

Standard Summary Project Fiche – IPA centralised programmes

Project Fiche: 10

1. Basic information

- 1.1 CRIS Number: 2010/022-154**
- 1.2 Title:** Support for Capacity Building in the Forestry Sector
- 1.3 ELARG Statistical code:** 02.11 – Agriculture and Rural Development
- 1.4 Location:** Montenegro

Implementing arrangements:

- 1.5 Contracting Authority:** Delegation of the European Union to Montenegro (through Indirect Centralised Management with Lux-Development)
- 1.6 Implementing Agency:** Lux-Development
- 1.7 Beneficiary (including details of project manager):** Forest Sector of Ministry of Agriculture, Forestry and Water Management, and Forest Administration of Montenegro.

Project Managers:

- 1. Danko MILIKIC, Forest Administration
Address: ul. Miloša Tošića bb 84210 Pljevlja
E- mail: cgsume@t-com.me
- 2. Dragan MARINOVIC, Ministry of Agriculture, Forestry and Water Management
Address: Nikca od Rovina 55, 81000 Podgorica
E-mail: marinovic_dragan@yahoo.com

Financing:

- 1.8 Overall cost (VAT excluded):** 1 million EUR
- 1.9 EU contribution:** 750,000 EUR
- 1.10 Final date for contracting:** 2 years from the date of the conclusion of the Financing Agreement
- 1.11 Final date for execution of contracts:** 2 years from the end date of contracting

- 1.12 Final date for disbursements:** one year from the final date for execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall Objective:

To establish effective sustainable forest management and effective governance that will contribute to implementation of key EU environmental protection standards, socio-economic development policies and forest product trade regulations.

2.2 Project purpose:

To strengthen capacity of the Montenegro forestry sector through the establishment of, and training in, sustainable forest management systems in line with EU standards, specifically forthcoming EU Regulations on Placing Forest Produce on the EU Market¹, and the EU Regulation on Rural Development²

2.3 Link with AP/NPAA / EP/ SAA

The link between this project and the document “European Partnership with Montenegro” (EP) is in chapter 3.1. Short term priorities, under Sectoral policies part Agriculture and fisheries – *“Continue strengthening administrative capacity for agricultural and rural development policy formulation and implementation”* due to the fact that forestry greatly contributes to the rural development. Furthermore, in the same document and under “Environment” is noted that it is necessary to *“Adopt the Sustainable Development Strategy and sectoral strategies (integrated coastal zone management, biodiversity, climate change)”*. Forestry plays an important role in Biodiversity Strategy as well as in mitigating climate change.

National Program for Integration (NPI) for 2008-2012 is being finalised and in part 3.27.10. **Forestry** capacity building is stressed both in **short term priorities** and **mid-term priorities** under “Institutions”. As a short term priority it is stressed that *“Further personnel strengthening is necessary for the Forestry Department of the Ministry of Agriculture, Forestry and Water Resource Management, through existing and future projects...”* and *“Existing Forests Administration should be reorganized, strengthened in terms of*

¹ 5036/09 Proposal for a Regulation of the European Parliament and of the Council laying down the obligations of operators who place timber and timber products on the market. This will require that all timber that enters the EU Market from Montenegro can be demonstrated to come from a legal source.

² Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)

personnel and technical equipment as well, and existing employees should be developed through existing and future project to be able to adequately meet requirements and objectives of sustainable forest management.”. Mid term priority is “Strengthening of institutional structures through the education of employees in the field of: Planning, implementation and monitoring of measures of fire prevention protection; Protection of forests against plant diseases and pests; Development of various methodologies and like.”

*The Stabilisation and Association Agreement (SAA) between the Government of Montenegro and the European Community was signed in October 2007. In Article 97 “Agriculture, and the agro-industrial sector” the following was stressed: “Co-operation will notably aim at modernising and restructuring the agriculture and agro-industrial sector, in particular to reach community sanitary requirements, to improve water management and rural development as well as to develop the **forestry** sector in Montenegro and at supporting the gradual approximation of Montenegrin legislation and practices to the Community rules and standards.*

2.4 Link with MIPD

This IPA Forestry Project will contribute to the achievement of many of the specific objectives of the MIPD (2009-2011) listed under Component I – “Transition Assistance and Institution Building” (see MIPD Chapter 2.2.2.1), and to Priority Axis 3 “Ability to assume the obligations of membership” (MIPD Chapter 2.3.1.3), which under “Objectives and choices” paragraph 7 stressed the following criteria, which will be addressed by this proposal:

“Supporting the Ministry of Agriculture and related services/institutions in the adoption of the *acquis* and in the implementation of National Strategies including: natural resources, ecosystem and biodiversity conservation, and sustainable rural development, as well as preparation for the implementation of rural development policies including IPARD, analysis of priority areas, strengthening advisory and extension services for farmers and rural population and civil society organisations related to agriculture and rural development as well as access for farmers to credits”

2.5 Link with National Development Plan

Not applicable.

2.6 Link with national/ sectoral investment plans

Most of the proposals from the Strategy for Revitalization of Wood Industry (adopted by Government of Montenegro in 2003) have been implemented, i.e. former state owned wood industries have been privatized, and long term concession allocated, securing them long term supply of wood. The main objectives of the Strategy were: 1. Privatization of companies in the fields of operational forestry and wood industry and concentration of those companies on the territories of local authorities rich with forests; 2.) Vertical integration of companies with the aim to use forest resources in more rational way; and 3.)

Increase the competitiveness in forestry and wood industry sector. Now, the crucial challenge is to develop Forest Administration capacities to manage the concessions that have been given to privatized companies in sound and efficient manner.

In April 2008, the Government of Montenegro adopted the National Forest Policy that was developed in a broad consultative process.

In order to contribute to the implementation of goals and priorities of the National Strategy for Sustainable Development, the National Forest Policy sets out five general objectives:

1. ensure and improve long-term resistance and productivity of forests and other eco-systems, and maintenance of plant and animal species,
2. administration of forests and forest resources ensures sustainable implementation of social, economic and environmental forest functions,
3. forests contribute to sustainable social and economic development of rural areas,
4. the Strategy for Wood Industry Development ensures long-term development and competitiveness of wood industry,
5. long-term development of forestry profession and forestry-related operations.

