



## **CNVP Annual Report 2014**

**Connecting Natural Values & People Foundation - Netherlands**

a legacy organisation of **SNV** in the Balkans

# CNVP Annual Report 2014

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## Abbreviations

BD:	Business Development
CFF:	Connecting Family Forest project
CNVP:	Connecting Natural Values & People
EC:	Employee Council
ESP:	Environmental Service Project
EU:	European Union
EU TR:	EU Timber Regulation
FLED:	Forest for Local Economic Development project
FAO:	Food and Agriculture Organisation of United Nations
fte:	Full time equivalent
FPUA:	Forest and Pasture Users' Association
GDP:	Gross Domestic Product
IPARD:	Instrument for Pre-accession Agriculture and Rural Development
KFA:	Kosovo Forest Agency
LGt:	Local Government units
MoE:	Ministry of Environment
MT:	Management Team
NACFP:	National Association of Communal Forests and Pastures
NAPFO:	National Association of Private Forest Owners
NNA:	Alfred Toepfer Academy for Nature Conservation, Germany
NTFP:	Non-Timber Forest Products
PEFC:	Programme for Endorsement of Forest Certification
PES:	Payments for Environmental Services
PFO:	Private Forest Owner
RD:	Rural Development
RE:	Renewable Energy
RiSSC:	Research Centre on Security and Crime, Italy
REFORD:	Regional Centre for Forestry and Rural Development
Sida:	Swedish International Development Agency
SIPU:	Swedish Institute for Public Administration
SFC:	State Forest Company
SFM:	Sustainable Forest Management
SNV:	SNV Netherlands Development Organisation
SSPDF:	Strengthening Sustainable Private and Decentralised Forestry project
WB:	World Bank

# CNVP Annual Report 2014

## Foreword of the Foundation Board

CNVP is gradually developing. After the demerger and establishment of CNVP we have now made the transition from the existing programme and projects into a new programme with two main projects on forestry and rural development. These projects are in cooperation with Sida for the coming four years and provide capacity building and advisory services to our partners in the projects.

Our focus remains on supporting and working with local organisations, building their capacities with the aim of improving the livelihood of rural communities depending on natural resources. Most of these communities live in mountainous areas, where forest, agriculture and nature are very important. Other economic opportunities are limited and people depend on these resources for their rural and economic development. Although slowed down due to the economic crisis economic development continued in the Balkans, but this is taking place in urban and economic centres, the rural and especially mountainous areas fall behind in economic development and people struggle with their development. Governments try to address this through rural development programmes. The European Union has a large focus on rural development in which increased attention and effort is given to renewable energy and climate change issues. Forestry and other natural resources play an important role in this. It remains a challenge yet to incorporate this in programmes in the Balkans, while increasingly effects of climate change are noticed; flooding, extreme rainfall and erosion.

Through the projects CNVP works with its local partners to help them in their organisation, representing people and addressing the issues for sustainable management of the natural resources securing products, income and environmental services. In 2014 CNVP has been working with over 60 associations related to forestry and other natural resources and over 30 local governments. Through this about 450,000 households in rural areas were reached. In relation to this CNVP worked with 5 related ministries and 19 institutions.

Combining capacity building, working closely with local organisations and people in the local context on specific expertise such as forestry, renewable energy, nature conservation and climate change and connecting this in wider developments, policies and programmes remains CNVP's focus. In line with our strategy we gradually strive to expand the programme in these areas and in the Balkan region. Beside the large projects with Sida we cooperate with several other partners to achieve this, such as EU, WB PEFC, RiSSC, Conlegno or NNA Toepfer Academy. Our strategy till 2016 gives guidance to enlarge our partnerships and widen our resource base. We will invest in our quality of the work and services delivery in developing areas such as climate change and renewable energy.

The achievements made during the year 2014 have been made feasible by the team of CNVP and the partners we work with. The transition of the programme was a major achievement providing the base for our continued work and development to improved livelihoods of rural communities.

**On behalf of the CNVP Foundation Board,**

**Michel Farkas, Chair person  
18 April 2015, The Hague**

# Part I: Annual Report

## 1 Introduction

The second annual report of CNVP is reflecting on the developments in the 2014 against the annual plan 2014 of CNVP. Rural communities depend for large extend on their natural resources. Sustainable management of these resources and increased capacities and empowerment of the rural communities and the related institutions are required. CNVP through the implementation of its programme has contributed to this in the Balkan. This report provides the results achieved during 2014. The report is made for CNVP overall including the inputs from the different countries. The annual accounts of CNVP correspond to the financial year 1 January 2014 till 31 December 2014.

