Addressing Forest Crime through Improved Governance in the Lower Mekong Region

UN-REDD Proposal
10 February 2020

1   Project Outline

Forest crimes, such as illegal logging and the illegal conversion of forest land are pervasive across the Lower Mekong Region (LMR). While no one knows the actual extent of forest crime; it is likely that illegal activity has been a major factor in the trends that have led to the impoverishment of forests across the region. It is generally recognised that only a small fraction of reported violations are investigated, and only a small proportion of forest crime results in criminal prosecution. The fast-growing wood processing industry in the region (in particular from Vietnam and China) has motivated substantial trade in stolen wood, traded illegally from source countries, such as Lao PDR, Cambodia and Myanmar. It is critical to reverse this trend and support the expansion of responsible and legal trade of timber, which will help to tackle forest crime, while reducing poverty across LMR.

The UN-REDD Programme supports countries to reduce the likelihood of forest crime by strengthening forest and land use governance. In this context, the government of Norway has requested the UN-REDD Programme to develop a proposal (within the framework of the current UNREDD Global Technical Assistance[1], under the Asia component), to address forest crime through improved governance and trade in the LMR. A reduction of forest crime will ultimately lead to reduced emissions from deforestation and degradation, and more sustainable management of forests across the Lower Mekong Region and beyond. **For ease of reference and for brevity, this specific component of the UNREDD Global TA (Asia) will be referred to as "the project" for the remaining part of this document.**

This proposal describes Phase 1 (2 year work plan) of the project which focuses on tackling the illegal logging and sustainability of timber supply chains. Subject to the future of the UN-REDD Programme and its strategy for 2021-2030, this project's Phase 2, which will also address the other major dimension of forest crime, the illegal removal of forests through conversion to other land uses (in particular from agriculture), will be fully aligned with the UN-REDD post-2020 priorities and institutional arrangements.

The proposal responds to the evolving trends in the region and aligns with ongoing initiatives and national priorities.

Regional dynamics of investments and trade behind forest loss in the LMR

Regional dynamics of investment and trade play a particularly important role in determining land use change, and thereby act as a significant underlying driver of forest degradation and deforestation in the LMR.

There is a clear trend of investments from the expanding economies of Thailand and Viet Nam, as well as China –bordering the LMR – to the lower income, higher forest cover countries of Cambodia,

---

[1] ATLAS project 00103786 (http://mptf.undp.org/factsheet/project/00103786).

Lao PDR and Myanmar. Viet Nam and China are also significant trading partners with the other countries to source timber for their large wood products export industries. Vietnam has witnessed a massive growth in furniture production over the last two decades; it is currently the second-largest exporter of wooden furniture in Asia and the Pacific and the fifth worldwide[2]. In 2018 the export value amounted to $9.4 billion[3]. The only country to produce more in Asia is China, which is the world's largest exporter of wooden furniture. Given the shortages in domestic wood supply in these countries, a significant amount has to be imported. This has helped fuel the illegal trade in timber.

Given that the gap between global supply and demand of wood products is predicted to widen significantly by 2050 due to an increase in demand for wood, fibre and energy from rapidly growing populations, especially in the tropical regions, we can expect the growth in supply from the region to continue to increase, adding more pressure on forest resources. In 2017, Asia had the largest share of the global forest footprint embodied in demand for timber (46%), followed by the Americas (25 %), Europe (20%), Africa (7%) and Oceania (2%) (FAO, in print).

The economies of LMR countries are also heavily reliant on agricultural production, with agriculture (including forest plantations) being a leading contributor to deforestation in Viet Nam, Lao PDR, Myanmar and Cambodia. The 'forest-risk commodities' (i.e. commodities that have significant 'footprints' in deforestation and forest degradation trends) for the region include, among others, rubber, shrimp, coffee, maize, cassava, and tea. Trends of the past decades have typically shown host countries of agricultural investment to be impacted by the boom and bust of various crops, driven by global price fluctuations and changing global demand. This has led to the illegal conversion of large areas of forests and will continue to shape land use, forest loss and degradation.

Illegal logging and trade in the LMR

Unsustainable and illegal logging and trade is a serious issue, fuelling a network of criminal activity across the region. While it is challenging to estimate the extent, volumes and monetary value of illegal logging and timber trade across LMR, independent investigations, media reports and regular seizures by forest administrations and law enforcement agencies are tangible reminders of this recurrent governance problem, including the forest sector. Most national REDD+ strategies or action plans recognise illegal logging and illegal forest conversion as key drivers of forest degradation and deforestation, which further confirms that illegality remains an indicator of wider governance failures in the forestry sector. Underlying weak governance issues such as insecure land tenure, unclear and potentially conflicting or ill-adapted legal frameworks, poor law enforcement and unclear management and enforcement responsibilities, can drive or exacerbate illegality in the forestry sector.

Loss and degradation of natural forests in the middle income countries of the region has displaced the growing demand for timber to the least developed countries of the region, and illegal logging practices and actors have followed. Intra-regional timber trade dynamics echo that of agricultural commodities, where raw or semi-processed materials from Cambodia, Lao PDR and Myanmar feed the processing industries of Thailand and Viet Nam as well as China; the bulk of these are then consumed regionally or feed the growing global demand for wood products.

An example of these intra-regional dynamics is the gradual depletion and degradation of Viet Nam's natural forests which led to policies to reduce or prohibit unsustainable harvesting in its remaining natural forests and resulted in the increasing import of both legal and illegal timber from Lao PDR and Cambodia. When the government of Lao PDR issued Prime Minister Order 015 (in 2016) to

---

[2] https://www.worldfurnitureonline.com/research-market/furniture-industry-vietnam-0058553.html
[3] Forum on wood processing and export industry in 2018 – success, experience; breakthrough solutions for 2019, held in Hà Nội on February 22, 2019

promote more sustainable harvesting levels and ban export of unprocessed timber as an effort to curb illegal logging and encourage local processing and value addition, timber trade between Lao PDR and Viet Nam dropped dramatically. As a result, timber exports from Cambodia to Viet Nam increased to closely match the decrease of exports from Lao PDR.

Growing efforts to combat illegal logging and promote sustainable trade

To effectively combat illegal logging and trade it is necessary to have in place effective governance systems, not only to improve law enforcement, but also to support and complement systems which can clearly and effectively demonstrate legal and sustainable timber production, processing and trade. There are ongoing initiatives to tackle forest crime in the region, with a focus on improving law enforcement. The INTERPOL-United Nations Office on Drugs and Crime (UNODC) - Rapid Response Center on Environment, Development, Peace and Security (RHIPTO) project: 'Law Enforcement Assistance Programme to reduce tropical deforestation' (LEAP), is strengthening law enforcement entities to investigate and tackle cross-boundary forest crime. This programme will align with efforts under LEAP, while focusing more on legal and sustainable trade.

Despite ongoing efforts and plans, most LMR countries currently lack fully functional, robust and transparent systems for developing, mainstreaming and monitoring standards of practice in management, harvest, transport and trade in timber and other forest products in order to promote sustainable production and consumption. Such systems, which can be voluntary or regulatory in nature, are developed and implemented chiefly in response to demand from international markets in the northern hemisphere, but have the intrinsic potential for application in domestic or regional supply chains. Market-based mechanisms enacted both voluntarily (e.g., through forest certification/verification) and through recent legislation (e.g., in Australia, Japan, the EU, and the US) are picking up speed in the Asia region.

The expansion of such mechanisms in the years after the Rio Convention in 1992 allowed consumers and public sector actors to have increased confidence that the materials they purchased and used had minimal impact on deforestation and degradation. Though not failsafe, the insistence of the private sector in the Northern hemisphere on certified or verified legal and sustainable sourcing, to reduce their exposure to reputational risk, was instrumental in spurring the development of consistent and comparable national standards and institutional infrastructure across Europe. In the LMR, and the wider ASEAN region, the opportunity now exists to build in a similar way on the demand for sustainably sourced material and the groundwork laid by voluntary certification systems, in order to build national and regional institutional capacity for legal and sustainable forest product supply chains in the long term.

While national regulatory systems are yet to be developed, voluntary Forest Management (FM) certification and Chain-of-Custody (CoC) certification continues to expand in all LMR countries. Some countries (e.g. Viet Nam and Thailand) are actively engaged in adapting the international FM standard of the Forest Stewardship Council (FSC) to a national FSC FM standard. Thailand, Viet Nam and Myanmar are currently developing a voluntary National Certification System to be submitted to the Programme for Endorsement of Forest Certification (PEFC) for formal endorsement, and both Cambodia and Lao PDR are considering the same approach. Both FSC and PEFC systems are designed to generate flows of sustainable timber originating from FM certified forests, but also allow CoC certified operators to apply due diligence (including legality verification) for the controlled sourcing of non-certified or non-controversial timber.

In addition to the increasing demand for sustainable wood products triggered by consumer demand or by public and private procurement policies, a growing number of consumer countries have regulated their market access to prevent illegal timber imports. Import regulations typically prohibit or criminalise the import of illegal timber and impose due diligence requirements on operators

placing the wood products on the market. This demand-side measure focusses on legality compliance of imported wood products. The most comprehensive regulations or laws have been put in place by the United States, the European Union (EU) and Australia, and are driving the global demand for legal timber. A growing number of countries, especially in Asia, are introducing similar regulations to prevent illegal timber from entering their market (e.g. Japan and South Korea). There is also a growing interest from Chinese companies to source sustainable supplies of wood based products. ITTO is partnering with the Global Green Supply Chain initiative, which includes 14 of China's leading wood trading and processing enterprises to support the sustainable sourcing of wood materials.

A number of countries in the LMR (including Viet Nam, Lao PDR and Thailand) are engaged in negotiating or implementing a Voluntary Partnership Agreement (VPA) with the European Union. A core aim of the VPA is to develop and implement mechanism to ensure the timber and forest products they export to EU markets is legally sourced and processed. National Timber Legality Assurance Systems (TLAS) are the cornerstone of a VPA which in turn is the key supply side measure of the EU FLEGT Action Plan. In all countries, The FAO-EU Forest Law Enforcement, Governance and Trade (FAO-EU FLEGT) Programme provides support to VPA processes in Viet Nam, Thailand and Lao PDR and is in the initial stages of identifying FLEGT support to Cambodia and Myanmar outside of the VPA framework. This proposal will therefore align with this FAO-EU FLEGT Programme and in order to not replicate efforts will focus attention more on voluntary systems. Meetings with the FAO-EU FLEGT Programme have been held throughout the preparation of the proposal and will continue to be held throughout the life of the project to ensure complementarity.

The implementation of sustainable forest management (FM) and related chain-of custody (CoC) standards through voluntary certification systems can be seen as complementary and synergistic to the legality assurance or verification and other forest governance support efforts currently underway. Voluntary certification builds on legal requirements by further strengthening sustainable forest management practices and by excluding illegal but also legal conversion timber from certified supply chains. The expected impact of increasing access to certification in the LMR countries is to tackle forest crime and reduce deforestation, degradation and associated carbon emissions at national and regional scale.

All LMR countries are also signatories to the Convention on International Trade of Endangered Species (CITES), which requires the issuance of CITES export permits for a growing number of timber species listed under CITES Appendix II. Appendix II listed species can be traded if the national CITES authority can demonstrate, through the issuance of "non-detriment findings", that the natural population of the concerned species is not threatened by unsustainable harvesting practices. With consistent and high demand for Rosewoods (*Dalbergia spp*) and other valuable hardwoods in China, CITES implementation in the LMR needs further strengthening. The volumes of CITES listed timber species smuggled across the region represent a small part of the overall illegal timber trade but the value of this trade is significant and is dominated by criminal gangs. CITES implementation is therefore an important supply side measure which can significantly contribute to improving forest sector governance.