3. Description of project

3.1 Background and justification:

Forests and forest land cover 54 % of the territory of Montenegro. Forestry and wood processing contribute around 6% to the GDP³ and more than half of the incomes for the population of the less developed municipalities in the North of Montenegro. Privately owned forests account for one third of total forests, with an estimated 50,000 private forest owners nationwide⁴. In the context of its aspiration to become an EU Member, effective management of its forests and forestry sector is of strategic importance to Montenegro for the following reasons:

Fulfilling the political criteria: the reform of state administration and **good governance** in forestry sector should establish effective **rule of law** on more than half of the territory (i.e. the forested land).

Rural Development perspective: forests and forest products offer one of the strongest potentials for endogenous development of rural areas in the north of Montenegro, and represent a significant element of the

³ There is no detailed study that calculates the contribution of forestry to GDP. This estimate is provided by the Ministry of Agriculture, Forestry and Water Management - based on the contribution of both forests and forest-based industries to GDP.

⁴ It is not yet possible to analyse the Cadaster to know precisely how many Private Forest Owners there are in Montenegro. This estimate is derived from information provided by Private Forest Owners' Associations and Forest Administration.

attractiveness of the country in terms of tourism, and tourism is a priority economic sector of Montenegro.

Application of EU standards: Natura 2000 and forestry related *Acquis*: numerous EU regulations and policies should be transposed and implemented in forestry before becoming a member state.

The Draft of the new Forest Law was adopted with the public hearing agenda by Government on 11th February 2010. The National Action Plan for Combating Illegal Activities in Montenegro was adopted by Government in spring 2009 as an obligation deriving from Montenegro's signature in November 2005 of the St. Petersburg Ministerial Declaration on Implementation of the Law in Forests and Administering Forests in Europe and Central Asia (ENA-FLEG). Furthermore, there are various international commitments affecting the forestry sector such as: Agenda 21; UN Framework Convention on Climate Change (UNFCCC); Convention on Biological Diversity; Convention on International Trade in Endangered Species, etc. (for full list see Annex IV).

In addition, forestry importance is promoted through the Ministerial Conference on the Protection of Forests in Europe (MCPFE) – see detailed description in Annex IV.

Each of the above (national law, international processes) commits Montenegro to implement reforms that bring it closer to adoption of European Union Policy objectives and Regulatory requirements.

At present, the Forest Administration sees Private Forests primarily as a source of additional revenue, levying charges on forest products derived from private land. The new Montenegrin Forest Policy commits the Forest Administration to shift its relationship with private forest owners towards one in which it offers services which promote both environmental protection, and rural development objectives, in line with EU environmental protection regulations, and rural development policy. As per Policy Statement 21 „Integrated forest administration and planning across the whole country and harmonisation of sectors' plans“ from the National Forest Policy, it is stressed that „The Forest Administration, as set by laws, is responsible for integral administration of all forests in Montenegro, in cooperation with forest owners and forest users“. Furthermore, „the inclusion of private forests in integral forest management plans will reduce overall planning costs and help overcome the problem of organization of owners in order to finance and develop management programmes“.

This IPA proposal will support the achievement of these reforms in a number of ways, as outlined below.

Good Governance and the Rule of Law

A key component of Montenegro's NAP on Combating Illegal Activities is to set up a better control of tree marking, request for harvesting, and decision for harvesting, reporting, marking and technical acceptance of works. This is critical for Montenegro to be able to supply timber in accordance with new EU

requirements for placing timber on the EU Market. To improve monitoring and control of harvesting, as required by the new draft Forest Law, the MAFWM has committed to introducing a system of Inventory control and tracking with tags (barcode tags) which will be implemented by 2013. This will help Montenegro keep track of forest products, in accordance with globally recognized best practise and new technologies. Trees can then be tracked from their location in the forest all the way through the supply chain to its final destination, giving transparency to the process, increasing the capture of State revenues by the Forest Administration and decreasing illegal logging. Government officials and companies will be able to track individual trees through the supply chain and view computerized maps of forests on the database. Timber leaving a forest or factory without tags will immediately be viewed as illegal. Moreover, the design of a tracking system in forestry and the training of forestry staff to use it will act as a powerful and essential tool for combating illegal logging and corruption.

Special focus in the draft new Forest Law which is envisaged to be adopted in 2010 is given to the **Forest Information System (FIS)** that will include an integrated set of components and databases for the purpose of collecting, storing, processing and exchanging information about Montenegro's forests, and their utilization. These will include data on forests, forest land, roads, environmental conditions, forest management plans (inventory data and proposed activities), record and evidence of harvesting, silvicultural operations, and timber sales, movements and associated payments. The minimum spatial unit used in this database will be a sub-compartment (typically less than 100 hectares). The Ministry has already procured GIS software, and staffs of both the Ministry and Forest Administration have received some training in GIS and basic software tools. In 2008, Forest Administration invested in a central server, administrative software, desktop computers and networking for its Headquarters, and on average 2 computers for each of 16 regional office. Currently all financial accounting is done through the Treasury and its systems. Only 11 out of 70 Forest Engineers have laptops – typically those involved in Forest Management Planning and National Forest Inventory. Some more will be bought by FODEMO Project during 2010.

The bar-coding system will be directly integrated with the FIS, to link logs in trade to specific forests, owners, licensed operators and traders. The proposed IPA project will support the design and implementation of this information system.

Rural Development

Enhancing the role, and capacity of private sector entities is an important issue for overall sector development (as stressed in National Forest Policy Statement 30 “Introducing standards in forestry, licensing, capacity building”), and will create substantial new economic opportunities in rural areas. It is therefore proposed as a key part of this IPA proposal to prepare training needs assessment, develop certified courses, and deliver training to the private sector. European and other international technical and safety standards in forestry will be introduced and adjusted to Montenegrin conditions through dialogue with

private sector and forest owners. Implementation of the sustainable forest management standards, such as FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification) will also be promoted.

This IPA proposal aims to enhance the capacity of the Forest Administration (and other service providers) to provide quality advice to Private Forest Owners with the potential both to improve the management of forests, and also boost rural incomes through better value-addition and marketing of forest products. On the basis of the Functional Analysis completed in 2009, the Forest Administration is currently in the process of reviewing the spread of resources across 15 Regional Units with expectation that the number of regional units will be substantially reduced, but the scope of each Unit expanded. During this adjustment it is anticipated to set up an Extension Unit with 1 Coordinator at Headquarters, with 5 field staff in the new Regional Units. The key objective of the Extension Unit is to build the knowledge of private forest owners on economic, environmental values and forest functions, and to increase sustainable forest revenues for their private owners in balance with forest functions of common interest. The IPA support will help to build the capacities of this unit, and pay for the initial delivery of services to private forest owners. High priorities for service delivery, based on the requests of Private Forest Owners Associations (set up with the support of SNV) include support with forest management planning, safe harvesting of trees, identification of economic opportunities for private forest owners and support to realize them.

