of future decision-making. While the feasibility study is still a work in progress, and will be finalised by COWI, the contractor, by the end of 2017, one of the objectives of the conference is to present the preliminary findings of the study (as reflected in the draft report made available for the conference³). This presentation by COWI, together with the presentations from earlier sessions, will then be the basis for the thematic break out groups.

Asger Strange Olesen of COWI presented the preliminary results of the draft feasibility study on options to step up EU Action against deforestation. The study process has involved two steps: mapping the landscape of existing initiatives, and then identifying potential interventions and policy options. The first stage comprised a screening of 186 global, regional and EU initiatives on deforestation (although not national ones). The second stage included a background report on the supply, trade and demand patterns of forest risk commodities (FRC), as well as a forward-looking report identifying possible measures that could be considered by the EU to step up its efforts. The study identifies 12 study-specific drivers relating to EU policy areas such as supply side, demand side, and investments and finance – and then maps possible interventions against these drivers. In the next stages, the authors will consolidate input on the effectiveness and feasibility of the proposed interventions, identify policy options, assess these options in qualitative and quantitative terms, and formulate questions in view of a potential stakeholder consultation.

The conference then divided into breakout groups to reflect on the three areas of potential action: demand-side, supply-side, and investments and finance.

Thematic Group 1: Demand-side action discussion (moderator Duncan Brack)

Duncan Brack presented an overview of different demand-side potential actions. He provided more details on the 12 demand-side interventions on FRCs, which are fully detailed in chapter six of the feasibility study. Ten of the 12 interventions suggested by COWI comprise measures to discriminate between commodities that have been sustainably / legally produced and the others, and enable consumers to choose the former. These include: one on support for business initiatives; four to provide better information and transparency on legal and sustainable FRCs; and four on government action and intervention to support sourcing of legal and sustainable FRCs. Two further options relate to

² COM(2008) 645 final

³ <http://illegallogging-deforestation-conference.eu/background-info/>



measures to reduce the total level of consumption. The interventions are based on and apply to approaches on legality, sustainability, and zero deforestation (zero net deforestation).

Discussion with the audience covered a variety of issues relating to both the form and content of the interventions suggested by COWI under discussion. A few comments concerned the question of priorities, and whether the EU would consider identifying these. Some participants highlighted that the EU should address the issue of deforestation through policy measures, noting nonetheless that such measures should remain realistic. Another participant strongly encouraged to give further consideration to projected trends in the drivers of deforestation.

A number of participants expressed concerns about on the potential framing of interventions around legality, rather than sustainability. It was argued that legality does not necessarily guarantee sustainability, and that approaches focusing solely on legality may undermine EU policy goals. It was also highlighted that, to support business, there is a need for more clarity on what private sector has already committed to achieve on zero deforestation, and a need to promote more transparency of these initiatives rather than creating new frameworks. Interventions were also made in relation to the need to link the feasibility study to on-going work under the EU Renewable Energy.

Some participants stressed that demand-side action had the strongest potential to deliver on the EU's international commitments and ensure responsible supply practices. They called for horizontal legislation with requirements that companies exclude from their supply chain all products that lead to deforestation and human rights violation. It was suggested that this option should be given proper consideration and should be better reflected in the feasibility study.

A participant asked how to balance compliance with laws in producer countries and concerns that these laws may not adequately address human rights. Another participant called for EU action to build on existing initiatives and lessons learnt from the timber and forestry sector (FLEGT VPAs and the EUTR, including their challenges). This should also include working with producer countries and businesses that are already engaged in ensuring sustainable production and supply chains. A participant requested transparency measures to not neglect SMEs, particularly in southern countries, in a context where most EU requirements on business transparency focus on large companies.

Scepticism was expressed about suggestions that the EU could support incubation of new certification schemes, such as for beef. Several participants mentioned existing initiatives that could be further considered, such as a platform being set up in South America about eliminating deforestation in soy and beef supply chains.

FEFAC, the European feed manufacturers association said that certification schemes could not be the only answer, and that robust action was needed in other areas to address issues in non-certified market segments in a short timeframe. Other participants stressed that if certification systems were to be given any recognition, they should include more robust



auditing and monitoring system, and effective complaints mechanisms than it is currently the case for instance for RSPO.

It was highlighted that there is still not a level of transparency sufficient for a third party to check if a company is genuinely implementing its commitments, e.g. that a palm oil plantation isn't extending outside the granted concessions. It was pointed out that in some cases, limited information is available regarding maps, agreements, and permits, meaning that ensuring fully transparent supply chains remains challenging. This highlighted the need for reliable land registration and monitoring systems.

Regarding public procurement policies, some participants stressed the need for monitoring implementation, noting that policies adopted at national level may not apply at local and municipal level (e.g. for food purchasing),.

There was a request that the EU provide market access and opportunities as incentives for sustainably produced FRCs; some participants indicated that lower import duties would also be welcome as long as they comply with EU and WTO rules. It was stressed that free trade agreements may also be used as a means to prevent trade in illegally sourced commodities. It was furthermore suggested that the feasibility study could look in more details into investment agreements.