The purpose of this report is to review the results achieved and progress made regarding our priorities and strategy. It serves to reflect and learn from the progress made and define the priorities that need to be addressed in the coming period. Specific attention is given to the progress on the programme development and business development of CNVP within 2014. It also serves to provide our annual accounts and insight in the financial situation of CNVP.

## 2 Summary

This year was an important year for CNVP in which a transition is made from the previous projects coming from the demerger to a new programme with two large Sida projects and some smaller other projects from the EU and PEFC. The new Sida projects started however with a considerable delay of four months. This has impacted the planned results for 2014. Unfortunately the third regional Sida project has not been approved. This has an effect on the results CNVP can achieve regarding supporting family forestry in the region, as well to expanding the programme in the region. The current programme with the two Sida projects in Albania and Kosovo provide however a good base for further development of CNVP's programme.

The region CNVP works in remains focused on EU integration and economic development. Rural development becomes increasingly important to address economic development and issues on climate change and renewable energy. The reform process take longer and constant pressure is needed to engage all stakeholders and communities' needs.

The previous projects of Sida for Albania Communal Forestry II and Kosovo and region Private and Decentralised Forestry are completed during the spring. The projects achieved good results in which the associations engaged have been strengthened and enable to represent the family forest owners. Increasingly sustainable forest management practices are used and in Kosovo a gradual increase is seen on legal harvested private wood. Illegal logging remains a concern for public forests. In Albania good results are made with land tenure and user rights for communal forest in which for the first time people have received formal rights. The new Sida projects FLED in Albania and SSPDF in Kosovo have completed their inception phase engaging with the partners and finalising the result frameworks.

The WB PROFOR project is completed successfully. The study results provide insight in the role sustainable forest practices have in erosion control which can be used for watershed management and payment for environmental services. The results are disseminated and published by PROFOR and used as an example in an EU DG Agr-Env publication. The PEFC certification awareness project continued in a follow up project for establishing SFM certification standards for Macedonia. The EU TREES project is implemented for European

region with an Italian based consortium and support the law enforcements to reduce illegal wood entering the EU market among others from the Balkan. A small environmental education was implemented in Macedonia on nature education for children.

During 2014 we gained 5 new projects of which the Sida projects are the most important as well as the EU TREES project. Besides these we gained two smaller projects with PEFC and NNA Nature Regio. Overall BD is not fully satisfactory due to the fact that CFF regional project with Sida was not gained. The overall advisory day realisation is only 52% from the original plan. This very low realisation is due to late start of the new Sida projects (September instead of May 2014) and not gaining the Sida CFF project.

Additional time and effort was made on business development, especially for the Sida projects and adjustments needed according to Sida requirements for these projects. Also further attention was given to learning for example on result based management within project cycle management. The total staff increased with one staff to 25 fte in 2014. This was less than planned since the regional project did not start.

The budget deviates from the plan due to the delay with the Sida projects. The income achieved in 2014 was lower than planned. Savings were made, but there is a loss in 2014 of € 336,279, which is reducing the general reserve. The general reserve (€ 850.495) remains however well above our initial starting capital. The situation does not lead to an immediate threat of continuity of the organisation. The annual accounts and financial statements of CNVP are provided in the second part of the report.

### **3 Our CNVP direction and developments**

During 2014 a transition completed from projects coming before the demerger of CNVP in a programme fully with projects gained by CNVP. A major transition is made from the previous Sida (Swedish International Development Agency) projects in Albania and Kosovo to the new projects of FLED (Forest for Local Economic Development) in Albania and SSPDF (Strengthening Sustainable Private and Decentralised Forestry) in Kosovo. Based on communication and indication from Sida it was planned that these project would start at end of the spring. The practice showed that much more time was needed by Sida to complete the process. This has resulted in large gap between the projects of about 4 months. The contracts were signed in the end of August and project implementation started immediately.

The transition from the Sida projects was the most important priority for CNVP this year, with the new projects a very good foundation is made for the programme in the coming years. It will allow for continuity for most of the programme for the coming 4-5 years.







In addition to the two country based projects a regional project was foreseen with Sida as based on the interest from both Sida and CNVP. During the inception phase of the two project the regional project proposal was further elaborated and provided to Sida in November 2014. Unfortunately Sida decided not to approve the regional project in the end of December for which we were informed early January 2015.