All supply-side systems listed above (e.g. TLAS, voluntary certification and CITES) do in fact include demand-side measures to address the legality or sustainability of imported timber. Both Viet Nam and Thailand, the two main timber processing hubs in the LMR, are drafting import regulations as part of their national TLAS. CoC certification under FSC and PEFC also requires due diligence or the controlled sourcing of imported timber sources, whether certified or not. CITES also encourages the issuance of import permits, a voluntary measure to match the compulsory issuance of CITES export permits by the country the CITES-listed timber originates from. Private Sector Federations or Associations play a significant role in the promotion or use of these same supply-side systems among their members, as a formal mechanism or a voluntary code of conduct. Civil society organizations

(CSOs) can play an important role, contributing to the credibility of supply-side or demand-side systems through independent monitoring or verification. Mechanisms promoting mutual recognition between systems can reduce the burden of compliance on producers, improve cost-effectiveness and improve the robustness of the different verification and certification systems put in place by a given producer country. Different approaches have their strengths and weaknesses but their combined impact on illegality and unsustainable timber harvesting can be significant and provide market incentives rewarding good practice.

Regional cooperation on forest governance, investments and trade

National governments in the region, increasingly cognisant of the benefits of collaborating with their neighbours to achieve growth in their forest sector and overcome common challenges to combatting illegality in the forest sector, have set up sub-regional agreements and frameworks such as the Cambodia-Lao PDR-Viet Nam Development Triangle Area. Bilateral cooperation agreements on transboundary issues, from water management to wildlife and forest crime, has helped build relationships and institutionalised data sharing in certain cases.

More broadly, high-level mechanisms and bodies have been established, such as the ASEAN Senior Officials on Forestry (ASOF), the ASEAN Working Group on Forests and Climate Change, the ASEAN Single Window customs clearance system, the ASEAN Consultative Committee on Standards and Quality (ACCSQ) and Senior Officers Meeting on Transnational Crime (SOMTC). These are important signals of joint intent to tackle transboundary issues such as illegal and sustainable trade and forest crime. Other relevant regional platforms include the Asia-Pacific Network for Sustainable Forest Management and Rehabilitation (APFNet) and the China-ASEAN Environmental Cooperation mechanism, in which China, plays a prominent role.

These initiatives and platforms provide existing avenues to further advance regional efforts to further overcome common challenges to combatting illegality and promote sustainable trade in forest products across the region. It is also necessary to boost regional coordination of the wood and timber industry across the region. Given their technological, processing, and market leadership, China and Vietnam have the opportunity to increase their regional engagement and leadership on sustainable forest trade and investment. Through closer engagement with neighbouring countries on legal sourcing standards, private sector cooperation, and technology exchange and dialogue, they can drive a thriving forest economy and help the sourcing of legal forest products across the region.

China is having a growing influence in the region and globally on promoting more sustainable development. UN Environment is currently partnering with FAO to support China in the facilitation of a broad coalition and action framework for nature-based solutions as an essential part of climate action, in support of the 2019 UN Secretary General's Climate Summit. It is expected that the Summit will trigger investments in, and action on, nature-based solutions at unprecedented scale across many governments, supported by a broad group of organizations and stakeholders. The outcome of the Summit will be a key input into the development of a "new deal for nature and people" under the Convention for Biological Diversity (CBD) process for a post-2020 biodiversity strategic plan. This deal is expected to be agreed and ratified at the 15th Conference of Parties (COP) to the CBD in Kunming, China, in October 2020.

Data availability and transparency

In the LMR, there has been substantial progress in recent years in the development and management of data related to forests, land use and land use change, and certain social and environmental factors, particularly at the national level. All countries in the LMR have made national statistical data available online and are developing national SDG reporting systems. Viet Nam and Lao PDR have

operationalised National Forest Monitoring System (NFMS) for REDD+ with the support of the UN-REDD Programme, while these are under development in the other three LMR countries. As a result, the magnitude of illegal logging (and other drivers of forest loss) have become increasingly clearer for LMR countries. In addition, progress has been made in designing and establishing REDD+ Safeguard Information Systems (SIS). Viet Nam's SIS is now operational, and progress is being made in Cambodia, Lao PDR and Myanmar to develop their SIS.

While part of the technical solutions (for monitoring forest cover change as well as other relevant factors) are already there, it is still necessary to build the institutional arrangements and capacity, as well as political commitments to potentially expand forest monitoring systems to land-monitoring systems. There is a need for improved mechanisms for regionally monitoring forest cover change and crime related data. The proposal can help fill this gap.

2   Alignment to NICFI objectives

The NICFI objectives outlined in its Strategic Framework call for *cost-effective, early and measurable reduction of emissions from deforestation and forest degradation*, and contributing to *conservation of natural forests in order to maintain their ability to bind carbon.*

Forest crime[4] is the illegal exploitation of the world's forests and has transformed into one of the largest transnational organised criminal activities. With an annual worth of US$50-150 billion, forestry crimes and environmental crimes are the fourth biggest crime sector after drugs, counterfeits and trafficking[5]. It is widely recognised as a key driver of forest degradation and deforestation around the world.

In the LMR countries - Cambodia, Lao PDR, Myanmar, Thailand and Viet Nam - global and regional demand for timber, forest products and agricultural products has resulted in increasing pressure on forest and land resources. The main direct drivers of forest change in the region are: agricultural expansion, road and dam infrastructure development, unsustainable and illegal logging, mining and forest fires. These drivers are often interlinked; with illegal logging and/or infrastructure expansion paving the way for subsequent agricultural expansion[6]. Between 1990 and 2015, a total of 4.7 million ha of forest is reported to have been lost (a 5% loss), with an annual decrease of 189 700 ha over the same period[7]. See Figure 1. With organised crime in illegal logging increasing, combating forest crime is critical in reversing this trend and reducing forest degradation and subsequent deforestation, and hence overall carbon emissions.

---

[4] UNODO refers to forest crime as the taking, trading (supplying, selling or trafficking), importing, exporting, processing, possessing, obtaining and consumption of timber and other forest products, in contravention of national or international law

[5] INTERPOL-UNEP. 2016: Strategic Report: Environment, Peace and Security, A Convergence of Threats. Lyon. See https://www.interpol.int/Crime-areas/Environmental-crime/Resources and; UNEP-INTERPOL-RHIPTO: 2016. The rise of environmental crime. A Rapid response assessment. See www.rhipto.org

[6] Geist, H. and Lambin, E. 2001. What drives tropical deforestation? A meta-analysis of proximate and underlying causes of deforestation based on subnational case study evidence. Land-Use and Land- Cover Change (LUCC) Project, International Geosphere-Biosphere Programme (IGBP), LUCC Report Series: 4

[7] FAO FRA 2015; and Yasmi, Y., Durst. P., Haq, R.U. & Broadhead, J. 2017. Forest change in the Greater Mekong Subregion (GMS): An overview of negative and positive drivers. Bangkok, FAO.
The general trend shows forests in decline in LMR; however, not all countries report a loss of forest cover, and there is considerable variability within the region (Table 1). Viet Nam has reported consistently increasing net forest area from 1990 to 2015 – largely owed to new plantations – whereas Cambodia and Myanmar have reported consistently declining forest area.
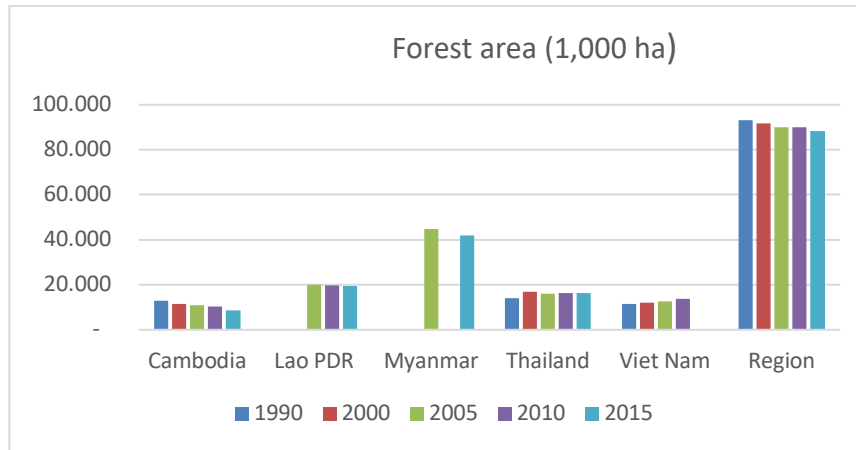
Figure 1: Changing forest cover in the Lower Mekong Region (Source: FAO 2015 for Region and Thailand, and Country FRL submissions to the UNFCCC for all other countries)

The ongoing reduction of forest cover and quality – particularly of natural forests – in the LMR limits the capacity of the region's forested areas to perform globally and regionally significant ecosystem functions such as carbon sequestration, water and soil conservation and reduction of flood risk. Given that land use change and forest loss is a significant source of CO^2 emissions in the LMR, forest cover targets for mitigation and/or adaptation are mentioned in the Nationally Determined Contributions (NDCs) of all LMR countries submitted to the United Nations Framework Convention on Climate Change (UNFCCC). Reducing deforestation, and participation in the REDD+ mechanism is a crucial climate change mitigation component of NDCs for nearly all LMR countries.

The project will therefore contribute to the overarching goals of the Norwegian Development Policy and Norwegian Climate Policy of *contributing to sustainable development and limiting global warming to 1.5/2 degree Celsius*, in line with commitments to the UNFCCC's Paris Agreement, whose signatories include all the LMR countries and China.

3   Theory of Change

Main target groups

National governments: The programme covers the five countries of LMR. These are: Cambodia, Lao PDR, Myanmar, Thailand and Vietnam. The programme will promote dialogue, policy alignment and institutional inter-compatibility within the LMR, and boost dialogue and cooperation between LMR countries and China. Sub-regional and national partners will be instrumental for implementing the outputs and activities outlined in this proposal. Partners will be identified during country visits as part of the initial scoping of this project. Appropriate implementation arrangements will then be agreed. Key government Ministries include the Forest Administrations, Ministries of Agriculture and Environment, Ministries of Planning, as well as other Ministries. There is also expected to be dialogue with the Chinese authorities. It is ultimately up to the authorities to commit to and introduce legal and sustainable practices and enforce the regulations and commitments that they put in place.

Private and public companies: Forest related companies will be critical to ultimately drive the change needed. These include all companies along the wood supply chains, from those harvesting wood, to those collecting and aggregating the wood, possible financiers and investors, as well as the processing sector, which is more dominant in some countries, such as Vietnam and China. Greater

coordination with companies along wood supply chains will be key to transforming them towards more sustainable practices. Support is particularly needed for small and medium enterprises (SMEs) which constitute most of the enterprises in the forest sector. With targeted technical support there is considerable potential to enhance the contribution of forest SMEs to poverty reduction, jobs, and growth. The programme will engage Forestry Associations, domestic financiers and international investors to bring about more sustainable forestry practices.