A question concerned whether the intention of government action was to level the playing field between leaders and laggards, in a context where due diligence mechanisms focusing on legal requirements may undermine the efforts of companies that go beyond legal requirements and commit to address sustainability issues.

The discussion then turned to potential measures to reduce consumption of commodities associated with deforestation, by encouraging lower consumption of FRCs in food. A participant warned nonetheless that pressure to reduce consumption may frustrate those who are producing commodities in a sustainable way, and that such issues may need to be further discussed under the Common Agriculture Policy. Further discussions focused on the link with EU policy on biofuels, and possible measures to decouple biofuels production from deforestation.

Summing up Duncan Brack reminded participants that the study was a draft and the authors would aim to improve it, including in light of contributions received during the conference. He noted that there was no strong objection to any of the measures proposed, but many comments on a number of them. He acknowledged the need to focus on measures that would have the highest impact, and the need to work together with the supply side and investment actors too. He summed up the discussion on whether to focus on legality, as the FLEGT instruments do, or a broader concept of sustainability, or zero deforestation, as many companies do, or else a mix of these.

Thematic Group 2: Supply-side measures (moderator Frances Seymour)



Christophe Van Orshoven of the EU REDD Facility set the scene regarding options for supply side measures as suggested by COWI in the draft feasibility study, in particular regarding potential EU support to national and jurisdictional stakeholders and approaches to zero-deforestation commodity production.

He presented possible options for partnerships between the EU and commodity producer countries, such as political dialogue, cooperation, partnership instruments, free trade agreements, etc. He also stressed that lessons can be drawn from FLEGT VPA approaches to determine the nature of potential partnership approaches. An important question is whether these partnerships should focus on legality as an endpoint, or as a step towards sustainability. Any future partnerships would need to adopt a multi-stakeholder approach, be realistic, and ensure transparency and accountability, noting that further discussions may be needed to determine whether such partnerships should focus on specific commodities and how these should be resourced.

Regarding EU options for providing support to producer countries, he summarised the following: the need to take account of a country's needs and priorities; to what extent the private sector might play a role addressing those needs; the importance of public-private partnerships as private sector actions are limited; the need to work at jurisdictional level where land use decisions are taken and production is taking place; and the potential to use REDD+ and other investment tools to support an enabling environment for deforestation-free commodity production.

Among the comments from participants, there was a strong call for the EU to mainstream deforestation considerations throughout its policies, such as trade and development cooperation; and to build on existing instruments to better address deforestation. Some stakeholders called for more regional rather than just national and bilateral approaches. There was a request for the EU to recognise producer countries' needs to use forest resources for their future development, and on the importance of taking account of smallholders and local communities, and address not just supply chains but also forest protection and biodiversity conservation needs. It was also underlined that there needs to be motivation and incentives for producer countries to enter into partnerships, and clarifications needed of what is being demanded and what can be delivered.

In terms of supporting jurisdictional approaches, it was mentioned that performance-based finance (such as REDD+ finance) can connect with supply chain investments, needed to achieve the transformational change required to reduce deforestation driven by land-use change. It was recognised that the European Investment Bank (EIB) could provide investments and assist in unlocking private sector finance. Some reservations were also expressed with respect to jurisdictional approaches, as it was thought that this level may not always be best to address certain governance challenges or the risk of leakage across borders to other jurisdictions. Similarly, tenure issues cannot always be addressed at jurisdictional level. It was also highlighted that, in some countries, decision-making is centralised and not always an appropriate entry-point for this issue.

On the question of how the EU can support partner countries and partnerships with commodity producing countries, the need for policy coherence was emphasised across



various policy domains such as trade, development cooperation, and investment; to break down silos between sectors as well as the European Commission's own services; to avoid creating additional new frameworks, and to work with a broad range of stakeholders.

Thematic Group 3: Investment and Finance (moderator Ivo Mulder, UNEP)

Ivo Mulder of UNEP presented an overview of options for measures to decouple deforestation from the private and finance sector, and how the EU might catalyse and accelerate change in this area. Addressing finance, we do not only need to raise the need for 'green' finance, we also need to make sure that conventional investments do not have adverse impacts.

There also needs to be more effort to align funding for conservation and agriculture and other productive sectors. Levels of finance need to be substantially raised, and will not come from traditional sources of conservation and climate financing, as these amounts are not sufficient. Largely, it's about redirecting public subsidies to agriculture and using trade tariffs to stimulate rehabilitation of degraded land, and, for private finance, including measures on restoration in 'greening agri-supply chains'.

Fundamentally, there is a need to decouple deforestation from the economic and financial system. For agribusiness and finance both, we need to step up ambition, set targets and implement them. A number of blended finance models exist to stimulate sustainable land use: the Production, Protection and Inclusion Fund, and the Tropical Landscapes Finance Facility. The IFC Forest Bond, meanwhile, finances landscape restoration.

Séverin Fischer of BNP Paribas commented that the financial sector has a key role to play in eradicating deforestation from its activities and needs to find solutions to achieve this. Help from regulatory bodies is needed, in particular to upload and upscale ongoing experiences. And as bankers are not forest experts and do not understand all the nuances of sustainable forest, it requires simplifying messaging.

