

The implementation of a VPA requires substantial investments and continuous, well-targeted technical and financial support. The implementation started through the EU funded programme “Support for the implementation of the FLEGT VPAs” (INTV-15274) implemented by the French Development Agency (AFD) as well as through the MIP Honduras/Annual Action Plan 2021.

This Action will enable to operationalize it with essential activities, starting by the strengthening of the VPA-related institutions, and supporting the entities which are the day-to-day forest managers and timber producers (the forest private sector). It will continue supporting the civil society organisations and the indigenous peoples, including Afro-descendants.

Within this framework, this Action will develop one of the core and most challenging parts of the VPA: the Timber Legality Assurance System (TLAS). Finally, ensuring legality of timber production cannot be done without a proper land titling and registration system, which is why this Action also needs to tackle it in its area of intervention.

### **Forest Partnership**

Beyond the legality aspect of the timber value chain, this Action intends to cover the sustainability aspects of the forest sector, under the Global Gateway strategy - hence “beyond the VPA”.

Forest Partnerships encompass the EU's holistic cooperation framework for joint work on forests, aimed at reversing deforestation in supported countries and consequently enhance climate and biodiversity protection.

In July 2022, the Commissioner Jutta Urpilainen proposed to the Honduran President Xiomara Castro to further engage in the forest sector under a Forest Partnership. Honduras interest in such partnership was confirmed at UNFCCC 27 in November 2022 and in writing by the *Secretaria de Relaciones Exteriores y Cooperacion Internacional* in March 2023. The Memorandum of Understanding, will contribute, including through this Action, to reaching the ambitious targets of Honduras under the Climate Change Agenda, established under the Paris Agreement through implementation of National Determined Contributions or the Convention on biodiversity through the implementation of the National Biodiversity Action Plan. In addition, the FP represent an attractive instrument in the context of the Regulation on Deforestation in addressing the sustainability requirements while informing the benchmarking system and helping Honduras to achieve a low-risk assignment.

### **Green Businesses**

It is within this complex evolving context that forest-related businesses need to prosper in a sustainable and inclusive manner. Moreover, the VPA process strengthens the capacity of representatives from Government, the private sector, civil society and indigenous peoples to work together to address illegality in the Honduran forest sector. Dedicated regional platforms built the capacity of local stakeholders to engage with the VPA process.<sup>18</sup>

Today, green businesses are not competitive, the investments in that area are at high risks and, very importantly, finance does not reach the smallholders and micro and small enterprises (MSEs).<sup>19</sup> In this sense, the action expects to underpin local efforts to strengthen productive value chains; improve access to credit and technical assistance to producers and MSE owners; and improve access to sustainable innovations to enhance goods and services production under the agricultural, forest and tourism value chains while

<sup>18</sup> From: <https://flegtvpafacility.org/countries/honduras/background/>

<sup>19</sup> Access to technical assistance and financial services for MSEs is limited, resulting in informal economic units. Informality is an important characteristic that prevents the promotion and survival of MSEs and affects the quality of employment they generate. Therefore, it is necessary to provide differentiated attention to MSEs that operate in an informal condition and those that already have some degree of formality.