Regional platforms and partners: The project is expected to engage with various regional platforms, including ASEAN, through subsidiary bodies and initiatives such as ASOF, ACCSQ and SOMTC. Bilateral and multilateral platforms are further described in Box 1. Coordination on law enforcement and transboundary forest crime will be with Interpol-UNODC-RHIPTO. The project will collaborate to share information and synergies on transboundary forest crime issues, and to promote strengthened coordination among forest administrations, law enforcement officials and customs agents.

Forest-dependent communities: The ultimate beneficiaries of the initiative are considered to include forest-dependent communities throughout the LMR. Improvements in forest governance which will result from the institutionalization and harmonization of standards and systems for sustainable management, production and trade across the region will lead to more secure, transparent and consistent tenure and use rights, and will also provide opportunities for local communities to engage in forest product value chains for livelihood improvement. The initiative will partner with RECOFTC (The Centre for People and Forests) at the regional level, and through its country programmes in each of the five LMR countries, through Output 2.6 (see results framework), and with national governments and civil society organisations as appropriate, to ensure these opportunities are maximized.

Expected project impact and main outcomes

Problem statement. As described in the background section, a trend in the region has been the huge growth in wood exports, particularly from Vietnam and China and the associated illegal movement of raw wood to supply this growth. This has been a catalyst for forest crime and illegal logging[8] in the LMR, moving logs from countries of high forest cover (Lao PDR, Cambodia and Myanmar) to wood processing and export hubs (in particular Vietnam and China). In order to tackle forest crime there is the need to reverse this trend and ensure legal and sustainable trade and investment flows in logs and wood products across the region.

There is a recognition from those countries exporting wood products (and the companies doing business within them) that they must use legal and/or sustainable sources of wood in their supply chain, even if the timber or wood products are coming from other countries. Key importing countries now require proof of legality and/or sustainability. Future growth in these export hubs is therefore dependent on meeting higher standards of legal and sustainable forest use. At the same time those countries supplying the wood can boost their own forest economies by further aligning with the needs of the exporting companies, who already suffer from timber supply shortages, due to the already depleted nature of the countries' forests. There is therefore an incentive for all the LMR countries and China to increase collaboration and facilitate legal and sustainable trade in wood products. At the same time they must continue in their political support and regional efforts to stamp out illegal logging.

---

[8] It is also recognised that this has also led to the illegal movement of logs from other regions, in particular from Central Africa.

- The *overall impact of the project* will be to reduce forest degradation and deforestation and promote sustainable management of forests across the LMR. This will ultimately lead to reduced GHG emissions.

- The *goal of this project* is to increase national commitment to legal and sustainable trade and investment in wood products across the LMR (and China).

To realise this impact the project aims to achieve three interrelated outcomes, as shown in the Theory of Change below. Outcome 2 and Outcome 3 will help feed into and bolster Outcome 1. With a view to ensuring complementarity with initiatives tackling other key aspects fostering forest crime, this project will maintain continuous dialogue with the LEAP project (supporting countries in enhancing law enforcement), and with the EU-FLEGT Programme (which in the LMR focuses on supporting efforts to strengthen forest governance, legality verification and transparency within the forest sector, in alignment with the objectives of the EU FLEGT Action Plan).
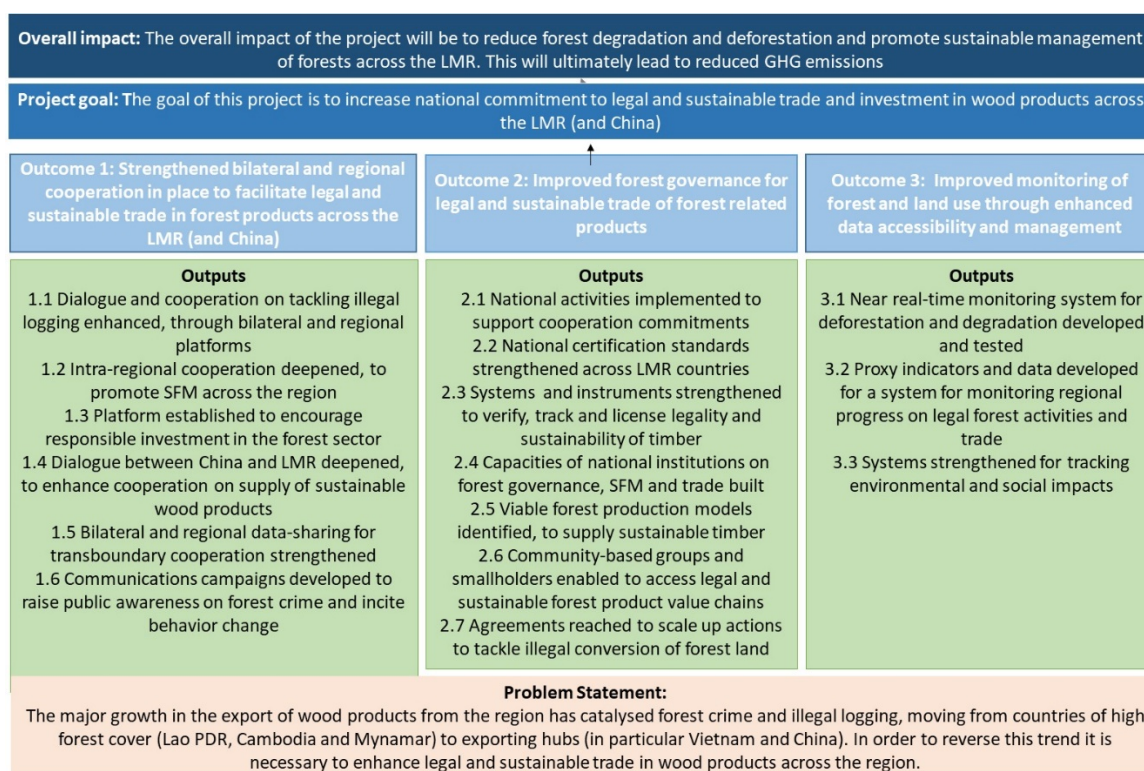
Overall impact: The overall impact of the project will be to reduce forest degradation and deforestation and promote sustainable management of forests across the LMR. This will ultimately lead to reduced GHG emissions

Project goal: The goal of this project is to increase national commitment to legal and sustainable trade and investment in wood products across the LMR (and China)

Outcome 1: Strengthened bilateral and regional cooperation in place to facilitate legal and sustainable trade in forest products across the LMR (and China)	Outcome 2: Improved forest governance for legal and sustainable trade of forest related products	Outcome 3: Improved monitoring of forest and land use through enhanced data accessibility and management
Outputs 1.1 Dialogue and cooperation on tackling illegal logging enhanced, through bilateral and regional platforms 1.2 Intra-regional cooperation deepened, to promote SFM across the region 1.3 Platform established to encourage responsible investment in the forest sector 1.4 Dialogue between China and LMR deepened, to enhance cooperation on supply of sustainable wood products 1.5 Bilateral and regional data-sharing for transboundary cooperation strengthened 1.6 Communications campaigns developed to raise public awareness on forest crime and incite behavior change	**Outputs** 2.1 National activities implemented to support cooperation commitments 2.2 National certification standards strengthened across LMR countries 2.3 Systems and instruments strengthened to verify, track and license legality and sustainability of timber 2.4 Capacities of national institutions on forest governance, SFM and trade built 2.5 Viable forest production models identified, to supply sustainable timber 2.6 Community-based groups and smallholders enabled to access legal and sustainable forest product value chains 2.7 Agreements reached to scale up actions to tackle illegal conversion of forest land	**Outputs** 3.1 Near real-time monitoring system for deforestation and degradation developed and tested 3.2 Proxy indicators and data developed for a system for monitoring regional progress on legal forest activities and trade 3.3 Systems strengthened for tracking environmental and social impacts

Problem Statement:
The major growth in the export of wood products from the region has catalysed forest crime and illegal logging, moving from countries of high forest cover (Lao PDR, Cambodia and Mynamar) to exporting hubs (in particular Vietnam and China). In order to reverse this trend it is necessary to enhance legal and sustainable trade in wood products across the region.

Figure 1: The Theory of Change

Outcome 1 is to strengthen bilateral and regional cooperation in order to combat illegal trade and to facilitate sustainable trade and investment in wood products across the LMR and China. Efforts will build on current high-level commitments and existing bilateral and regional channels to reinforce the message of the urgent need to tackle illegal logging, as a means to boost the forest economies of the region and facilitate higher volumes of sustainable trade and investment. Delivery of this Outcome is dependent on the high-level commitment from the countries of the LMR (Cambodia, Lao PDR, Myanmar, Thailand and Viet Nam) as well as China. It will also require stimulation and support to the private sector, across all the countries (and outside) to tap into their innovative capacity and the financial leverage they can provide.

To contribute towards good forest governance and sustainable forest management and to combat illegal logging and forest crime, *Outcome 2* will support LMR countries in developing, strengthening and preparing for the implementation of systems that define and reliably demonstrate the sustainability of wood products from harvest to export. Increased adoption of voluntary standards will allow LMR countries to maintain or improve access to increasingly demanding international markets, creating an incentive for sector-wide legality compliance and sustainable forest management in significant and critical parts of their respective forest domains. To deliver Outcome 2 there is the need to engage multiple actors, including government and private sector actors. Private sector businesses working along the forest products supply chain as well as industry associations and cooperatives supporting small and medium enterprises will be among the key actors. From government will be Forest Administrations, Ministries of Agriculture and Environment, Ministries of Planning, as well as other ministries. Many of the countries of the LMR have already expressed a strong commitment to certification and appointed particular institutions to deliver these commitments.

Outcome 1 and Outcome 2 will need to be complemented by improved monitoring of forests and land use through enhanced data accessibility and management (*Outcome 3*). This will further support effective implementation of transboundary cooperation, and feedback to domestic decision-making among countries on policies to reduce risks of inadvertently supporting forest crime and illegality in lending activities, imports and investments. This will require commitment from the relevant ministries and government bodies in each of the LMR countries, to introduce such systems. A key challenge in enhancing data accessibility and transparency will be to cultivate political will for transboundary data sharing. To ensure buy-in and ownership by governments the project proposes a higher-buy-in approach to data sharing, through facilitated regional dialogue where countries convene to discuss options and priorities for exchanging data.

In summary the programme is motivated towards achieving three outcomes:

- *Outcome 1*: Strengthened bilateral and regional cooperation in place to facilitate legal and sustainable trade in forest products across the LMR (and China)
- *Outcome 2:* Improved forest governance for legal and sustainable production of forest related products
- *Outcome 3:* Improved monitoring of forest and land use through enhanced data accessibility and management

The ToC builds on the experiences of the UN-REDD Programme and of countries in the region, and in other parts of the world, through the process of REDD+ Readiness. Since the earliest days of the Programme, UN-REDD agencies have highlighted the importance of efficient, effective and equitable governance of forests and forest land in efforts to reduce deforestation and forest degradation in the long term, while maintaining sustainable development of rural forest-dependent populations. In 2013 the Programme captured early experiences from Mexico, Viet Nam and Zambia in the report "Legal analysis of cross-cutting issues for REDD+ implementation", which highlighted the importance of tackling illegal logging and forest product trade with respect to addressing both the drivers of forest degradation and recognising customary rights. In both Myanmar and Viet Nam, the process of REDD+ Strategy development clearly identified improved forest governance, in particular through efforts related to FLEGT and forest certification, as central to the sustainability of the Strategy. In Colombia and Ecuador, which were among the first countries to report successful achievement of REDD+ results, efforts to advance responsible forest governance and timber legality verification contributed directly to these results.