This decision has an effect on the impact CNVP can achieve in the developments regarding family forestry in the region and support rural communities in the sustainable developments. It also has an effect on the level and pace of CNVP's expansion in the region. Our mission and strategy is not changed however and CNVP will strive to achieve this for which adjustments and efforts will be made in 2015. To a limited extend as directly related to the existing Sida projects some regional activities can be included. This will be taken into account in 2015 as well.




Progress on the priorities is presented below.

Reading guide:

Green: on track according to plan  
 Orange: delay or result(s) are not according to expectations. Additional effort is necessary  
 Red: targets/deadlines (will) not be met by the end of 2014

Priority	Progress and action	Score
Complete the Sida project development for the follow up phases (Albania, Kosovo and Regional) leading to project agreements and arrange the start-up of the projects	The Sida projects for Albania FLED and Kosovo SSPDF are contracted and started implementation. The regional project CFF was not gained. <u>Action:</u> Small adjustment including some regional activities will be made within the existing project in 2015. Annual plan of 2015 will be adjusted and increased BD made to adjust to the situation but remaining our focus on the CNVP strategy regarding impact and programme development.	
Expansion of CNVP presence in the region in Montenegro and Serbia, with set up of small CNVP structures and offices	This will be adjusted based on not gaining the Sida regional CFF project.	
Further business development; widening the resource base (different donors) and increasing the portfolio (different clients and partners and added themes; environment, renewable energy-wood biomass)	The aim for 2014 is 5-6 additional assignments is just gained with the two Sida projects, PEFC forest certification standards for Macedonia, EU regional TREES project on law enforcement and a very small assignment on environmental awareness. However progress is not fully satisfactory due to not gaining the regional Sida project and the limited number and size of other assignments. Quite some proposals were not gained during the last months in 2014. <u>Action:</u> Additional effort on BD obtaining an increased pipeline (concrete submitted opportunities)	
Further strengthen the BD practices on screening, networking, including profiling of CNVP and knowledge development	The BD practices improved and CNVP is earlier identifying opportunities and screening these for follow up and processing. <u>Action:</u> Continuation and practice of the BD set procedures	
Quality control on our service delivery; support on advisory work, regular staff performance monitoring, review on work plans and results and team reviews	Performance assessments are made for all staff. Team meetings are conducted regular. Work plans are reviewed for the projects. The process for result measurement is reviewed and adopted, which is included in the Sida projects for regular result measurement.	
Quality control on our internal organisation; appropriate financial closure of 2013, including tax regulations on profit, regular monitoring on management indicators and internal monitoring on performance	The audit is completed with a good result. The issues identified are addressed. The EDP audit and tax review are in process and will be completed in 2015. <u>Action:</u> Completion of the EDP audit and tax review	



Effective learning and reflection within the CNVP team (personal development practice)	All staff include personal development plans in their assessments. A general learning plan is included in the annual plan for 2015. Detailed plans will be made at country team level early 2015 based on the annual plan. <u>Action:</u> Complete the team learning plans early 2015	
Investigate opportunities for international partnership and operational secretariat and based on the options and agreement with the CNVP Board start arrangements	This was not done in 2014. The secretariat support continued through the CNVP Chairperson's office. It is postponed for 2015 <u>Action:</u> Address secretariat issue in 2015	
The total budget with the planned expenditure for 2014 of 2.1 million € will result to a small surplus	The budget deviates from the plan due to the delay with the Sida projects. There is a loss for this year of € 336,279. This is due to the gap in the transition. The general reserve is reduced to € 850,495, still above our initial working capital. This is not giving an immediate threat to continuity of the organisation.	

Clearly the most urgent issue is our efforts on business development and acquisition. The two most important Sida project were gained which gives a good base for the current programme for the coming years, but additional effort is needed on resource diversification to obtain long term sustainability and further programme development.

## 4 Background and context

The requirements of EU are in general supportive and often used by gradual strengthened civil society groups such as the forestry associations in their effort for forestry and rural development reforms. The general focus of governments on rural economic development and supporting producer groups is supportive to this. However the inclusion of forestry in such programmes, like IPARD is very limited. The EU policy has an increased focus on forestry linked to renewable energy and climate change in its policy. However, this is not yet reflected in concrete measures in the country programmes.

In **Albania** during 2014 with ongoing institutional reform, a major step was reorganization of forestry structures inside Ministry of Environment (MoE). State forest service staff is reduced more than 50% at all levels. For the first time a real separation of control and management roles are set up in the state forest service. The forest extension service remains one of the main parts of forest management structure. The legislative reform is progressing very slowly. The draft forest law is pending for two years, creating many problems between different stakeholders in fulfilling their roles in forest management, especially for communal forest and functioning of forest users associations.