Environmental Protection

At present, professionals working within the forest sector have a limited understanding of how Natura 2000 and other environmental protection requirements impact on forest management within EU member states. There is also sub-optimal communication between forest sector and the other government bodies responsible for implementing environmental protection policies and legislation.

In practise, Montenegro's Environmental Protection Agency will depend heavily on the Forest Administration to implement Natura 2000 on land under their control. They will also depend on Forest Administration's advice to Forest Owners on how Natura 2000 is to be implemented in private forests. The new policy commits the State to support the preparation of forest management plans in private forests, and therefore the Forest Administration is critical to the implementation of Natura 2000 in all forests outside of the National Parks.

This IPA project will train relevant Forest Administration staff in the background, and practical implications of Natura 2000, and strive to build a positive working relationship between the Forest Sector, and Environment agencies within Montenegro. In collaboration with other projects supporting the forest sector, the zoning of forests will be refined, to better protect key habitats and species, in line with Natura 2000 requirements. Also with additional support from other projects, the Forest Management Planning guidelines are being updated to accommodate Natura 2000 requirements. The key role of this IPA proposal is to ensure that staff are exposed to modern

multi-functional forest management approaches (for example through study tours to existing member states), trained, and that the necessary tools are made available to foresters in the field, to be able to implement Natura 2000 effectively on the ground.

Synergies with existing Projects

There are very substantial synergies between this IPA proposal and the already existing Luxembourg funded FODEMO (Forestry Development in Montenegro) Project Phase II, which is the main donor to the sector. Over the next year up to December 2010, much preparatory work (essential for the successful performance of the proposed IPA funded activities) will be done with funding from Luxembourg through the FODEMO project, including: a Business Process Review of the state institutions in the forestry sector; the conceptual design of a Forest Information System; and a Training Needs Assessment of forest sector institutions and private forestry operators. It is therefore envisaged to implement the IPA project through 'shared management'. A contract will be signed with Lux-Development who will implement the project through the Indirect Central Management (ICM) mode (see Annex V for more information).

This will ensure complete coordination of planning and reporting of the IPA Project with existing initiatives and minimise the need for new coordination structures. The drafting of this Project fiche has already been done in close coordination with FODEMO Project staff to ensure harmonization.

In addition to this, SNV Montenegro will provide assistance in: further work on the legal framework (secondary legislation); extension service provision to private forest owners according to standards of EU countries; and SME development in forestry and wood processing.

Both Lux-Development and SNV will provide continuous advice on organizational and functional reform of state forest administration and advice on the design of an integral forest information system; concepts / methods / modules for training of State and Private sector staff; and a core group of trained trainers who will implement the training modules. IPA funding will support the rolling out of such new systems, through training of staff.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

Based on the results of the current projects, and activities envisaged under this IPA proposal, state forestry institutions (Ministry of Agriculture, Forestry and Water Management and Forest Administration) will be adapted to the requirements of the National Forest Policy, EU standards, and to be able to deliver support to rural communities for forestry activities, as envisaged in Council Regulation No.1698.

The immediate impact of the proposed project is to strengthen State forestry institutions in their ability to manage forests sustainable for the benefit of the rural economy and to enhance environmental protection, in particular implementation of Natura 2000.

Improved management of forest concessions will in turn help to stimulate the long-term competitiveness and transparent operations of wood industries and prepare them for integration to the European markets.

The project implementation will facilitate the implementation of the project "Monitoring transposition and implementation of the EU environmental *acquis*" under the Horizontal Programme on Environment in the Western Balkans, and ease regional control of forest produce trade in collaborate with the CAFAO⁵ and TACTA programmes⁶ mentioned under Section 2.4.

3.3 Results and measurable indicators:

Result 1 *Legal framework is compliant with EC Regulations, and State forest Institutions capable of implementing the National Forest Policy, Legislation, and National Forest Programme in accordance with EC regulations and standards.*

Indicators:

- Key European Council Regulations, Directives and Communications translated into Montenegrin and made available to relevant institutions.
- New Forest Law and associated regulatory framework are completed in compliance with EU regulations and standards (as listed in Annex IV), and are being implemented.
- At least 5 employees from Forest Administration trained to implement Natura 2000 within planning and monitoring procedures, in accordance with EC Council Directive No. 92/43/EEC;
- At least 20 employees from MAFWM and Forest Administration and 30 staff of Private Forest operators trained in systems designed to combat illegal cutting and other illegal operations in forestry in accordance with the proposed EC Council Regulation laying down the obligations of operators who place timber and timber products on the market;
- At least 10 forest management plans developed according to new methodology, integrating Natura 2000 requirements;
- 3 employees from Forest Administration finish specialization / postgraduate studies in forestry field.
- 3 forest engineers and 5 technicians trained in forest seed supply management, in accordance with EC regulation No. 1999/105/EC (see Annex IV)

Result 2 *Strengthened internal capacities within State Forest Institutions to provide capacity building for its own forestry professionals and forestry staff in the private sector, and to deliver service to private forest owners*

Indicators:

⁵ CAFAO-Montenegro is focusing its efforts on supporting the Montenegrin Customs Administration (MCA) in turning the customs infrastructure inherited from former Yugoslavia into a coherent and efficient service.

⁶ Currently, the Customs Administration is receiving assistance through EU funded Technical Assistance to Customs and Tax Administrations (TACTA) worth € 0.8 million. Essentially, the activities of CAFAO were taken over and continued by TACTA. The TACTA assistance is provided in three main areas: Governance, Legislation and Procedures and Integrated Border Management.

- 5 Forest Administration employees trained to work in the Human Resources Development Unit;
- 5 Forest Administration employees trained to work within Extension Unit;
- At least 50 certificates of training issued to Forest Administration Staff and private sector contractors that undertake work for the State.