The role of the international forest products trade in achieving global environmental goals has gained increasing attention in recent years. Ingalls et al (Global Environmental Change, vol 50, 2018) specifically refers to the LMR as an example of the intersection of REDD+, transboundary trade flows, land and forest governance, concluding that a sustainable approach to reducing emissions must address these issues concurrently and at the regional scale.

Outcomes, outputs and activities

Outcome 1: Strengthened bilateral and regional cooperation in place to facilitate legal and sustainable trade in forest products across the LMR and China

The objective of *Outcome 1* is to strengthen collaboration among the five LMR countries (and China) in addressing the regional dynamics behind illegal logging, and to enhance the regional institutional climate for legal and sustainable trade and investment in forest products. To deliver this requires a better understanding of the current situation, particularly around regional flows of trade and investment in raw wood and forest products. There will also be a need for a series of high level, regional meetings, to both advance existing commitments and cooperation frameworks to combat illegal forest activities, as well as to establish new fora to boost investment and trade in the sustainable production and consumption of timber from the LMR (and China). In Phase 1 the focus of Outcome 1 will be on enhanced dialogue and cooperation across the region, for Phase 2 strategic follow up actions in the different countries will be identified and acted upon. The Outputs and Activities for Outcome 1 are shown below.

Outcome 1: Outputs under Phase 1

Output	Activities
1.1 Dialogue and cooperation on tackling illegal logging enhanced, through support to ongoing bilateral and regional platforms (FAO and the LEAP initiative)	- Review current bilateral and regional mechanisms (see Box 1) and develop a strategy of engagement with key fora/platforms/agreements for regional engagement. This is to be implemented jointly with the LEAP initiative. - Identify/formulate and monitor the implementation of transboundary cooperation instruments (e.g. MoUs, joint declarations and action plans). This needs both regional and national level activities (Output 2.1). - Implementation of specific interventions of the transboundary cooperation. - Conduct a case study on tracking transformational change through forest product value chains in the LMR with a biome-based approach.
1.2 Intra-regional cooperation deepened, to promote sustainable forest management across the region (FAO and ASEAN)	- Support ACCSQ Working Group 2 to help ASOF implement agreed guidelines on sustainable forest management and set up forest certification and verification schemes in the LMR for wood products in line with international practices. - Review and assess the implementation of forest certification using the ASEAN Guidelines on Phased-approach to Forest Certification (as well as other guidance).

	- Intra-regional learning workshops on forest certification standards (in particular FSC and PEFC). - Explore and support alignment of National Single Window systems with the ASEAN Single Window system. This will require support to establishing National Single Windows systems (Outcome 2). - Convene regional dialogue with key companies, private sector timber associations, national bodies and other relevant groups on enhancing trade in sustainable wood and timber products. Undertake deeper regional trade flows assessment where appropriate. - Review and identify scope for developing public procurement policies on timber/forest products.

1.3 Clearinghouse or collaboration platform established and operationalised, to encourage and support responsible investment and lending in the forest sector within the region
 	
(UNEP)
	— Increasing transaction volume
	  - Undertake an assessment of current flows of domestic (bank) and international capital going into the forestry sector in LMR; highlight sustainable projects that have been successful in attracting commercial financing or investment; document recent transactions where information is publicly available.
	  - Identify and engage with key actors active in investment and finance in the forest sector across the region to understand better the barriers to finance and investment.
	  - Establish clearinghouse/collaboration platform for investors and banks to pool resources, share information and engage with representatives from governments and forest sectors across the region.
	- Normative framework for responsible investment and lending principles/guidelines in forestry sector of region.
	  - Review current investor guidelines (both ASEAN guidelines and other guidelines, including the Principles for Responsible Investment's 'Introduction to responsible investment in forestry').
	  - Review current lending guidelines for forest activities for international and local banks.
	  - Enhance/develop forest specific investment and lending guidelines as required.
	  - Engagement with banks and investors to support adoption of responsible investment and lending principles/guidelines.

1.4 Dialogue between China- LMR deepened, to enhance cooperation to supply sustainable wood products to China (FAO, UNEP and ITTO)	- On the margins of the CBD COP, organise a South South Cooperation conference on forest crime with all LMR countries hosted by China. - Under China's leadership, promote exchange and uptake of solutions to address forest crime at regional level - Assess the timber and wood products trade and investment flow from LMR to China.

	- Identify key opportunities to increase supply of sustainable wood products and key entry points along wood supply chains. - Provide support (in coordination with ITTO) on the Global Green Supply Chain initiative targeting Chinese companies seeking to source sustainable supplies of wood products form the region. - Promote south-south dialogue with other wood processing countries.
1.5 Bilateral, joint monitoring and regional data-sharing strengthened, for enhanced transboundary cooperation (FAO)	− Identification of proxy indicators and data sets for monitoring progress on legal forest activities and trade − Agree on preferred mechanisms for regional joint-monitoring and data sharing among countries on prioritised topics/activities. − Develop and implement preferred data-sharing mechanisms.
1.6 Communications campaigns developed, to raise public awareness and incite social and behaviour change on forest crime (UNEP)	− Implement an initial baseline quantitative survey that leads to a population segmentation model (knowledge, attitudes and practices) in each of the LMR countries + China. − Launch participatory processes to develop National Communications Strategies on Combatting Forest Crime in each of the 5 LMR countries + China. − Develop monitoring surveys and longitudinal databases to track how attitudes, behaviours and social norms change over time − Establish a regional community of communications experts to facilitate the sharing of key lessons and encourage the uptake of best practices across the region. − Engage celebrity spokespersons to raise awareness on the issue of forest crime[9].

Through *[Output 1.1]* the project will support enhanced dialogue and cooperation on tackling illegal logging, through targeted support to ongoing bilateral and regional platforms. The interactions between countries will build on existing mechanisms wherever relevant and available, including regional bodies and their sub-committees such as the ASEAN Senior Officials on Forestry (ASOF), Senior Officers Meeting on Transnational Crime (SOMTC), among others. The main bilateral and regional platforms and initiatives which the project aims to advance are outlined in Box 1. Given the many platforms a prioritisation process and the development of nuanced engagement strategies will be required, with particular attention on monitoring and supporting implementation of current commitments. This will be carried out in close collaboration with the LEAP initiative and will need engagement at both the regional level and at the national level (see *Output 2.1*).

There is increased political interest and need across the region to foster responsible forest management and trade. Complementing efforts to establish timber legality frameworks with the support of the EU's FLEGT Programme, this programme will facilitate enhanced forest management, forest certification and verification schemes for wood products in line with international practices. The focus of (Output 1.2) is deepened intra-regional cooperation to promote sustainable forest management across the region. A key entry point will be ongoing initiatives under ASEAN. Together with the Pan-ASEAN Timber Certification Initiative (PATCI) and PEFC, FAO organised a forest

---

[9] This could capitalise on existing UNEP Goodwill Ambassadors in the region, like Chinese actress Li Bingbing.

governance workshop at the Asia-Pacific Forestry Week in February 2016, where it presented the case to improve the regional forest certification infrastructure to facilitate trade. In August 2016, (PATCI) and ASOF approved this model. This project will build upon these ongoing efforts. It can also build upon the ASEAN Guidelines on Phased Approach to Forest Certification and the ASEAN common goal for Sustainable Forest Management, which provide a framework and opportunities for development of coordinated national and regional actions and systems. Since 2009, the Improving Quality Infrastructure in ASEAN initiative has facilitated cooperation between the ACCSQ and other groups to reduce barriers to trade. Complementing efforts to establish timber legality frameworks with the support of the EU's FLEGT Programme, the project will enable ACCSQ Working Group 2 to help ASOF set up forest certification and verification schemes in the LMR for wood products in line with international practices.

Trade can also be facilitated through the ASEAN Single Window, which is a secure network through which all parties involved in trade and transport in ASEAN are able to lodge standardised information and documents to fulfil all regulatory requirements for import, export and transit. Information on different products is centralised in a National Single Window which is connected with Single Windows from all other ASEAN member states. Timber and wood products have been identified, along with agricultural products, as priority commodities for the development of National Single Window data. There is therefore a need to supporting this in each of the countries (*Output 2.3)* as well as at the regional level (*Output 1.2*)

A key drive of Outcome one is to stimulate investment into sustainable and certified forest and wood products in the LMR (*Output 1.3*). In order to facilitate investment, there is first a need for more detailed analysis of current investment flows and to understand better some of the impediments to growth and possible entry points to stimulate flows. The ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry, was approved by the ASEAN Ministers on Agriculture and Forestry in October 2018. Development was led by the ASEAN, the Swiss Agency for Development and Corporation (SDC), a World Bank Trust Fund, Grow Asia and IISD. These guidelines will be further developed for forest investments, as part of this project. To promote investments, a clearinghouse or collaboration platform will be established for investors and banks to pool resources, share information and engage with representatives from governments and actors in the forest sectors across the LMR. The aim of the clearinghouse will be to increase awareness and reduce information asymmetries, as well as enhance dialogue and cooperation investment with key stakeholders from industry and government. It is based on a model employed by UNEP Finance Initiative in the context of the UN backed Principles for Responsible Investment (https://www.unpri.org/) for investor engagement in listed equities. While Phase 1 will concentrate on efforts to better understand, enhance cooperation and stimulate regional growth, phase 2 will focus on key entry points necessary

to bring about the changes needed, as well as working with key organisations in order to stimulate such changes.

<div style="border:1px solid">

Box 1: Existing bilateral and regional platforms the project will work through to tackle illegal logging

ASEAN Single Window: The ASEAN Single Window is a customs clearance system that aims to accelerate the electronic exchange of customs data through secure IT systems and legal framework to allow efficient exchange of trade, transport and commercial data. Thailand and Viet Nam are two pioneering countries of the ASEAN Single Window.

Work Plan for FLEG in ASEAN 2016-2025: The ASEAN FLEG work plan comprises four strategic thrusts, six action programmes and 35 activities. The overall goal and objective of FLEG implementation is the attainment of sustainable forest management for enhancing the international competitiveness of ASEAN's forestry products that meet international requirements and which is consistent with sustainable forest management practices, including conservation and protection, and contributes to the poverty reduction in the region. The ASEAN FLEG work plan is implemented by the subsidiary bodies under the *ASEAN Senior Officials on Forestry (ASOF).*

Senior Officials Meeting on Transnational Crime (SOMTC): The SOMTC is an ASEAN initiative that aims to address a range of transnational crime. Thailand is the voluntary lead for the Illicit Trafficking of Wildlife and Timber. Despite being set-up in September 2017, the SOMTC working group on Trafficking of Wildlife and Timber is yet to convene its first meeting.

The *Cambodia-Lao PDR-Viet Nam joint declaration* signed among the prime ministers of the three countries , covering broad economic collaboration, but also looking into specific areas of work on addressing transboundary forest crime.

Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) initiative: The ACMECS initiative seeks to accelerate economic growth and promote sustainable development across a range of sectors. In 2016 the heads of state from Cambodia, Lao PDR, Myanmar, Thailand and Viet Nam convened in Ha Noi and issued a joint statement in which they agreed to:
- Harmonise and simplify rules and regulations for cross-border trade and investment
- To promote green development and respond to climate change, and
- To make joint efforts to prevent the illegal trade of timber and wildlife.