The new territorial-administrative division is approved by the parliament and is a major step towards full decentralised local government. It directly will influence to better management of natural resources. The total number of LGt units (Local Government Units) under the new division is 61 (instead of 375 LGt units). Local election are at 21 June 2015.

In terms of sustainable management of communal forest and pastures for both central and local governments the same challenges are remaining in the coming period, like registration of transferred forest and pasture land, legalization of traditional users, strengthening of local groups and associations and their sustainability, financial Rural



Development (RD) schemes etc. In support of this, Albanian Government and World Bank will launch in February 2015 the new Environmental Services Project (ESP).

In **Macedonia** the political situation is not in favour to EU accession processes. The Government is continuing in practicing very centralized way of political management. Many legal documents in 2014 were brought by the Government and passed the parliament without proper consultation with stakeholders. The Government used their position of overruling other parties and by passing society. This happened also with amendments on the Forest Law affecting forest owners in negative way. Using a fast procedure in a period of 10 days the Government proposed and Assembly has accepted amendments. The improvements made before in the forest law from 2009 are erased. The system of licensed forestry engineers to perform activities in procedures for private forest management are abolished and full monopoly is back to the State Forest Company (SFC). Now all conditions, price and quality of service for private forests are in hands of SFC. The forest owner is no longer able to select for the service in private forest as it was before. There is no market competition and the price is not negotiable. The National Association of Private Forest Owners (NAPFO) and association of licensed forest engineers complained to the Government, parliament and Ministry, asking to discuss for changes, but nobody responded.

In the framework of Rural Development (RD) programme regarding forestry measures no improvement. NAPFO was asking access to the RD programme according to the announced official programme for 2014, but no concrete application was made known. The IPARD (Instrument for Pre-Accession Rural Development) paying agency only published a call for forestry measures 16 December leaving only two weeks for forest owners to apply on three measures for support. Having in mind that forest owners need to have valid offers for the measures, make a contract with IPARD before implementing a measure and the period of year when usually due to winter there is not any work at forest it was obvious that measures were not published with expectations that somebody will apply. It was seen that the Government Paying Agency shows in front of others that they take care of forest owners also.

NAPFO remained as organization representing the interests of forest owners in the country. Besides being engaged in implementation of activities in Sida regional project, NAPFO was engaged in EU project with partners from Greece. NAPFO continued to be active in following the recent development related to private forest management in the country in the framework of their abilities despite the limited budget available.

The State Forest Company continued having losses in their management of state forests. In 2013 the parliament agreed to erase all dues from SFC related to VAT (Value Added Tax). Since then again SFC is in depth of more than 4 million € unpaid VAT. SFC is not producing the quantities of firewood that are in their plans, resulting in a lack of firewood on the market and prices went up to 65 euro/spatial m<sup>3</sup> (a 30% price increase on the market than usual price for the winter period).

Year 2014 was an important year related to the political events in **Kosovo**. National elections took place in June 2014, resulted in a new government established late in November. A new forest law is drafted, based on the SFM (Sustainable Forest Management) principles, proposing that state forests to be under Kosovo Forest Agency (KFA), and private forests to be monitored and supported by the municipalities providing services to private forest owners, based on decentralization according to the Ahtisaari "package". KFA would, however, remain to have 6 regions aiming to simplify the system of cutting licences. The draft law itself and its implementation is commented by experts rather restrictive than enabling and may continue to be too bureaucratic not enabling for proper forestry. On the other side the draft law enables more professional and efficient ways of forest management e.g. concessions. The new draft lacks the clear guidelines and keeps the confusion according the management of existing coppice forest as renewable energy sources. The draft law is not approved and it is not clear yet when the process for

adoption will start. The second National Forest Inventory presented in the first months of year confirmed the big gap in annual planning (less than 0.2 million m<sup>3</sup>) and real wood harvesting, (an average of 1.6 million m<sup>3</sup> each year) in the last ten years. The project "Support to Forest Management Planning with Geographic Information System", funded by the Norwegian Ministry of Foreign Affairs, from 2006 ended. Besides a FAO (Finnish funded) project on forestry national level issues and the FLED project there are no other initiatives. There is no consensus among policy makers on the role of forest biomass on economic aspects and bioenergy. The cost of energy in Kosovo is high in a national as well as in a household perspective. Still, measures to save energy have no priority.