Result 3 *Monitoring and information management system established that meets national and EU requirements.*

Indicators:

- Information system designed and rolled out across State Forest Institutions;
- 15 employees from Forest Administration trained in Information System management;
- Reports on forest sector topics presented quarterly and available on the internet;
- Reports on implementation of Natura 2000 within State Forests;
- Data compilation and communication to relevant European Bodies according to requirements of Council Regulations No. 2152/2003 and 1100/98
- Data from Information System available to the public via regular published reports and internet by end of project lifetime;
- System of Chain of Custody introduced to Montenegro in compliance with anticipated passing of Regulation laying down the obligations of operators who place timber and timber products on the market.
- Annual Report on implementation of NAP for combating illegal activities
- 20% decrease of illegal logging (i.e. post harvest surveys at end of project lifetime show that the proportion of timber volume harvested illegally has reduced by 20% as compared with a 2010 baseline);
- 20% decrease of other illegal activities (i.e. Forest Inspectors' reports at end of project lifetime show that the number of legal infractions has reduced by 20% as compared with a 2010 baseline).

3.4 **Activities:**

Result 1 *Legal framework is compliant with EC Regulations, and State forest Institutions capable of implementing the National Forest Policy and National Forest Programme in accordance with EC regulations and standards.*

Activity 1.1 Complete Legal Framework for Forest Sector in compliance with EC Regulations.

Activity 1.2 Development of a comprehensive capacity building programme for the Ministry of Agriculture, Forestry and Water Management and Forest Administration staff.

Activity 1.3 Complete a needs assessment and prepare outline of certified courses for staff of state Institutions in forestry sector.

Activity 1.4 Design detailed training modules and deliver training to staff of State Forest Institutions.

Result 2 *Strengthened internal capacities within State Forest Institutions to provide capacity building for its own forestry professionals, forestry staff in private sector and deliver service to private forest owners*

Activity 2.1 Setting up and training staff of Forest Administration Human Resource Unit and Extension Unit.

Activity 2.2 Complete a needs assessment and prepare outline of certified courses for staff of all state forestry institutions and the private sector entities in forestry.

Activity 2.3 Detailed development of certified courses for staff of all state forestry institutions and the private sector entities in forestry and delivery of training

Result 3 *Monitoring and information management system established that meets national and EU requirements.*

Activity 3.1 Needs analysis, and drafting technical specifications for Forest Information System including a log tracking system (i.e. barcodes).

N.B. Achievements and actions from State Forest Institutions contributing to the development of FIS (achieved at the time of operationalizing IPA Project) would be considered.

Activity 3.2 Purchase of hardware and software, and provide necessary training in its use.

Activity 3.3 Review and strengthen information gathering, processing and management to support Forest Management and monitoring systems that are aligned with EU regulations and standards (especially Natura 2000).

3.5 Conditionality and sequencing:

For this project, the Forest Administration and Forestry sector in the Ministry of Agriculture, Forestry and Water Management will provide sufficient qualified full-time personnel for sound project preparation and implementation as well as the premises necessary for the project team. In particular, the Forest Administration will establish a Human Resources unit that is responsible for long-term identification of training needs and provision of training to both its own employees, and also forest owners, and forestry professionals in the private sector.

It is important that a large part of the analysis and design work for both training programmes, and establishment of a Forest Information System are done in advance of the IPA funding becoming available, so that implementation of

already designed training programmes and establishment of the forest information system can start as soon as IPA funds become available. Some of this preparatory work will therefore be funded under already existing projects such as FODEMO and SNV. Further, with support of FODEMO and SNV, the process of drafting a new Forest Law and secondary legislation is ongoing and by the time IPA funds are available (anticipated by end of 2010), some EC Directives and Regulations will have already been integrated into the Montenegrin legal framework. Work on the secondary legislation framework is ongoing. Key directives and regulations to be addressed include the European Council Directive No. 1999/105/EC on the marketing of forest reproductive material (draft regulations completed by 19th February 2010); European Council Directive No. 43/92 on the conservation of natural habitats and of wild fauna and flora; European Council Directive No. 409/79 on the conservation of wild birds (both must be done in consultation with the Ministry of Environment and Spatial Planning); Directive 2003/35/EC of the European Parliament and of the Council of 26 May 2003 providing for public participation in respect of the drawing up of certain plans and programmes relating to the environment and amending with regard to public participation and access to justice Council Directives 85/337/EEC and 96/61/EC (ongoing through the adoption and testing of a new forest planning framework at national, regional and local levels); Regulation (EC) No 1367/2006 of the European Parliament and of the Council of 6 September 2006 on the application of the provisions of the Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters to Community institutions and bodies and Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (to be addressed through the design and implementation of the proposed new Forest Information System). However, it must be noted that existing projects have limited resources for a) information system development, b) drafting of secondary legislation, and c) training, beyond the drafting of main laws / by-laws, and the design and testing of new methods and procedures. This underlines the key role of IPA to support the completion of the legal framework, and nationwide rolling out of new procedures via targeted training programs.

3.6 Linked activities

Under the coordination of the Ministry of Agriculture, Forestry and Water Management, the reforms of the forest sector are currently supported by a number of donor projects:

- Forestry Development in Montenegro (FODEMO) Project is implemented by Luxembourg Agency for Development Cooperation (Lux-Development) and is working on many aspects of National Forest Programme, including support to the Policy, Forest Law and Sectoral Planning processes, and completion of a National Forest Inventory. FODEMO is also funding: introduction of new forest management planning procedures and technologies; procuring associated forest inventory equipment and software, contributing to the development of a Forest Information System; providing training, and supporting reforestation efforts; drafting secondary legislation and procedures for the

production and marketing of forest reproductive material, in accordance with EC regulations.

- The Dutch development organisation SNV Montenegro – support in drafting the Policy and new Forest Law, sectoral plans and budgets organizational development of Private Forest Owners; development of extension service and private forest management; support to design of grant mechanism for private forest owners, and SME development in forestry;
- World Bank - Forest Law Enforcement and Governance Project which supported the development of a National Action Plan to Combat Illegal Activities in Forestry (now finished).

By the time that IPA funds are available, it is expected that the new Forest Law will have been finalized and adopted by Parliament, and certain key regulations also prepared (Regulations relating to: Forest Management Planning, Disposal of Forest Products from State Forests – including allocation and management of forest concessions;) but a number of additional regulations and standards will still need to be developed over time, and will benefit from additional support from IPA.

Elements of a Forest Information System are in place such as Forest Management Planning software funded by FODEMO, and Administrative software (Payroll, Accounts) and computers funded by the Forest Administration. IPA support will be used to expand the scope of the forest information system to be able to better manage the forest resource, and monitor its utilization in line with identified needs.