Bilateral cooperation agreements. Several LMR countries have bilateral cooperation agreements and memorandum of understandings (MoUs) at country, sub-country, or provincial level or between certain sectors. A MoU on forest protection, law enforcement and prevention of illegal trade and transport of forest products and wildlife exists between Viet Nam and Lao PDR's forest protection/investigation agencies; MoUs also exist between bordering provinces of the two countries, with similar objectives. Viet Nam and Cambodia also have a forestry sector MoU, and Viet Nam and Myanmar are in the process of developing one.

</div>

This project will look to engage stakeholders from China in order to address forest crime and promote the sustainable sourcing of wood products from the LMR to China (*Output 1.4*). In support of the UN Secretary General's Climate Summit the UN Environment and UN-REDD are supporting China in the facilitation of a broad coalition and action framework for nature-based solutions as an essential part of climate action. The project will support relevant follow up opportunities between China and the LMS.

The National Forestry and Grassland Administration (NFGA) which manages timber policies, the Ministry of Commerce, and the China Academy of Forestry will be targeted for engagement on

promotion of sustainable and legal trade principles and policies. The Chinese Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters (CCCMC) as well as the local Chinese chambers of commerce in the LMR countries may also be targeted. Relevant regional platforms that China plays a prominent role in, include the Asia-Pacific Network for Sustainable Forest Management and Rehabilitation (APFNet) and the China-ASEAN Environmental Cooperation mechanism, and these will be pursued as venues for dialogue.

There is both a growing interest from countries across LMR and China to stimulate trade in forest products and to increase the economic growth of their countries forest production and processing industries. The project will also align with an ITTO initiative working with the private sector in China. ITTO is partnering with the Global Green Supply Chain initiative, launched in Beijing in June 2018 with 14 Chinese leading wood trading and processing enterprises (with a trade volume of over US14billion/year) and other relevant members. These companies are committed to build a global GGSC Platform by partnering with international and domestic producers and consumers with the objective to increase sustainable wood sourcing. Dialogue will be held to look at opportunities and to help stimulate sustainable sourcing from the LMR. This dialogue may be organised to align with the ASEAN+3 forum, which will allow the inclusion of Japan and Republic of Korea, as well as China, in order to capture opportunities for engagement with these other significant markets in inter-regional trade flows between SE and NE Asia. Dialogues may also be established between LMR and key Central African countries supplying raw wood. This will be determined at the programme start up stage, based on dialogue with key stakeholders.

The next output under Outcome 1 will be to enhance data sharing and transparency among the region. This links in directly to the country-based actions under Outcome 3, where work on domestic data access and analysis will be carried out. By enabling transboundary data sharing and regional analysis, the evidence-base for understanding the dynamics of direct and underlying drivers is expected to be enhanced and through this joint monitoring of regional and transboundary trade and investment flows will become possible. This will further support effective implementation of transboundary cooperation, and feedback to domestic decision-making among countries on policies to enhance legal and responsible investments and trade. A key challenge in achieving this output will be to cultivate political will for transboundary data sharing. While various regional (and global) data platforms exist, ensuring buy-in and ownership of such platforms by governments in the region remains a challenge. Therefore, the project proposes a lower-stake-higher-buy-in approach to data sharing, through facilitated regional 'sessions' where countries convene to discuss and share data, rather than through web-based platforms. Tools for facilitating data sharing will be developed, if and when this is determined useful by the governments and with an institutionalization plan. The project will also use the data made available to conduct a regional analysis on drivers and impacts on forests, to be undertaken through the regional platform identified for the collaborative work *(Output 1.5).*

The final output under Outcome 1 will contribute to address   the current lack of public awareness on forest crime in the LMR and China. UNEP will build on its experience of applying Social and Behaviour Change Communications (SBCC) - an effective approach to influence different segments of a target population – and of leading communications campaigns in a wide variety of national contexts. Examples of successful SBCC include UNEP's global campaign against illegal wildlife trade, *Wild for Life*, which was launched in 8 languages and mobilised change in peoples' attitudes towards the consumption of wildlife products. Within 18 months, the campaign had reached over 1 billion people and was awarded by Weibo (Chinese Twitter) as one of the top ten most influential 2016 campaigns in China.

The focus of (*Output 1.6*) is on the delivery of 6 National Communications Strategies on Combatting Forest Crime (in each of the 5 LMR countries + China) through a multi-stakeholder, consultative and participatory process via National Strategy Design & Validation Workshops. This will ensure that the

voices of Government, experts, CSOs, NGOs, and media are all incorporated. Efforts will be made to involve partner organizations also working on forest crime, such as UNODC and Interpol, in the development of these communication strategies, to ensure joint messaging and maximum impact. In addition, the establishment of a region-wide community of practice of communications experts will facilitate the sharing of key lessons and best practices as well as amplify national communications efforts. Monitoring and evaluation will be a crucial component in order to measure social and behaviour changes. Initial survey and interviews conducted during Year 1 will provide baseline information on the population segmentation of China and each LMR country's knowledge, attitudes and practices. Annual monitoring surveys will be designed, and databases will be developed to track how attitudes, behaviours and social norms change over time. This output will empower governments to take a stance, engage their constituencies on this important issue and demonstrate progress in the form of social and behavioural change.

Outcome 2: Improved forest governance for legal and sustainable trade of forest related products

To contribute to good forest governance and sustainable forest management and to combat illegal logging and forest crime, [*Outcome 2*] will support LMR countries in developing, strengthening and preparing for the implementation of systems that define and reliably demonstrate the sustainability of wood products from harvest to export. These voluntary systems will allow LMR countries to maintain or improve access to increasingly demanding international markets. Particular attention will be provided to supporting smallholder farmers and SMEs who face significant barriers to adopting certification standards. The focus of this proposal is on voluntary systems rather than regulatory systems, such as FLEGT, due to fact there are many ongoing initiatives supporting FLEGT. However, there will be efforts throughout to try to align these initiatives. The project will help to promote synergies and mutual recognition between systems to ensure cost-effectiveness and to reduce the burden of legality verification and voluntary certification on private sector operators. Outcome 2 closely aligns and supports national level activities which reinforces regional activities under Outcome 1.

This Outcome, which is focused on activities at the national level, will also start to recommend the appropriate interventions to tackle the other pervasive form of forest crimes in the region – namely conversion timber. Implementation of the recommendations will be in Phase 2.

Outcome 2: Outputs under Phase 1

Output	Activities
2.1 National level activities fully established, to support implementation of transboundary cooperation commitments (FAO)	- Based on Output 1.1 identify national level activities to implement transboundary cooperation instruments. - Provide support at the national level for enhanced monitoring and implementation of transboundary cooperation agreements (e.g. MoUs, joint declarations and action plans). - Provide targeted support for implementation of actions identified in the roadmap (see Output 1.1).
2.2 National certification standards strengthened across LMR countries (through a consultative processes).	- Review of existing standards (and gaps) and recommendation in LMR countries (building on current knowledge). - (Further) development of national certification standards for sustainable and responsible forest value chains (e.g. FSC

(FAO)	and/or PEFC forest management (FM) and Chain-of-Custody (CoC) certification standards) - Based on consultations and review establish/support national institutional arrangements for the development of sustainable forest management (FM) and CoC certification standards - Stakeholder consultation process for FM and CoC standards according to FSC and/or PEFC. - Enhance access to, and effectiveness of, public complaint and monitoring mechanisms related to certification.

2.3 Systems and instruments strengthened, to verify, track and license the legality and sustainability of timber.
 	
(FAO)
	- Based on the assessment the following systems will be strengthened in the LMS countries:
	   - Private sector association level Due Diligence systems for responsible sourcing/supply chains.
	   - Voluntary certification (Forest Management, Chain-of Custody and Controlled Wood/Sourcing).
	   - Independent forest monitoring to support the implementation of voluntary systems.
	   - Reinforcement of CITES licensing system through e-licensing and non-detriment findings.
	   - Support to National Single Windows systems for Forest Trade which aligns with regional Single Window.
	   - Build synergies and recognition among systems.

2.4 Capacities of national institutions built, so to allow them to operationalise improved forest governance, sustainable forest management and forest product trade. (FAO)	- Capacity needs assessment for different institutions and stakeholders responsible for system implementation, including forest administration, law enforcement, auditors and civil society organisations. - Curriculum development and training based on specific roles and responsibilities of different stakeholders. - Design, development and testing of training, communication and awareness materials to support compliance with requirements of systems. - Pre-feasibility of public and private forest management units for compliance with FM and CoC standards.
2.5 Viable forest production models identified, for supply of sustainable timber (UNEP)	- Cost-benefit analysis of sustainable timber production models, including certification and/or collaborative business models, to demonstrate business case. - Engage relevant financial institutions at country level to understand contextual barriers to financing for forest groups, smallholders and/or SMEs. - In collaboration with financial institutions, develop financial products for forest groups, smallholders and/or SMEs to support sustainable timber production.
2.6 Community-based groups and smallholders enabled to access legal and sustainable forest product value chains	- Regional assessment of barriers, relating to land tenure systems, affecting access to legal and sustainable forest product value chains

(FAO)	- Capacity needs assessment for community-based groups and smallholders to meet national standards for legal and sustainable timber production - Development of nationally-specific training packages to meet gaps in capacity - Incorporation of training packages into national extension services
2.7 Key recommendations and actions agreed by key stakeholders, to scale up actions to tackle illegal and extra-legal conversion of forestland to other land uses. (FAO and UNEP)	- Carry out deep dive assessment into the nature of illegality on direct and indirect drivers of illegal forest conversion. - Enhance knowledge and attention of key stakeholder on the findings of the studies through national workshops on illegal conversion of forest land to other uses. - Based on the outcome of the workshops agree on a set of recommendations to scale up actions to tackle illegal conversion of forest-land to other uses to feed into Phase 2.

Output 2.1 responds directly to the issues identified under *Output 1.1*, with a focus on national level activities and support.

Despite the benefits of national forest certification schemes, progress to establish them across LMR has been limited to date. [*Output 2.2*] will focus on the development or further improvement of certification standards. This will align with [*Output 1.2*] to catalyse the establishment of mutually recognised national forest certification systems across the region. The development of such standards will require the review of existing legal, policy, Chain of Custody and other relevant requirements or frameworks covering timber harvest, transport, processing and sale/export and will need to follow thorough, transparent and participatory stakeholder consultation processes to ensure consequent verification or certification against these standards benefits from wide stakeholder support. This will be achieved through a step wise approach which requires conducting a country-by-country assessment of existing standards (and gaps) and current capacity and providing action plans for all the LMR countries. Depending on the country, it will require the establishment/support to national institutional arrangements for the development of FM and CoC standards. Activities will vary based on existing progress made and priorities identified in each LMR country. This will include, as an important element in building trust and effectiveness of certification systems, the enhancement of access to complaint mechanisms. Though FSC and PEFC have well-publicised mechanisms, and in theory any FSC member is entitled to review and object to any certification process or certificate holder, it is clear that in LMR countries there are practical, political and institutional barriers that affect the effective operation of this mechanism. The project will develop approaches both to raise awareness of the complaint mechanisms and to institutionalise the mechanisms within the development of national certification systems.