## 5 Project progress and results

The programme of CNVP has a few larger projects and several smaller projects or assignments. The implementation of the projects during 2014 is completed as planned. The start of the Sida follow up projects was later than planned but the inception phase of the FLED project in Albania and the SSPDF project in Kosovo are completed. Care has been taken to complete all activities within the time frames. The reporting in this chapter is based on the projects, some are cross country and have input from different countries.

The following projects were under implementation during 2014:

- Sida AL II: Strengthening Communal Forestry in Albania
- Sida FLED: Forest for Local Economic Development in Albania
- Sida Kosovo & Regional Private and Decentralised Forestry Development Project
- Sida SSPDF: Strengthening Sustainable Private and Decentralised Forestry in Kosovo
- WB-PROFOR SFM for Payment for Environmental Services (Regional)
- PEFC Forest Certification and Chain of Custody in Macedonia
- PEFC Design of Macedonia Certification System for Sustainable Forest Management
- Naturegio: Get in Touch with Nature
- EU TREES: Timber Regulation Enforcement to protect European wood Sector from criminal infiltration

### Sida AL II: Strengthening Communal Forestry in Albania

Duration: 2010 June – 2014 March

Area: Albania

Donor: Sida

Total budget planned: 4,021,600 € (Sida: 3,201,600 €, SNV contribution 820,000 €)

Total budget realised: 3,799,458 € (Sida: 3,021,522 €, SNV/CNVP contribution 777,936 €)

Budget 2014 planned: 268,042 €    Budget 2014 realised: 262,835 €

Total advisor days planned: 4,430 (original) 4.750 (including extension)

Total advisor days realised: 5,116 advisory days

Advisor days, 2014 planned: 391 days    Advisor days, 2014 realised: 386 days

This was a three and half year programme to further strengthen the capacity of local forest and pasture user associations and local government units in particular, strengthening linkages between stakeholders for sustainable communal forestry and pasture management. It promoted improved decentralised decision making and planning in support of more inclusive local economic development through better secured property rights and improving income generating opportunities for forest and pasture dependent rural households, with a strong focus on promoting gender equality of opportunity. Based on a cost neutral extension agreed with Sida the project period lasted till March 2014.

The project aimed on sustainable management of natural resources in upland areas as key to improving the productivity and incomes of the population living in these areas (58% of the total), to broader landscape and ecosystems conservation, erosion control etc. Forests are critical for meeting the daily needs of people in rural and upland areas, accounting for nearly 70% of winter energy needs, as well as building material, and income from non-timber products such as medicinal plants. In rural areas, there is a high dependency on natural resources, from forests, pastures, agriculture and livestock rearing. Livestock, dependent on pastures and forest products, accounts for nearly half of agricultural GDP.

The project built upon existing experience, relationships and networks, and consolidated and replicated earlier capacity building and organisational strengthening of civil society groups, bringing in new and recently formed groups and networks into the process of decentralisation of natural resources management. It supported and promoted sustainable forestry interventions through the decentralisation of rights, roles and responsibilities, recently rejuvenated through the transfer of communal forest and pastures areas to local government control, part of Government of Albania policy.

The project followed a *rights perspective* which places people at the centre of sustainable development, promoting participation, non-discrimination, openness and transparency, as well as responsibility and accountability. It addressed and solved issues of poverty through support to rural livelihood strategies and traditional management practices, strengthening value chains for forest products. It was focused on communal forest and pasture dependent rural poor in mountain & remote regions with small land holdings, limited livelihood opportunities and resultant low income levels. It tackled and supported solving issues of forest and pasture degradation, insecure property rights, overgrazing and poor management of communal areas through clarifying roles and responsibilities of key actors, accountability of representative user organisations and both public and elected officials.

The project contributed to an improved functioning of civil society organizations, steps in legal reform, institutional building. It promoted social inclusion and gender equality in the forest sector. Working through multi-stakeholder forums, civil society local interest based organisations as well as the national level umbrella organisation, allowed flexibility and responsiveness that could not be promoted working through public institutions alone. CNVP has established close relationships with the main actors in the sector, the Federations and MoE in particular and has understanding of the issues, constraints, but also opportunities to move things forward.

**At user level**, the focus was to improve the productivity and therefore value of forest products goods and services, such that there is an incentive to invest in the management of these resources. Management and productivity of various forest types are monitored through an extensive network of permanent sample and demonstration plots (107 plots monitored through the Federations). Especially communal forest managed at individual level show good progress with increased growth and productivity. Common managed forest at times remain problematic with forest degradation.