Some courses for building capacity in forestry have already been conducted by FODEMO, and SNV. In the period to come, donor projects will increasingly focus their activities on further capacity building of the sector and some necessary activities will start before the IPA funds become available.

During 2009 and 2010, FODEMO will finance a detailed Business Process Review of the Forest Sector Institutions, which will identify key institutional and procedural changes and capacity building priorities in which IPA will invest. The consultancy contract envisaged under IPA will use this and other institutional analyses as the basis for preparing a comprehensive capacity building programme for the Ministry of Agriculture, Forestry and Water Management and Forest Administration staff.

Under already secured funding from Lux-Development, the FODEMO project will provide a full-time international expert to coordinate the institutional change in the Forest Administration, oversee the business process review and supervise development and testing of technical standards for Forest Development Planning, and Forest Management Planning on a pilot scale, ready for scaling up to national scale with IPA support.

The Forest Sector of Ministry of Agriculture, Forestry and Water Management and its project partners see that stronger links could, and should be made between the forest sector of the Ministry, and both the IPA funded Twinning

project and the Montenegro Institutional Development and Agriculture Strengthening project - MIDAS Project (World Bank supported project that was recently started), thereby exploiting all possibilities for strengthening the role and capacities of the **forest sector** of the Ministry to deliver on **rural development targets**. This can be achieved through integrated/harmonized mechanisms such as a single paying agency also being able to process forest related grants (which fit clearly with the **agro-environment component of the European Rural Development Policy** and funding mechanisms), and establishment of any rural development advisory and extension service offering both agricultural and forestry advice and support.

Activities to be scheduled and financed with IPA funds will be tailored to extend the work beyond the stage achieved with existing project funds at the time of IPA project launch.

There is therefore a close coordination required between IPA Project and other ongoing projects in the Ministry of Agriculture, Forestry and Water Management (including FODEMO and SNV). This will be achieved by showing the respective forest sector activities in a single matrix, and regular coordination meetings between the key actors involved in all projects. There is already a good coordination mechanism between the Forest Sector of the Ministry, the Forest Administration, FODEMO project and SNV, which will be used to ensure coordination with IPA funded activities.

3.7 Lessons learned

Experiences of implementing National Forest Programmes in the region (Slovenia, Serbia) have been taken into account, with many experts with regional experience of these NFPs being recruited to provide advice to the Montenegrin National Forest Programme design and implementation. Previous reports (Stritih, 2008, and Phillips, 2009) prepared by FODEMO project have identified the Ministry has been under-resourced to fulfil its functions under the National Forest Policy and the new draft Forest Law. There is an urgent requirement for additional human resources in the Strategic Planning Unit (SPU) and the Central Management / Monitoring Unit (CMU) within the Ministry. The recent recruitment of 4 young forest engineers into the Forest Sector of the Ministry helps to address this constraint, but these new staff will need to be trained – as one key component of this proposal.

At the same time, the Forest Administration, with 450 staff, plays a central role in fulfilling the public functions under the Forest Law that is responsible for all public services related to forests and thus has the key role in transposition and implementation of EU standards related to forestry sector. In this context, several functions will be institutionalised within Forest Administration, including: forest management planning, human resources development, extension service to private forest owners.

However, in the absence of any comprehensive **training needs assessment** for the sector it is not possible to provide an estimate of the numbers or the scope of the required training courses, but it is obvious there is a great need for the

following training courses such as: Forest management planning; Forest inventory and monitoring; Supervision of concessions for exploitation; Use of GIS; Biodiversity conservation and management of Natura 2000; Cooperation with the local population; Work safety; Language (English); Communication; EU standards; Change management; Public relations; Certification and standards; Forest legislation and EU regulatory framework; Advisory services and extension... The majority of these skills can only be delivered by external training companies / organisations and specialists. Greater support to capacity building is required to roll out activities beyond project-funded pilot measures for more intensive and nationwide sector development.

The experience in drafting National Forest Policy regarding stakeholders involvement and support in establishing private forest owner associations confirmed that there is a significant step forward regarding general public awareness and enthusiasm of civil society to engage in the protection and use the Montenegro forests in sustainable way.

Finally, coordination between agencies and internationally funded projects must be assured to achieve synergies between interventions of different actors.

References:

Stritih, J. (2008). Legal and Institutional Framework in Montenegrin Forest Sector. A consultancy report prepared in support of the National Forest Policy drafting process. FODEMO Project Consultancy Report.

Phillips, H. (2009). Functional Analysis of State Forestry Institutions in Montenegro. FODEMO Project Consultancy Report.

4. Indicative Budget (amounts in EUR)

			TOTAL EXP.RE	SOURCES OF FUNDING								
				IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTR- IBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a) = (b) + (c) + (d)	EUR (b)	% (2)	Total EUR (c) = (x) + (y) + (z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Contract 1 – ICM Mode with Lux- Development	X	–	800,000	750,000	93.75 %	50,000	6.25%	50,000 (3)			0	
		X	75,000			75,000	100%	75,000 (3)				
Contract 2 – Supply (NC)		X	125,000	0	0%	125,000	100%	125,000 (4)	0		0	
TOTAL IB			800,000	750,000	93.75%	50,000	6.25%	50,000				
TOTAL INV			200,000			200,000	100%	200,000				
TOTAL PROJECT			1,000,000	750,000	75%	250,000	25%	250,000	0	0	0	0

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the **Total** Expenditure (column (a))

(3) Lux-Development co-funding via FODEMO project. €50,000 for service contracts and 75,000 for supply contracts.

(4) €125,000 will be provided by State Forest Institutions – €100,000 from Forest Administration and €25,000 from MAFWM.

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1 (IPA JMC)	N/A	Q4 2010	Q3 2012
Contract 2 (NC supply)	Q3 2011	Q1 2011	Q2 2012

6. Cross cutting issues

6.1 Equal Opportunity

Considering the fact that part of the activities on the project will be devoted to training and capacity building, women should be encouraged to be equally involved in the education process and to participate in the process that will be supported during and after the project implementation.

The international adopted and nationally stated principles of equal treatment linked to the gender, age, disabilities etc will be respected.

6.2 Environment

Given the fact that Montenegro committed to environmentally friendly development, the issue of the protection of forest eco-systems as its prime ecological resource has become a priority.

Forest ecosystems are quite important in all segments of life and economy: they are a significant producer of biomass, a source of healthy and highly appreciated fruits, the main habitat of wild game, a crucial factor in conserving and regulating water regime, they provide protection from erosion and they purify the air as well as they are very important for local economies. Furthermore, the new Constitution of Montenegro (as well as old one) declares that Montenegro is ecological state.