Building on the results from *Output 2.2* and depending on the progress already made and priorities defined by each country, *Output 2.3* will develop and strengthen voluntary supply-side systems needed to certify the agreed standards and legal requirements. The focus will be on the development or improvement of systems which will help LMR countries to tackle internal and external drivers of illegal and unsustainable logging affecting their domestic timber production and help improve their ability to maintain and increase access to markets for responsibly and sustainably produced timber products. The development or strengthening of import regulations and due diligence requirements for imported timber will allow LMR countries that heavily rely on imports (e.g. Thailand and Viet Nam) to improve transparency in their regional and international timber supply chains, and by doing

so consolidate the verification or certification systems they rely on to re-export the processed wood products to international markets. National LMR verification or certification systems, developed in response to the growing global demand for legal and sustainable timber and wood products, can have a significant impact on national as well as regional and global timber supply chains, and therefore on forest governance within and beyond each country's borders.

This output will include supporting particular countries in the development or improvement of national IT-based traceability systems which can help demonstrate the physical origin of timber from stump to market, improve verification and data reconciliation along supply chains and prevent the mixing of illegal or unsustainable timber into verified and certified supply chains. Efficient traceability systems underpin the robustness and cost-effectiveness of CITES implementation and voluntary certification. Traceability systems can also facilitate compliance with the ASEAN Single Window system, an important instrument for fostering integration and alignment of regional trade and customs protocols. This has been described under Ouput 1.5; however most activities will need to take place at the national level in order to design its data systems to comply with ASEAN Single Window commitments.

There will be the need for Independent Forest Monitoring (IFM) to support the implementation of voluntary systems. IFM requires the establishment of networks, procedures, codes of conduct, data transparency, reporting protocols, funding mechanisms, complaints mechanisms, etc. to facilitate its recognition and integration into official certification systems. Based on the country level assessments these will be supported in selected countries.

Output 2.4] will focus on capacity needs assessments, development of curriculum to enhance related capacities and the delivery of necessary training, awareness raising and communication activities to support sustainable forest management, good governance as well as the implementation of, and compliance with, the relevant systems to be developed, strengthened and/or piloted. In the development of the curriculum, the project will join forces with the ITTO and tailor trainings modules for the best fit of the LMR countries. These activities will benefit both the institutions and organisations in charge of implementing or monitoring system implementation and the private sector operators, communities and smallholders who are expected to comply with the requirements of different systems. Special attention will be given to training and awareness raising among SMEs, communities and smallholders who might have difficulties understanding and complying with these requirements, or standards. Where possible, the project will use existing associations, federations, cooperatives, etc. to deliver training and awareness raising activities. Private sector federations or associations can also play a significant role in the promotion or use of these same supply-side systems among their members.

[Output 2.5]. Special attention will be given to supporting system compliance among the region's numerous SMEs, community forest user groups and smallholder timber producers that are often challenged by sustainability requirements, due to capacity restraints and the often informal nature of their activities. Economic analysis will be conducted to identify feasible business models. As well as targeted trainings, efforts may be needed to help smallholder timber producers to form collaborative forest groups. For example, forestry cooperatives or forest associations, if they do not already exist. Where applicable, pilot collaborative forestry business models will be identified in each country. Such collaborative models can help achieve economies of scale and enable small holder timber producers to overcome many of the barriers to certification – in particular access to finance, market information, access to high quality inputs and business development support. Forming cooperatives can increase access to finance for smallholder households, by reducing transaction costs and potentially lowering the cost of capital. In addition, there is a need to try and provide preferential credit for households and for SME forestry companies/cooperatives to cultivate, improve, and enhance the quality of their operations. This could be achieved by working with key

public and private to develop low cost financing solutions for smallholders and SMEs. Different financing solutions will be examined across the LMR to support production of certified timber with a particular emphasis on smallholder groups. Promising opportunities will be scaled up in Phase 2.

Output 2.6. This Output will complement the financial and business models for small and medium forestry enterprises under Output 2.5 by delivering technical support to enable community groups and smallholders to take advantage of these business models and thus access value chains for sustainable and legal timber and other forest products. Under this Output the project will examine the extent to which land and forest tenure affects the potential for stakeholders in the LMR to access these value chains. An assessment of this issue, looking at both regional and nationally-specific factors affecting tenure, will ensure that project efforts are targeted in the countries and towards the stakeholders where the potential for transformational change is clear. Experience from LMR countries has contributed to the understanding of barriers to market access that smallholders and community groups face, and has led to the development and piloting of some innovative approaches to address these barriers, such as group certification for smallholders in Viet Nam. The project will focus on fundamental capacity and institutional barriers to community groups and smallholders at the national scale that such pilots cannot directly address.

Finally, as part of this Outcome the project aims to further explore the other main dimension of forest crime, namely conversion timber [*Output 2.7*]. Conversion timber (i.e. timber coming from natural forests converted to other land uses), which by definition is not a sustainable timber source, represents a significant share of the overall timber production in the LMR. The production of conversion timber is driven by land-based investments in agriculture, as well as in infrastructure and other sectors, and can be considered illegal if environment-related laws, local access or tenure rights, harvesting regulations and processes have been violated. Investment or infrastructure development projects can also be used as a cover to 'launder' wood illegally harvested elsewhere. Given the high sensitivities around conversion timber it is necessary to further understand and mobilise political support to confront this issue. For this reason in Phase 1 there is the need for further analysis of the direct and indirect factors driving conversion timber; in particular to better understand the nature of illegality so to pave the way to scale up of interventions in Phase 2. Much of the conversion is from a lack of clarity on what is illegal and what is not. This will be further defined as part of the FLEGT process. The issue will be brought to the attention of key decision makers to garner political support to tackle the issue of conversion timber and to create a set of recommendations, which will form the basis of scaling up activities to address this issue in Phase 2.

Outcome 3: Improved monitoring of forest and land use through enhanced data accessibility and management

Outcome 3 will support countries to build on their existing information systems, in order to ensure the availability of data for evidence-based decision-making on forest and land management and to allow for joint regional monitoring (Outcome 1). Actions under this outcome will set the groundwork for improving monitoring near-real time land use change to prevent illegal forest loss. The outcome will also work on monitoring the drivers and dynamics of land use change through enhancing data access of other land related datasets, and enhancing capacities for data-assisted decision-making. The outcome focuses on making available proxy indicators and data for monitoring progress of political commitments to tackle illegal trade of forest products, and to promote responsible forest use in the LMR.

Outcome 3: Outputs for Phase 1

Outputs	— Activities
3.1 Near real-time monitoring system for deforestation and degradation developed and tested (FAO)	— Country status profiling for a regionally relevant proto-type system for near real-time monitoring of deforestation and forest degradation to track illegal activities. — Regional technical discussions (one per year) for near real-time data needs and options. — Development of regional proto-type system for data collection, analysis and reporting (e.g. as functionality in SEPAL). — Testing of proto-type system and making it adjustable to data needs and regional conditions. — South-south study tour between Latin American countries (particularly Ecuador) and LMR regarding implementation of near-real time monitoring system of deforestation and degradation.
3.2 Proxy indicators and data for a system for monitoring regional progress on legal forest activities and trade developed (FAO)	— Country status profiling on existing data protocol for monitoring forest land use change, customs data, and other proxy data for monitoring legal forest activities and trade. — Develop country capacity to analyse data sets for improving responses. — Develop information products and data sharing mechanisms as needed. — Generation of data for regional sharing.
3.3 Systems strengthened, for tracking environmental and social impacts in the forest sector (UNEP)	— Identify and prioritise information systems for tracking environmental and social impacts (building on current SIS systems where possible). — Develop action plans to improve collection, management, analysis and sharing of priority data (which may include national/regional/global data as needed). — Support countries to implement action plans and improve content/operation of priority systems. — Identify and promote opportunities for sharing data across systems at national and regional level, including those developed by this initiative.

[Output 3.1] will support countries to improve these monitoring systems in order to allow early detection of deforestation and forest degradation, to distinguish the types of production models and investments driving these changes, especially at the local scale and to support appropriate monitoring responses (local support will be deployed under Phase 2). The output will focus on developing a regionally relevant proto-type system for near real-time monitoring of deforestation and forest degradation to track illegal activities. It will help to build institutional capacities to implement such systems. These strengthened processes and information will need to be integrated into existing national monitoring systems, improving their functionality and usefulness in managing policies and measures for reducing deforestation and forest degradation, promoting sustainable land use practices and combating illegal logging. In order to stimulate interest and adoption of such systems it is recommended that a study tour to Ecuador is undertaken where officials can see the system in action.

(Output 3.2) builds on the institutions developed through REDD+ readiness in monitoring land use, to generate data that will regionally monitor progress of commitments to advance on legal forest activities and trade *(Output 1.6).* To do this it will be necessary to review the current country status on existing data and data management systems, options for facilitating data exchange amongst regional countries, as well as setting up forums to discuss data needs and availability in order to develop regional proto type systems.

(*Output 3.3.*) will work with countries to strengthen systems for tracking environmental and social impacts in the forest sector. Although a range of social and environmental data already exists in countries in the region, these are seldom integrated and updated in order to provide the complete information required to assess environment and social impacts in the forest and related sectors over time. In addition to allowing improved monitoring of social and environmental impacts, strengthening data integration and accessibility offers co-benefits, such as supporting inter-disciplinary research and utilisation of data by other sectors and institutions. Some countries in the region have made progress in developing social and environmental tracking systems to support policy-making and reporting, such as through the development of REDD+ safeguards information systems (SIS), Sustainable Development Goal (SDG) reporting systems, forest monitoring systems, and other sector specific databases. Other countries are still lacking comprehensive social and environmental information, and would benefit from complementing their data with global and regional datasets (for example on biodiversity, infrastructure, watersheds, CITES, etc.). This output will work with the LMR countries to identify, prioritise, improve and make available these datasets in forms that are useful for further application in national monitoring systems, and for sharing across countries where relevant.*.*

Sustainability

This initiative is anchored within regional cooperation processes that are focused on the acceleration of economic growth and sustainable development in the region, in particular in the context of the ASEAN and ASEAN+3 forums and dialogues, and the ACMECS forum (see Box 1). The ASEAN+3 dialogues will provide the opportunity to anchor the initiative's efforts to build collaboration between LMR countries and China into broader political dialogue between South-east and North-east Asia, also encompassing Japan and Republic of Korea.

The CBD COP15 meeting in Kunming in October 2020 will provide a platform for aligning activities under this initiative with the "New Deal for Nature", expected to be agreed at the COP, which will set out a global strategy for biodiversity conservation for implementation in the coming decade in parallel to the Paris Agreement. Furthermore, the activities under Outcome 3 will contribute to LMR countries' ability to report progress against SDGs 12, 13 and 15 in a consistent and coordinated manner.

In addition to yielding tangible deliverables within two years, the outputs of this initiative will lay the groundwork for a potential three-year 'phase 2' of activities. Phase 2 will retain the same impact and goal as outlined in the theory of change (figure 1) and will build on the three outcomes described herein. It will expand the focus on sustainable and legal trade in forest products by addressing the sources of 'conversion timber'. The production of timber is very often a by-product of deforestation, rather than a key driver. Such timber is not usually considered illegal, so it is difficult to address its sources through the activities described above. Therefore, the second phase of the project will investigate approaches to identifying conversion timber within forest product value chains as a means of reducing the perverse financial incentives that exacerbate the underlying drivers of deforestation.

These drivers include the expansion of land-intensive agricultural commodities into forested areas and the misalignment of national development priorities with systems of land use planning at sub-national and jurisdictional scales.