The participatory mapping process developed by the project was implemented for the first time in Albania in 13 pilot village, delineating boundaries of forests between traditional users in order to prepare formal agreements with communes. The role of the user associations as a representative body and the regional federations as a service provider to their membership was endorsed through this process, setting the bases for continuation of the process. The participatory mapping process by the project is a basis for clarifying local traditional resource use arrangements into secure property rights was made in 13 pilot communes. User right agreements have been signed with 47 families while the project prepared the documents for 620 users. This is unique in Albania and is opening the way to others.

Support continued to develop of functional value chains for non-timber forest products, focusing on facilitation in developing sustainable marketing relations between producer groups and traders through the organisation of buyer-seller meetings. Equality of economic opportunity has been promoted through supporting women's groups and their access to value chain services. Women's economic empowerment was promoted through producer groups receiving capacity building support including presentation of products for market, sharing experiences through exchange visits to other regions.

**At commune level;** 13 Pilot communes in 6 regions have been assisted to deliver on their new decentralised responsibilities. A process of strategic planning which builds understanding of the forest received and make land management decisions and priorities in a collaborative manner was completed. This assisted the communes and local stakeholders with reaching agreement over areas that will be under family control, areas under village management and areas that will be directly managed by the commune.

A major achievement was formalising the mechanism for collection of fees and tariffs with the 13 communes. The functional fees and tariffs collection system links to resource use, along with reinvestment and service provision in each commune to consolidate the system. This is closely related with management/annual utilisation planning, property registration, strategic planning and encourage a collaborative approach to reinvestment of funds. As result all 13 communes and 72% of all communes in the project regions prepare annual utilisation plans, while 11 pilot communes are collecting fees and tariffs and 7 communes have established reinvestment funds through agreement by the council of the communes to support local development projects based on 70% of revenue collected.

A major achievement is made on **securing property rights**. This result is achieved after many years of work. Due to the strong support of the project to property registration and intensive field work, 13 pilot communes and 17 others finalized the process of property documentation at the cadastre offices, while 19 of them have completed registration of their property with the cadastre office. This is a good achieved of the project, from a baseline of zero in 2011.

**At national level,** the National Federation has been supported to continue participation on process for forestry legislation and institutional reform. Follow up on legal issues, prepare and approve an advocacy and lobbying action plan, coordination of advocacy and lobbying activities, and support informal and formal consultation processes, were supported by the project. CNVP has communicated to the MoE the willingness to collaborate and support a multi-stakeholder consultation process and series of regional meetings.

Regional consultation meetings of stakeholders are supported every year. These raised awareness of LGt units including regional councils (Qarks) and other key actors to the new arrangements and responsibilities resulting from the transfer of communal forest and pasture areas from the State to Communes. With the Regional Federations the project supported platforms in all regions of Albania to share learning and experiences as well as disseminate the learning and approaches piloted from the target Communes to other local government units.

Regional networks of nut value chain actors are supported to promote improved networking and business communication. Further coordination with the Regional Directorate of Agriculture Food and Consumer Protection over communication/awareness of Government subsidy schemes was promoted.

In all activities at all levels, communication and dissemination of learning was a priority. A formal project communication strategy was developed to verify that lessons are shared in the most efficient and effective manner. The national closure conference was held on 21 March 2014 (International day of forest) where more than 130 participants from all Albania shared about the project final results and strongly asked for continuation of such

projects in the future and in other communes and regions. The final completion report and project audit was approved by Sida in the summer 2014. The completion report contains four thematic stories according to project result areas (available at the CNVP website).

### **Sida FLED: Forest for Local Economic Development in Albania**

Duration: 2014-2018

Area: Albania

Donor: Sida

Total budget planned: 5,710,027 € (Sida: 4,948,022 €, CNVP contribution 762,005 €)

Total budget realised till date: 308,768 € (Sida: 256,780€, CNVP contribution 51,988 €)

Budget 2014 planned: 438,240 €

Total budget realised: 308,768 € (Sida: 256,780€, CNVP contribution 51,988 €)

Total advisor days planned: 7,700

Total advisor days realised: 775

Advisor days, 2014 planned: 590

Advisor days, 2014 realised: 775

The FLED project relates to a four year collaborative programme of communal forests and pastures capacity building and organisational strengthening of forest users associations, their federations and communes.