This project will indirectly improve the environment (forest ecosystems) through capacity building of forestry staff and its raising awareness that will contribute to the better integration of species and habitat management, and environmental protection into forest management planning. Specifically, the IPA funding will support the mainstreaming of NATURA 2000 requirements into the regular work of the Forest Administration. Furthermore, via tracking system in forestry (barcodes tags) development, it is expected that the volume of illegal logging would be reduced and positive influence on environment will be achieved.

6.3 Minorities

The project will address minorities' issues as an integral part of its overall objective and project purpose. While implementing the project all minority related topics will be respected during capacity building activities.

ANNEX I: Logical framework matrix in standard format

LOGFRAME PLANNING MATRIX		Programme name and number: Support for Capacity Building in Forestry Sector	
Beneficiary: Forest Sector of Ministry of Agriculture, Forestry and Water Management, and Forest Administration of Montenegro	Contracting period expires two years from the date of the conclusion of the Financing Agreement	Disbursement period expires one year from the final date for execution of contracts	
	Total budget : 1,000,000 Euro	IPA budget: 750,000 Euro	
Overall objective	Objectively verifiable indicators	Sources of Verification	
To establish sustainable forest management and effective governance that will contribute to implementation of key EU environmental protection standards, socio-economic development policies and forest product trade regulations	Forest Development Planning, Forest management planning and implementation are conducted by trained and certified staff of both state institutions and private sector companies according to EU standards across the national forest estate	European Commission	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To strengthen capacity of the Montenegrin forestry sector through the establishment of, and training in, sustainable forest management systems in line with EU standards, specifically forthcoming EU Regulations on Placing Forest Produce on the EU Market and the EU Regulation on Rural Development	<p>Training needs assessment completed for forest sector professionals and private forest owners</p> <p>Certifiable training modules developed in accordance with identified needs</p> <p>Monitoring of implementation of NAP for combating illegal activities in forestry fully established</p> <p>Natura 2000 network implemented on forest land</p> <p>Number of valid Natura 2000 management plans in areas on forest land</p> <p>30% of timber on the market that is bar-coded and tracked using new system by end of project</p>	<p>Ministry of Agriculture, Forestry and Water Management</p> <p>Ministry of Spatial Planning and Environment</p> <p>European Forest Institute</p>	<p>Montenegro continues with EU accession process</p> <p>Engagement of non-state actors in forest sector planning and monitoring</p> <p>The legal framework set by the Ministry of Spatial Planning and Environment "Emerald network" projects successful.</p>

Results	Objectively verifiable indicators	Sources of Verification	Assumptions
1. Legal framework is compliant with EC Regulations, and State forest Institutions capable for implementation of the National Forest Policy, Legislation and National Forest Programme in accordance with EC regulations and standards.	<p>Key European Council Regulations, Directives and Communications translated into Montenegrin and made available to relevant institutions.</p> <p>New Forest Law and associated regulatory framework are completed in compliance with EU regulations and standards (as listed in Annex IV), and are being implemented</p> <p>At least 15 employees from Forest Administration trained to implement Natura 2000 within forest management planning and monitoring procedures, in accordance with EC Council Directive No. 92/43/EEC.</p> <p>At least 20 employees from MAFWM and Forest Administration and 30 staff of Private Forest operators trained in systems designed to combat illegal cutting and other illegal operations in forestry in accordance with the proposed EC Council Regulation laying down the obligations of operators who place timber and timber products on the market</p>	<p>Forest Administration</p> <p>Forest Inspectorate</p> <p>Coordination Committee for monitoring of NAP</p> <p>Assembly of Montenegro</p> <p>Ministerial Conference on the Protection of Forests in Europe</p>	<p>Readiness of Human Resources Administration to support and create forestry programmes with the Forest Administration.</p> <p>Readiness of staff to participate</p> <p>New methodology approved before project starts</p> <p>Availability of information system, regular supply of fuel, adequate equipment for Forest inspection and Forest Administration</p> <p>Readiness of Government and NGO staff to participate in Coordination Committee</p>
2. Strengthened internal capacities within State Forest Institutions to provide capacity building for its own forestry professionals and forestry staff in the private sector, and to deliver service to private forest owners	<p>At least 10 of forest management plans developed according to new methodology, integrating Natura 2000 requirements.</p> <p>3 employees from Forest Administration finished specialization/ postgraduates studies in forestry field</p> <p>3 forest engineers and 5 technicians trained in forest seed supply management, in accordance with EC regulation No.</p>		<p>Readiness of Assembly Boards and political parties to support concept of new Forest law</p> <p>Montenegro continues with EU accession process</p>

<p>3. Monitoring and information management system established according to EU Regulations and standards</p>	<p>1999/105/EC (see Annex IV)</p> <p>5 Forest Administration employees trained to work in the Human Resources Development Unit</p> <p>15 Forest Administration employees trained to work within Extension Unit</p> <p>At least 50 certificates of training issued to Forest Administration Staff and private sector contractors that undertake work for the State</p> <p>Information system designed and rolled out across State Forest Institutions</p> <p>15 employees from Forest Administration trained in Information System management</p> <p>Reports on forest sector topics presented</p> <p>Reports on implementation of Natura 2000 within State Forests</p> <p>Data compilation and communication to relevant European Bodies according to requirements of Council Regulations No. 2152/2003 and 1100/98</p> <p>Data from Information System available to the public via regular published reports and internet by end of project lifetime</p> <p>System of Chain of Custody introduced to Montenegro in compliance with anticipated passing of Regulation laying down the obligations of operators who place timber and timber products on the market.</p> <p>Annual Report on implementation of NAP for combating illegal activities</p> <p>20% decrease of illegal logging in concession areas as evidenced by regular post-harvest surveys</p> <p>20% decrease of other illegal activities</p>		
--	---	--	--