Building on the advances in regional collaboration on sustainable and legal forest use and forest products trade, forest governance and data management and data sharing under phase 1, activities in phase 2 would focus on linking forest crime to the drivers that result in forest loss. The elaboration of the activities required under phase 2 will emerge through the regional dialogues under output 1.4 and the analyses under output 2.7. For example, technical guidelines specific to relevant commodity sectors will be developed, as will linkages between international private sector producers and buyers, to facilitate technological exchange and investments for improved practices. Further, this work would build upon activities to address the gaps or inconsistencies in legal frameworks that enable sub-optimal land allocation and land use practices, and the foreseen regional standards for green lending.

This scenario also increases the ambition of the project by engaging public and private sector stakeholders from China more dynamically, in partnership with ITTO's Programme on Legal and Sustainable Supply Chains (LSSC). The National Forestry and Grassland Administration (NFGA), which manages timber policies, and Ministry of Commerce will be targeted for engagement in promoting principles and policies for sustainable and legal trade in forest and agricultural products. The Chinese Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters (CCCMC), which launched the Chinese Guidelines for Sustainable Development of Natural Rubber in 2017, would be an avenue for dialogue and mainstreaming of deforestation-free principles in trade.

Main partners

This project will be part of a broader portfolio of initiatives that are currently being supported by the Government of Norway, including:

- Law Enforcement Assistance Programme (LEAP) to Reduce Tropical Deforestation, implemented by UNODC, Interpol and RHIPTO
- Reducing the Impact of Large-Scale Agricultural Investments in the Mekong Region on Communities, Forests and Climate Change, implemented by Waxman, Forest Trends and the Centre for International Policy (CIP)

These initiatives will be viewed from the perspective of the donor as a set of complementary investments. The projects share a common goal of reducing forest crime, and hence the activities under each one should reinforce the effectiveness of activities under the others. The LEAP initiative will focus on improving the effectiveness of actors and systems directly aimed at preventing trade in illegal and unsustainable timber and forest products. The UN-REDD initiative will complement these efforts, reducing the space for illegal forest products in international trade by improving the effectiveness of systems aimed at promoting legal and sustainable supply chains. The Waxman-led project will focus on building sustainable supply chains for rubber in the LMR, and therefore complements the UN-REDD initiative both in terms of approach, and by addressing a key commodity which drives deforestation in the region. The regional dialogues supported under Output 1.1 will be carried out collaboratively with the LEAP initiative.

In addition to this overall alignment, under Output 1.1 this project will include a process to develop a case study for tracking transformational change through a biome-based approach, in collaboration with the LEAP initiative and CIFOR, including parameters relating to Resources, Legitimacy, Norms and Processes, which will be adapted specifically to the situation of forest product value chains in the LMR through a regional consultation workshop, involving countries and partners from all three initiatives, within the first three months of the project inception. The initiative will aim to institutionalise this transformational change framework within regional dialogues beyond the two-year timeframe, thus contributing to sustainability of results.

Sub-regional and national partners will be instrumental for implementing the outputs and activities outlined in this proposal. The UN-REDD Programme has well-established working relationships with Forest Administrations, Ministries of Agriculture and Environment, Ministries of Planning and other government institutions and non-governmental actors in all five Lower Mekong countries. These relationships will be further formalised in year one.

The participating UN agencies have strong networks with other international and local initiatives, and partner organizations including other UN organizations (e.g. IFAD, WFP), NGOs, academic and research institutions, as well as private sector entities; collaboration with international partners and research institutions such as CIFOR, CIAT, ICRAF, IDH, European Forest Institute (EFI). UN-REDD also has well-established networks with international civil society actors, including a long-standing relationship with Forest Trends, RECOFTC, SNV, PanNature (Viet Nam) and Village Focus International (Lao PDR).

The UN-REDD Programme has good working experience with the FAO-EU FLEGT Programme, to tie in the forest management perspectives with forest crime, timber supply chains and law enforcement, thereby strategically linking these issues to better address the wider concerns of forest crime. The initiative will work collaboratively to share information and synergies on transboundary forest crime issues, and to promote strengthened coordination among forest administrations and law enforcement officials.

The project will engage with various regional platforms, including, the Association of Southeast Asian Nations (ASEAN), as a key political and technical platform for regional cooperation. The different regional and bilateral platforms are described in Box 1.

Overall, this initiative will bring added value to the investment channelled through these existing projects and programmes through the transboundary nature of the issues to be addressed, the corresponding regional design of the project structure, and the voluntary nature of the tools and approaches that will be promoted and institutionalised. The emphasis on bringing government and non-government actors from the LMR countries and China together in dialogue to identify transboundary issues, and mechanisms such as certification, data management and regulatory alignment, to address these issues, will bring a new dimension to the combined efforts of development partners in the region.

Description of how the project will contribute to strengthening civil society.

The project will strengthen civil society through the establishment of independent forest monitoring to support the implementation of voluntary systems. Training and support will be provided to CSOs to perform this task and ensure standards are adhered to.

4 Project Organization

The UN agencies, will implement the project through the UN-REDD Programme under the current Memorandum of Understanding (MoU) and current ToR, through the Multi Partner Trust Fund ("UN REDD Fund"). All provisions on administrative duties, reporting, financial matters, monitoring and evaluation, audit, and other provisions as stated in the SAA and the existing MoU would thus apply to the Lower Mekong project.

The results framework of the Lower Mekong project is aligned with the overall UN-REDD Results Framework, specifically its Outcome 2 (*Country contributions to the mitigation of climate change though REDD+ are measured, reported and verified and necessary institutional arrangements are in place)* and Outcome 3 (*REDD+ contributions to the mitigation of climate change are implemented and safeguarded with policies and measures that constitute results-based actions (RBAs).* The Lower Mekong project would be part of the current MPTF UN-REDD Technical Assistance for the REDD+ Implementation programme. This arrangement will build on the existing UN-REDD Programme collaboration and expertise in the region and will lower transaction costs by utilizing existing structure.

In order to ensure a smooth start-up inception phase, the project will build on past initiatives under the UN-REDD Programme, and existing partners and networks, including existing technical staff. There has already been initial outreach with the targeted countries with respect to this project.

FAO/UNEP have a strong presence in the region and in the Mekong countries to start up operations rapidly. The initiative will have a Project Convening Platform, which will consist of representatives of the implementing partners of the five LMR national governments, the UN implementing agencies. It will also include representatives of bodies representing CSOs and Indigenous Peoples.

A full-time Project Manager will be employed by FAO, based at the FAO Regional Office for Asia and the Pacific (RAP) in Bangkok, assisted by an administrative officer according to Terms of Reference to be developed prior to project inception. Full-time National Support Officers, with both technical and operational responsibilities, will be recruited in each of the five LMR countries, to be based in FAO Representative Offices. These national officers will provide services to all UN-REDD agencies for activities under this initiative, in accordance with the modality practiced under UN-REDD National Joint Programmes. A full-time national support officer will also be recruited for China, to coordinate project activities in China and with China-based stakeholders. National Office Assistants will serve as the hub for interaction and communication with national implementing partners and stakeholders.

Knowledge management and communications:

Output 1.6 describes the activities to be undertaken through the initiative, at national and regional levels, concerning a communications campaign to raise awareness of forest crime and incite behavioural change. As an initiative under the umbrella of the existing UN-REDD Programme, the AFCIG-LMR programme will not have a separate knowledge management and communications (KM/Comms) component or strategy, but will draw directly on the existing KM/Comms component of the UN-REDD (Phase II) Programme 2016-2020, as described in section 3.4.2 of the UN-REDD Phase II Programme Document, Technical Assistance for REDD+ Implementation (2017). By drawing on this existing institutional communication and outreach capacity, the initiative will be able to contribute directly and substantially to the ongoing global UN-REDD KM/Comms programme, at global and regional levels, for inter-agency products and events as well as for those specific to each organisation. In addition to this, specific personnel budget lines from this initiative will be allocated to the development of a KM/Comms sub-regional plan, ensuring optimal congruency with the global UN-

REDD KM/Comms programme and adaptation of global products and dissemination strategies to the LMR context.

Cross-cutting Issues:

Human Rights: The United Nations adopted the Human Rights approach to development in 2003, to ensure all UN agencies, funds and programmes consistently address Human Rights through their work. The UN-REDD Programme has followed such corporate direction since its inception, including measures such as: engagement of representatives from indigenous peoples and civil society organisations in the UN-REDD global governance bodies; design and deployment of guidance for inclusive stakeholder engagement and gender mainstreaming; promotion of, and operational guidance for the right to Free, Prior and Informed Consent (FPIC) of indigenous and forest communities; and the inclusion of land tenure and gender equality as core cross-cutting issues in the UN-REDD Strategic Framework. In addition, the UN-REDD Programme has specialists on promoting stakeholder engagement, on indigenous peoples' affairs, on social inclusion, on FPIC and on gender mainstreaming, among others. As a part of the UN-REDD Global TA Programme, this initiative will draw on the expertise of these specialists to ensure that activities are aligned with this Human Rights Based Approach (HRBA), in line with all other activities under the UN-REDD Programme.

Gender: Gender equality is recognised as a key element of the HRBA to development, described above, followed by the UN-REDD Programme in all activities. Concerted efforts will be made to ensure increased gender responsiveness in all activities under this initiative.

Climate and Environment: The impact of the UN-REDD Programme overall is to enable countries to implement REDD+ actions that deliver carbon and non-carbon benefits, in accordance with the Paris Agreement and other relevant UNFCCC decisions. This initiative, as an integral part of the UN-REDD Global TA Programme, is designed to contribute directly to this impact by contributing to reduction of deforestation and forest degradation, and the sustainable management of forests, across the LMR region, through the implementation of the activities set out in the results framework. In addition, less than 10% of the flights covered by the project will be intercontinental, since UN-REDD commits to working primarily through a decentralised regional and country-based team, thus keeping GHG emissions from travel-related expenses to a minimum.

Anti-corruption: As a component of the UN-REDD Global TA Programme, this initiative will come under the financial oversight of the two implementing agencies FAO and UNEP, which are responsible for the implementation of the activities according to their own rules and procedures. The risk of corrupt practices within the context of this initiative is addressed through the procedures related to the management of Letters of Agreement (LoAs) for FAO and Small-Scale Funding Agreements (SSFAs) for UNEP, ensuring that all funds, including those channelled through service providers, are managed transparently. Moreover, this initiative explicitly focuses on activities to institutionalise standards of forest management practice, timber production and trade which incorporate international principles (e.g. FSC and PEFC) of anti-corruption and legality.

Monitoring and Evaluation:

As an initiative under the umbrella of the existing UN-REDD Programme (Global TA, Asia component), this project will be covered through the evaluation and assessment of the UN-REDD (Technical Assistance) Programme as a whole, as coordinated by the UN-REDD Secretariat and approved by the UN-REDD Executive Board. It will not be subject to a separate evaluation process.

During project implementation, however, the implementing agencies will adhere to targets and indicators as set out in the Results Framework presented in Section 7 below. Accordingly, the project will be subject to an internal review at the end of year one, and an independent external review at the end of year two, in order to assess the results achieved against the results framework and to contribute to the decision process on proceeding to Phase 2, as described above.