The project's main objective is: *Improved decentralised and sustainable Communal Forestry providing increased production, service and income to rural communities.* This will be achieved through the following 5 outcomes:

1. Improved decentralised CFP area management;
2. Enhanced relevance and sustainability of at least 24 FPUAs (Forest and Pastures Users' Associations), 9 Regional Federation and National Federation;
3. Forest and NTFP (Non-Timber Forest Products) value chains (further) developed and strengthened;
4. Strengthening multi-objectives forest management approaches (incl. wood biomass for renewable energy and carbon sequestration) and increase understanding and acceptance to stakeholders, in particular of policy makers and regulators
5. Improved institutional, policy & legal framework for communal forestry with special attention to governance principles.

The project direct partners are the National and Regional Federations, Forest Users Associations and selected LGUs in target regions. Cooperation partners are Ministry of Environment and Forest Extension Service, Association of Communes and other NGOs related with forestry sector and environment.

The inception period started in September till 15 December based on a specific work plan agreed. During the inception period, a number of start-up activities and meetings are conducted as well as an assessment of the situation, consultation with actors for the target areas and collection of the baseline data. Agreements are made with the main partners (Forest associations and Federations and communes) including work plans to implement the agreed activities, expected results and objectives. These assignments include indicators of performance to allow assessment and monitoring of progress and will be renewed annually as appropriate to the client-actors group and the tasks involved.

The main activities of the inception phase have been focused on revision of the result framework, preparation of project information materials; leaflets, posters, PPT, etc; which was followed with information meetings and consultations at different levels with partners, including preparation and organization of launching events in 9 regions and national level.

The baseline data collection and revision of the result framework was done to refine the results and related indicators to be able to obtain an optimal matrix serving to RBM. To



support the process of revision of the result framework a two day training and workshop was organized with external expert from Sweden. The result framework was further elaborated including the full matrix. The inception phase report is provided to Sida and approved.

### **Sida Kosovo & Regional Private and Decentralised Forestry Development Project**

Duration: 2009 January – 2014 March

Area: Kosovo, Albania, Macedonia

Donor: Sida

Total budget: 4,183,141 € (Sida: 3,581,141€, SNV contribution 602,000 €)

Total budget realised: 4,540,448 € (Sida: 3,866,263 €, SNV/CNVP contribution 674,185 €)

Budget planned 2014: 278,164 €

Budget realised: 254,848 €

Total advisor days planned: 5,400 (original) 6.180 (including extensions)

Total advisor days realised: 6,882

Advisor days, 2014 planned: 340 days

Advisor days, 2014 realised: 345 days

The forestry developments in Kosovo gradually, but slowly continues. There are some changes in the legislation regarding decentralisation which allowed the transfer of some competences to Municipalities for forestry. The process is not complete, especially the forest law process is stagnating. Capacities in Kosovo are limited especially in the municipalities, but also KFA faces lack of capacity and resources. The private forestry sector has developed considerable in Kosovo and the region, with better organisation and representation and acknowledgement in the sector.

The high level of illegal logging and unregulated harvest remains a major challenge in Kosovo and the region. This results in low economic benefits and decreased employment. It is threatening sustainable development and the environment.

Increased attention is given to inclusion of local communities in forestry. This is also reflected in the gradual inclusion of forestry in RD policies and programmes. This needs to be still effectuated concretely within the actual programmes in the region.

The organisation of associations in the countries and at regional level has improved a lot regarding private forestry. These organisations increasingly become representatives of family forest in the region and provide services to the people.

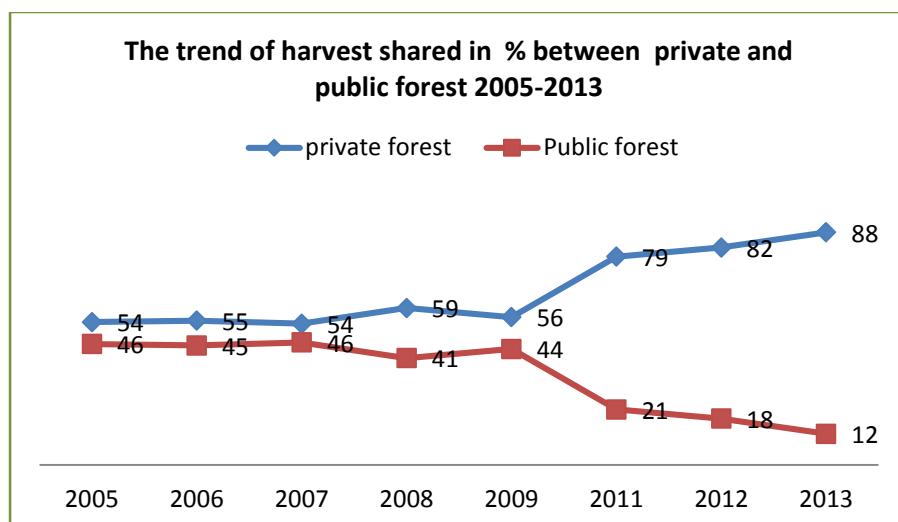
The Project "Support to private and decentralised forestry in Kosovo and its region, 2009--2013" was completed in March 2014. It contained components of support to private and decentralised forestry in Kosovo and a regional component on knowledge exchange and a sub-component on forestry education. Implementation started in 2009 with a planned duration of 4 years. In 2010 an additional component on sustainable alpine development implemented by ERA was added at the request of Sida. It was agreed to make a no-cost extension of the project till March 2014.