Kaspar Wansleben, Director, Forestry and Climate change Fund reported on the experience of the Forestry and Climate Change Fund. Active in Latin America, it provides flexible finance (equity, debts) and invests in forest management entities, small scale (in the order of million, not billions). It develops new business models to help small and medium businesses. It has three categories of beneficiaries: 1) medium-size land-owners / SMEs; 2) community managed forest to be integrated in productive forestry at later stage; 3) Integration of small-holders into productive forestry. He reported that such an endeavour is only possible if public money is involved in addition to private sector money. Blending finance instruments should be encouraged, including to accommodate 15 years' time horizon, which is a time span that is very difficult for the private sector to invest in. He also reported on the communication challenge to bring it down to something clear and communicable. Finally, the biggest challenge

Still lays with the work and time required to transform a project, even well elaborated from a technical and development cooperation perspective into an 'investable' project. The



Forestry and Climate change Fund had to raise money for a Technical Assistance facility to go through this journey and it took two years to get to business models. Balancing urgency and need for scale with reality on the ground is challenging. Questions were asked as to how could the EU incentivise and lower the risk of such investments, and promote greater transparency in agricultural and forest product supply chain financing. Some suggestions were that the EU could help to identify and map financial sector actors and mechanisms; and set up a regulatory framework for the disclosure of investments likely to lead to deforestation. It could use existing proposals, requiring banks to report on investments of over EUR 10 000.

On encouraging good forest policies by finance institutions, it was suggested that the EU could provide guidelines for the financial industry to apply in their investments, offering clarity and a level playing field.

As for how the EU may lower the risk of investment in zero deforestation agriculture, forestry and landscape restoration, it was agreed that there needed to be clear criteria for results; the EU could communicate about and strengthen blending instruments to de-risk investments in sustainable land use; and it could promote insurance, guarantees and reinsurance mechanisms to lower the risk, notably in Africa to ensure it is not to the detriment of these countries.

It was furthermore suggested that there is a need to question the assumption that finance is uni-directional; de-investing provides an opportunity too. For example, a Norwegian sovereign wealth fund has taken a number of decisions, which have divested millions of dollars of investment from certain SE Asian companies. It was mentioned that the EU may need some guidelines on ethics to make sure that money is taken away if standards are not being complied with or met. A participant from Brazil warned of the danger of ignoring speculation in land on frontiers, especially by pension funds and hedge funds; also of the fact that many investments in production are informal, and hence the need for investment criteria. Some participants suggested that any EU approach should take account of existing experiences, and take a long term and savings approach. In Indonesia, for example, banks have collapsed or near-collapsed due to NGO supply of microcredit.

The EU also needs to look at financing mechanisms for other sectors, such as oil and gas, concrete, etc., to ensure we don't restrict opportunities and lose out to more destructive product sectors.

One participant urged the EU not to leave the forest sector behind, noting that it needs credit lines for reforestation, and to help ensure high quality wood and wood products can enter the market.

Another participant recommended criteria for checking the positive or negative impact of other EU investments – e.g. in agriculture, infrastructure. The World Bank has a new requirement for all investments to go through a common screening committee.



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Ivo Mulder added that the breakout group focused on Africa, Latin America and Asia but recognised that there is a lack of access to public funding and finance for countries in the east (e.g. in Ukraine, Moldova, and Belarus).

Additionally, the issue of long-term capital to move towards sustainable land use needs to be looked at, and thus the issue of repayments duration needs to be examined.

CLOSING OF THE CONFERENCE

Friday, 23 June

Moderator Frances Seymour presented a summary of the discussions. She highlighted that development cooperation, trade, finance and other policy areas were powerful tools for addressing deforestation governance challenge; that transparency was key, and progress depends on certainty of resource availability. She stressed the need for innovative financing mechanisms in the forest sector, and to ensure that rights-based approaches and indigenous people's rights are integrated in systems. She felt also that there was a strong case for an EU action plan on deforestation. However, rather than a one-size approach perhaps a menu of options for different contexts should be considered. For example, policies on trade, climate and investment could be replicated in different countries through different EU initiatives. She called on opportunities to build on existing initiatives, such as voluntary supply chain commitments and other platforms, recognising their contribution but also limitations.

The conference was closed on behalf of the European Commission by Klaus Rudischhauser, deputy director-general of DG DEVCO. He reaffirmed the Commission's commitment 'for the long haul' to continue to work on FLEGT, which required high level political dialogue from all sides. He underlined the importance of Member States working together actively with the Commission, and acknowledged the key role of civil society in achieving improvements in forest governance. He recognised that early efforts may not have been sufficiently flexible or pragmatic to obtain more progress. Regarding deforestation, he said the approach needed to be comprehensive. He recognised the impetus of private sector initiatives and the possibilities to complement them. He emphasised that development and food production are compatible with the maintenance of forest cover, with the right measures in place. The EU Investment Plan, which has relevant safeguards, can contribute to this goal. Policy coherence for development is also at the centre of EU commitments to address deforestation. He thanked participants and encouraged them to maintain their commitment to the process.