Activities	Means	Costs	Assumptions
<p>Activity 1.1 Complete Legal Framework for Forest Sector in compliance with EC Regulations.</p> <p>Activity 1.2. Development of a comprehensive capacity building programme for the Ministry of Agriculture, Forestry and Water Management and Forest Administration staff.</p> <p>Activity 1.3 Complete a needs assessment and prepare outline of certified courses for staff of state Institutions in forestry sector.</p> <p>Activity 1.4 Design of detailed training modules and deliver training to staff of State Forest Institutions</p>	<p>Contribution agreement (750,000 EUR)</p> <p>National Contribution (Service Contracts – 50,000 EUR and Supply contracts 200,000 EUR = 250,000 EUR Total)</p>	<p>Total budget: 1,000,000 EUR</p> <p>IPA budget: 750,000 EUR</p> <p>National co-financing: 250,000 EUR</p>	<p>Forest Administration retains current legal role</p> <p>Forest Administration has adequate budget and organisation</p>
<p>Activity 2.1 Setting up and training staff of Forest Administration Human Resource Unit and Extension Unit</p> <p>Activity 2.2 Complete a needs assessment and prepare outline of certified courses for staff of all state forestry institutions and the private sector entities in forestry.</p> <p>Activity 2.3 Detailed development of certified courses for staff of all state forestry institutions and the private sector entities in forestry and delivery of training</p>			

<p>Activity 3.1 Complete a needs analysis, and draft technical specifications for Forest Information System, including a log tracking system (i.e. barcodes).</p> <p>Activity 3.2 Purchase of hardware and software and provide necessary training in its use.</p> <p>Activity 3.3 Review and strengthen information gathering, processing and management to support Forest Management and monitoring systems that are aligned with EU regulations and standards (especially Natura 2000)</p>			<p>Pre conditions:</p> <p>Establishment of a Human Resources Development unit within the Forest Administration</p> <p>IPA funding available</p> <p>Results of current assistance projects achieved</p>
--	--	--	---

ANNEX II: amounts (in M€) Contracted and disbursed by quarter for the project

Contracted	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	TOTAL
Contract 1 (IPA)	750.000								750.000
Cumulated	750.000								750.000
Disbursed									
Contract 1 (IPA)	300.000			185.000		190.000		75.000	750.000
Cumulated	300.000			485.000		675.000		750.000	750.000

ANNEX III Description of Institutional Framework

The Ministry of Agriculture, Forestry and Water Management is the Government authority that in the hierarchy has the leading role in the process of forest resource management, and in development of economic and other sectoral policies, which it accomplishes by proposing to the Government of Montenegro, and by implementation of these policies. In organizational terms, forestry sector in the Ministry is divided into three departments: Strategic Planning Unit, Planning and Monitoring Unit (CMMU) and Inspection.

The Forest Administration is the state administration body responsible for forest management, and according to the Law, its responsibilities include the following:

- improvement of silviculture, protection and forest utilisation;
- adequate tending, reforestation, establishment and improvement of forests (biological reproduction), selection of seed stands – health status examination and provision of seed and planting material;
- conservation of natural and created forest values, prevention and elimination of harmful impacts of all biotic and abiotic factors, which put those values at risk, and recovery of the current condition;
- protection of forests and forest land from usurpation and illegal utilisation, fires, etc.,
- managing the reporting and prognostic unit;
- forest management planning, which is implemented through development of general and operational management plans, programmes and forest management plans, implementation projects and aforestation plans and programmes for bare land;
- development of forest roads programmes;
- tree marking, measurement and stamping trees and issuing certificates of origin for forest assortments;
- releasing state forests for utilisation through contracts, and monitoring tenders, keeping records and forestry databases (informational system);
- professional development (counselling, courses, etc.).

According to authorizations given by the Forest Law, the Forest Administration manages state forests and executes professional activities related to private forests management (planning, tree marking, protection, etc.). The Forest Administration is divided into 15 regional units and the Headquarters in Pljevlja. While execution of works in forests and processing of forest products is left to private sector and the market, the Forest Administration will have a key role in accepting and practical implementation of the EU standards.

ANNEX IV Reference to laws, regulations and strategic documents:

Montenegrin Texts

- Law on Forests (2000)
- Law on Game and Hunting (2008)
- Law on Forest Reproductive Materials (2007)
- National Forest Policy (2008)
- National Action Plan on Combating Illegal Activities in Forestry (2009)
- Strategy for Revitalization of Wood Industry
- Agenda 21 (1992)

International Conventions

- UN Framework Convention on Climate Change (UNFCCC) (1992)
- Convention on Biological Diversity (2001)
- Convention on Long-range Trans-boundary Air Pollution (1979)
- Convention on Wetlands of International Importance (Ramsar) (1977)
- Convention on International Trade in Endangered Species (CITES)(2001)
- Protection of the World Cultural and Natural Heritage (1972)

European Texts

- Resolutions of the Ministerial Conference on Forest Protection (2003)

European Union Texts

- European Council Directive No. 43/92 on the conservation of natural habitats and of wild fauna and flora (1992)
- European Council Directive No. 409/79 on the conservation of wild birds (1979)
- Council Regulation 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (and all relevant amendments);
- European Council Resolution No. 1999/C 56/01 of 15 December 1998 on a forestry strategy for the European Union;
- European Council Directive No. 1999/105/EC of 22 December 1999 on the marketing of forest reproductive material (1999)
- Commission Regulation (EC) No 1602/2002 of 9 September 2002 laying down detailed rules for the application of Council Directive 1999/105/EC as regards the authorisation of a Member State to prohibit the marketing of specified forest reproductive material to the end-user;
- Regulation (EC) No 2152/2003 of the European Parliament and of the Council of 17 November 2003 concerning monitoring of forests and environmental interactions in the Community (Forest Focus);
- European Council Regulation (EEC) No 1615/89 of 29 May 1989. Establishing a European Forestry Information and Communication System (EFICS)
- Council Regulation (EC) No 1100/98 of 25 May 1998 amending Regulation (EEC) No 1615/89 establishing a European forestry information and communication system (EFICS)
- European Council Directive No. 89/68 on framework law of the member states on the classification of wood raw materials (1968)

- European Council Directive No. 1232/98 on statistical classification of products per activities in the European Economic Community (1998).
- Regulation (EC) No 1655/2000 of the European Parliament and of the Council of 17 July 2000 concerning the Financial Instrument for the Environment (LIFE)
- Regulation (EC) No 614/2007 of the European Parliament and of the Council of 23 May 2007 concerning the Financial Instrument for the Environment (LIFE+) - Commission statement
- Proposal for a Regulation of the European Parliament and of the Council laying down the obligations of operators who place timber and timber products on the market {SEC(2008) 2615 and SEC(2008) 2616}
- Communication from the Commission to the Council and the European Parliament on an EU Forest Action Plan {SEC(2006) 748}.