5   Risk Management

Risk	Impact	Likelihood	Mitigating actions
Lack of support amongst key country actors (lead forestry agencies, key public agencies) to implement the program.	High	Medium	The consortium has a long-standing history of working closely with the key government agencies in the target countries. However, this project is unique in that the project focuses on the region, rather than on individual countries. The project will work through existing regional and bilateral mechanisms as far as possible, to leverage Government ownership and buy-in. The project will also accommodate as far as possible, the individual country contexts and circumstances to align activities with country priorities.
Regional meetings and dialogues are held with agreements, but, no progress is made with impact	Medium	Medium	Despite efforts and commitments at regional levels, making impact on the ground will take time. Phase 1 of the project is designed to engage with regional countries to foster commitment and a collaborative working environment for joint monitoring and actions. A long-term approach of the project will help countries maintain momentum and translate regional actions into country priorities.
The other related programmes are not sufficiently coordinated to achieve optimal synergies.	Medium	Medium	This program will work with other programs to ensure that it leverages synergies between existing programmes, in particular the FAO FLEGT project and the LEAP program. Outreach and discussions have already taken place with these programs. These will continue during the scoping stage.

Countries may not sufficiently demonstrate uptake of the specific objectives of the project and the project may not be able to sufficiently address the root causes of the problems	High	Medium	This program is building on work and lessons from UN-REDD. A number of studies will be carried out in order to guide interventions. The information and recommendations generated from these studies will help ensure that the right responses are supported. The programme will carefully be managed to ensure that bottlenecks are identified well in advance, using a rolling work plan to enable us to plan for and work around any unforeseen difficulties.
Changes in government lead to changes in priority for countries.	Medium	Low	The delivery structure is designed to be flexible and adaptable to the changing circumstances within Government departments, and within each country or region.
Private sector companies are unwilling to engage in the program	High	Medium	Apart from the 'already converted' companies, buy-in from regional investors may be difficult to achieve. Means of spurring further private sector action will be explored through the demand-side measures component. Companies increasingly recognise they need help to meet future market requirements.
Enabling environment factors beyond the scope of the project are not in place to make adequate improvements for private investment	Medium	Low	A focus will be on Multi-stakeholder and/or Industry platforms which bring benefits to all groups concerned. We will also aim to use the power of the private sector to bring about change. Governments also recognise the urgent needs to shift their efforts for more sustainable harvesting and trade to respond to market signals.
The project will have detrimental environmental impacts, and or cause leakage to neighbouring countries.	Low	Low	The project will be implemented in respect of environmental and social safeguards, and related procedures in place in the two agencies (UNEP and FAO). The project is supporting a robust certification scheme with in-built environmental and social monitoring. Scoping studies, work on enabling conditions and the regional approach will help to mitigate the

			risk of creating perverse incentives for further deforestation in other countries. Leakage will be partially managed through working to encourage a broad-based transformation of supply chains across the region. The project will strictly follow Common UN criteria according to the UN Global Compact and environmental, social and governance (ESG) principles • Human Rights Principle 1: Business should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses. • Labour Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation. • Environment Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility, and Principle 9: encourage the development and diffusion of environmentally friendly technologies. • Anti-Corruption and Governance

			Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery
Small-scale producers may not agree to commit to o sustainable production, as it may be hardest for them.	Low	Medium	Studies and technical assistance will be targeted to assist smallholders in complying with certification standards. This includes efforts to enable them to access finance which is a key barrier to adoption. Partnerships with processing and trading companies provide a means to reach smallholders at greater scale.
Risk of corruption or fraud.	Low	Low	This project is envisaged as in initiative under the umbrella of the UN-REDD Programme, and will thus come under the financial oversight of the two implementing agencies FAO and UNEP, which are responsible for the implementation of the activities according to their own rules and procedures. UNEP and FAO will ensure comprehensive application of all proven and relevant project accounting, financial management and procurement procedures. Equal international and local recruitment procedures (recruitment, salaries, working conditions, fair treatment) will be ensured, according to the HR rules and regulations of UNEP and FAO. The Multi-Partner Trust Fund (MPTF), which is responsible for performing the Administrative Agent role under the UNREDD Fund, will in turn provide for timely and appropriate disbursement of funds to FAO and UNEP.

6   Budget/Financials

The financial flows are defined in the UN-REDD Fund agreements, including the SAA agreement (signed between the Administrative Agent and the resource partner) and the MOU agreement (signed between the Administrative Agent and the participating UN Organizations).

The detailed budget is presented in a separate annex, consistent with UN-REDD format (by outcome and with use of the UN Harmonized Budget Categories).

Budget Summary (USD):

UNDG Harmonised Categories	FAO	UNEP	Total
Staff and other personnel costs	2,237,256	1,124,100	**3,361,356**
Travel	721,000	113,000	**834,,000**
Equipment, Vehicles and Furniture	90,000	-	**90,000**
Transfers & Grants Counterparts	2,506,784	1,151,200	**3,657,984**
Supplies, Commodities, Materials	24,000	4,000	**28,000**
Gen Operating & Other direct costs	287,484	30,000	**317,484**
Subtotal Direct Costs	**5,866,525**	**2,422,300**	**8,288,825**
Indirect Support Costs	410,657	169,561	**580,218**
Grand Total	**6,277,181**	**2,591,861**	**8,869,042**

Clarifications:

Staff and other personnel costs: For FAO and UNEP, no new international positions will be created for this initiative, with the exception of an Initiative coordinator who will hold a consultancy contract and will be working full time on this initiative. For other international expertise, we will draw on the existing UN-REDD Programme team. The majority of staff and consultants working on this initiative will be based in the region, and particular emphasis will be placed on national capacity, with respectively 38% and 26% (for FAO and UNEP) of the consultants budget allocated to National Consultants to be based in each of the 5 Lower Mekong countries and China.

Travel: For FAO, 65% of the travel budget is planned to be allocated to regional dialogues, workshops, and capacity building events. The remainder is for duty travel of FAO staff and consultants of which the majority (over 75%) is envisaged to be within the Lower Mekong Region, and a standard amount for review and stock-take by independent reviewers. Intercontinental travel will be minimized for both FAO and UNEP duty travels.

Transfers and Grants Counterparts: FAO and UNEP keep a database of partners and service providers who are eligible for LoAs (FAO) and SSFAs (UNEP). For the majority of activities under this component of the budget, FAO and UNEP expect to work with partners which have a good track record of past performance, allowing them to remain in the database (e.g. CIFOR, ITTO, RECOFTC, Forest Trends). Due diligence will be carried out on any potential new service provider, according to a rigorous risk assessment based on; type of entity, technical and operational capacity, location, ongoing operations and commitments, availability, proposal or offer (if relevant), and proven experience with FAO, UNEP or other UN organisations.

7 Results Framework

(included as separate attachment)

8 Timeline

Outcomes and Outputs	Yr1				Yr2			
	Inception		Full implementation					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Outcome 1: Strengthened bilateral and regional cooperation in place to facilitate legal and sustainable trade in forest products across the LMR and China								
Output 1.1 Dialogue and cooperation on tackling illegal logging enhanced	█	█	█	█	█	█	█	█
Output 1.2 Intra-regional cooperation deepened to promote sustainable forest management	█	█	█	█	█	█	█	█
Output 1.3 Clearinghouse operationalised to encourage and support responsible investment and lending			█	█	█	█	█	█
Output 1.4 Dialogue between China- LMR deepened, to supply sustainable wood products to China		█	█	█	█	█	█	█
Output 1.5 Bilateral, joint monitoring and regional data-sharing strengthened		█	█	█	█	█	█	█
Output 1.6 Communications campaigns developed to raise public awareness and incite behaviour change			█	█	█	█	█	█
Outcome 2: Improved forest governance for legal and sustainable trade of forest related products								
Output 2.1 National level activities fully established to support implementation of transboundary cooperation commitments			█	█	█	█	█	█
Output 2.2 National certification standards strengthened across LMR countries		█	█	█	█	█	█	█
Output 2.3 Systems and instruments strengthened, to verify, track and license legality and sustainability		█	█	█	█	█	█	█
Output 2.4 Capacities of national institutions built, to operationalise improved forest governance		█	█	█	█	█	█	█
Output 2.5 Viable forest production models identified, for supply of sustainable timber		█	█	█	█	█	█	█
Output 2.6 Community-based groups and smallholders enabled to access legal and sustainable forest product value chains		█	█	█	█	█	█	█
Output 2.7 Key recommendations and actions agreed by key stakeholders to scale up actions to tackle illegal and extra-legal conversion of forestland to other land uses			█	█	█	█	█	█
Outcome 3: Improved monitoring of forest and land use enabled through enhanced data accessibility and management								
Output 3.1 Near real-time monitoring system for deforestation and degradation developed and tested		█	█	█	█	█	█	█
Output 3.2 Proxy indicators and data for a system for monitoring regional progress developed					█	█	█	█
Output 3.3 Systems strengthened, for tracking environmental and social impacts in the forest sector		█	█	█	█	█	█	█

9 Stakeholder Mapping

Thematic Area	Institution	Country presence						Regional actors
		Cambodia	Myanmar	Lao PDR	Thailand	Viet Nam	China	
Forest Management	ASEAN ASOF	■	■	■	■	■		■
	NepCON					■		
	GFA					■		
	Grandis Timber	■						
	Tree Bank				■			
	Siam Forestry				■			
	FSC				■	■	■	■
	PEFC		■			■	■	
Forest Conservation, Development and REDD+	World Bank FCPF	■		■				
	SNV					■		
	JICA	■				■		
	GIZ	■	■	■	■	■		
	ADB	■				■		■
	Wildlife Alliance	■						
	WCS	■	■	■				
	WWF	■	■	■	■	■	■	■
	IUCN	■						■
	Conservation Int'l	■					■	
	Korea FS	■				■		
	Mitsubishi UFJ	■		■		■		
Forest Monitoring	EC-JRC	■						■
	USFS SilvaCarbon	■				■		
	USAID SERVIR	■		■				■
	CIAT	■				■		

Thematic Area	Institution	Country presence						Regional actors
		Cambodia	Myanmar	Lao PDR	Thailand	Viet Nam	China	
	FFPRI	■	■					
	SDC/MRLG		■	■				
	ADB GMS EOC							■
	Open Development	■						
	ICRAF IDH					■		
Forest crime and law enforcement	CITES							■
	USAID	■	■	■	■	■		■
	ASEAN SOMTC	■	■	■	■	■		■
	UNODC	■	■	■	■	■	■	■
	Interpol	■	■	■	■	■	■	■
	TRAFFIC	■	■	■	■	■	■	
	EIA	■		■		■		
Forest product trade	ITTO						■	■
	Forest Trends	■		■		■		
	FAO-EU-FLEGT	■	■	■				
	EFI							■
	ASEAN ACCSQ							■
	ACMECS							■
	Waxman					■		
Forest and Land Governance	CIFOR							■
	RECOFTC	■	■	■	■	■		■
	PanNature					■		
	SIDA	■						
	VFI			■				
	LICADHO	■						
	SEI		■		■			
	IISD							■

Thematic Area	Institution	Country presence						Regional actors
		Cambodia	Myanmar	Lao PDR	Thailand	Viet Nam	China	
Responsible Agricultural Investment	IDH					▓		▓
	Grow Asia							▓
	ECOCERT	▓			▓			
	WBCSD							▓
	KfW					▓		
	WWF		▓		▓			
	IPSARD					▓		
	CIAT					▓		
	ADB							▓
Climate Change and Land Use	ICEM	▓	▓	▓		▓		
	GERES	▓	▓					
	ADB	▓	▓	▓	▓	▓	▓	▓
	WB/IFC	▓	▓	▓	▓	▓	▓	
	APAN							▓
	IEMP							▓
	AIT				▓			▓
	SEI	▓	▓	▓	▓	▓		