Montenegro, Ministerial Conference on the Protection of Forests in Europe and National Forest Programme

Ministerial Conference on the Protection of Forests in Europe (MCPFE) is regional political process, and since 1990 it continues to address the protection of forests by further building of sustainable management of forests in Europe. Ministers and officials responsible for forestry have committed to continue making efforts in this direction and continue to contribute to achieving sustainable development in this field. As a result of these Conferences, European Ministers responsible for forests endorsed 5 Declarations and 19 Resolutions, which have been integrated into Forest Policies of signatory countries at regional, national and sub-national level. contribute to sustainable development.

On the Fourth Ministerial Conference on the Protection of Forests in Europe held in Vienna in 2003, **Montenegro** signed the Vienna Declaration “European Forests – Common Benefits, Shared Responsibilities”, and five Resolutions. Especially important is the Vienna Declaration 1 “Strengthen Synergies for Sustainable Forest Management in Europe through Cross-Sectoral Cooperation and National Forest Programmes“, which defines more closely the concept of the National Forest Programme (NFP).

National Forest Programme constitutes a participatory, holistic, inter-sectoral and iterative process of policy planning, implementation, monitoring and evaluation at the national and/or sub-national level in order to proceed towards the further improvement of sustainable forest management as defined in Helsinki Resolution H1, and to contribute to sustainable development. (definition of the Ministerial Conference on the Protection of Forests in Europe, Vienna Resolution 1)

In order to ensure integral forest management planning and forest stability and functions, and in line with the most recent international principles of forest management, Montenegro attended the Fifth Ministerial Conference on the Protection of Forests in Europe, which was held in November 2007 in Warsaw, where it signed the Ministerial Resolution (Warsaw Resolution) and two Resolutions: Warsaw Resolution 1 “Forests, Wood and Energy“, and Warsaw Resolution 2 “Forests and Water“.

The documents signed in Vienna and Warsaw has an important role in defining the direction of the entire ongoing reform of forestry sector in Montenegro. Formulation of the National Forest Policy is the first step in the process of implementing the National Forest Programme in Montenegro. One of the most priorities in the NFP process in country is a reform of Government institutions and departments in forestry sector and **building human resources at all levels**. Furthermore, one of the principles of NFPs in Europe is **capacity building**. It is stressed that “*NFP process can profit from adequate competencies and skills of the actors involved provided that appropriate participatory models and techniques are applied. Therefore, NFPs aim to further develop the intellectual, human and institutional capacity and an enabling environment for sustainable forest management. The importance of building new capacities by means of training, education and research, and making best use of existing capacities is emphasised in particular with regard to **Central and Eastern European Countries**. Building capacity and knowledge at all levels also supports and facilitates a holistic and intersectoral approach.*” (Vienna Resolution 1, Annex: MCPFE Approach to NFPs in Europe).

ANNEX V: Details per EU-funded contract (*) where applicable:

The above-mentioned activities will be implemented through the following contracts:

Contract 1: Delegation Agreement: This contract (total 875,000 Euro) will be signed with Lux-Development who will implement the project through the Indirect Central Management (ICM) mode. Contract 1 will be financed by IPA funds with 750,000 Euro with 125,000 Euro of co-financing from Lux-Development via FODEMO project. FODEMO will implement this delegation agreement through a number of subsidiary service and supply contracts using its procurement procedures. These would include the following:

- contracting (a team of) legal experts in each respective field in the forest sector to ensure completion of the secondary legislation in accordance with European Regulations and Standards / *acquis communautaire*.
- designing a comprehensive capacity building programme for the Ministry of Agriculture, Forestry and Water Management and Forest Administration staff, which will achieve implementation of activity 1.1;
- preparing a Training Needs Assessment (for both State and Private Sector staff) which will achieve implementation of activities 1.2 and 2.2;
- preparing detailed development of certified courses for both state and private sector entities in forestry and delivery of training. This will achieve implementation of activities 1.3 and 2.3;
- undertaking a needs analysis, and defining technical specifications of equipment and software for a Forest Information System and log tracking system that supports Forest Administration and Ministry of Agriculture, Forestry and Water Management to implement its new forest management and monitoring system. This will implement activity 3.1. (N.B. Some of this design work will be funded by the existing FODEMO Project);
- Procurement of the recommended hardware and software for the Forest Information System would be made using existing FODEMO funds and from a Supply Contract with the Forest Administration and Ministry (see Contract 2).
- adaptation of Forest Administration and Ministry of Agriculture, Forestry and Water Management business processes to align them with EU Standards (in accordance with recommendations of the Business Process Review). This will implement activity 3.3.

IPA resources (€ 750,000) will be delegated to Lux Development (LD). LD has recently received confirmation from EC Brussels of LD readiness to cooperate with the Commission in the Indirect Centralised Management (ICM) mode – meaning that funds for IPA could be channelled through Lux-Development and managed by FODEMO team, through existing LD administrative procedures.

In addition to this, SNV Montenegro will provide assistance in extension service provision to private forest owners according to standards of EU countries, and SME development in forestry and wood processing.

Both Lux-Development and SNV will provide continuous advice on organizational and functional reform of state forest administration and advice on the design of an integral forest information system; concepts / methods / modules for training of State and Private sector

staff; and a core group of trained trainers who will implement the training modules. IPA funding will support the rolling out of such new systems, through training of staff.

The Ministry of Agriculture, Forestry and Water Management proposed Lux-Development as the appropriate partner to implement the IPA project for the following reasons:

Lux-Development received confirmation from EC that it fulfils the following criteria to be entrusted with budget implementing tasks in the indirect centralized management mode: Effective and efficient internal control system; Accounting; External Audit; Procurement; Public access to information.

Lux-Development is the leading donor in forestry sector in Montenegro and has the existing project management capacity to manage the EC funds through ICM Mode with little additional administrative cost;

SNV Montenegro, which also supports Forest Sector development in Montenegro, was considered as another option as implementing partner, but does not yet have approval to manage EC funds under ICM Mode. It is also increasingly operating as a service provider organization and is interested to compete as a service provider for tenders prepared within project implementation process.

Contract 2: Supply Contracts to purchase equipment, software and associated training for Forest Information System and tracking system for Forest Administration offices and Ministry of Agriculture, Forestry and Water Management. This will implement activity 3.2. This contract would be 100% financed by a National Contribution of 125,000 Euro, i.e. from Ministry of Agriculture, Forestry and Water Management (25,000 Euro) and Forest Administration (100,000 Euro).