During the course of the project, NAPFO was re-structured to accommodate additional local associations. There are now 16 local associations established at municipal level with total membership estimated at 3,600 members. The main outputs in this area include participation in the preparation of both private and municipal forest management plans. In total 467 activities were implemented ranging from training, workshops, seminars to study visits. Through these activities a total of 7,708 people were directly involved. A number of outputs related to value-chain development for wood biomass production and utilization for renewable energy, have also been provided, in the form of studies, training, piloting and support to development of agroforestry. An innovative heating system has been installed in Peja region at a school using woodchips produced by PFO (Private Forest

Owner) from APFO Peja. This is the first type in Kosovo. In addition to training, service provision has been achieved in terms of website development for NAPFO; management planning through the preparation of 50 management plans; information shared between stakeholders through *Green Crown Newspaper* monthly issued by national associations of Albania and Kosovo. Due to the project private forestry has gained its position and role in Kosovo from being un-organised and recognised to a valuable sub-sector in forestry.

The project has implemented decentralisation pilot models in 7 villages in 3 pilot municipalities. This included the introduction of new planning approaches through which six participatory management plans in cadastral zones in the pilot municipalities have been prepared. The models covered a variety of planning and management tools and operations including training, inventories, coppice regeneration, cleaning, and thinning and biomass production. A large number of training activities and workshops at all levels have accompanied the piloting and model development activities. Five pilot projects on preparation of 10-year forest management plans have been finalized and implementation has commenced. Participatory planning and rehabilitation of coppice forests has been included in this work. It provided valuable examples from Novo Brde and Gjakova on how the huge areas of degraded forest land in Kosovo could be regenerated. Experience shows that an increased involvement in forestry management and benefit sharing by local communities will have an effect on the protection of forest lands and on decreasing illegal logging. This approach, supported by the project, of participatory forest management involving local communities for small scale coppice forest is unique in Kosovo which is providing an opportunity to address illegal logging, restoration of degraded forest and rural economic development through sustainable production of wood biomass.

The overall planning and realisation in Kosovo remains a problem. Through the project the discussion on this started and it is now accepted that the actual need and potential are much higher (more than 1 million m<sup>3</sup> annually) than the planned harvest by KFA about 300.000 m<sup>3</sup> annually. The actual realisation is even less for public forest. While private forest owners are increasingly producing wood in a legal manner (see figure below). Reduction of the bureaucratic procedures for PFO will further increase this. The application of joint forest management can address the production from public forest as has been shown in the project pilots. KFA is gradually increasing this model in its plans. Adjustment of the legal framework is needed however to fully allow this, since the current law is restricting coppice forest management.



Special sections of women has been established in the associations of Private Forest Owners in Istog, Gjakova and Nova Brde. This is due to the project's efforts in Kosovo to increase awareness of women on their role and it succeeded to involve them in management and decision made on forest in the area. Women awareness and education should be key for their qualification and empowerment, such qualifications need to include



their rights, access to capital, access to resources, technical and economical elements of the whole value chain for certain products like NTFP, chestnuts etc. The association of Nova Brde is supported with training for soil selection, seedling and plantation. Nine families member the associations have establish demonstrative red raspberry (*Rubus*) on 10,000 m<sup>2</sup>. The first fruits are collected in the autumn 2014.

The components of support to forestry education was included in the project to complete the project of NIRAS. This was completed in 2012. The technicians all completed their part time studies and remain working in Kosovo. The results of BSc and MSc are less favourable. There was a high drop out and only a few people actually are working in Kosovo. Only the BSc students studying in Zagreb were very successful.

The sustainable development component was added in the end of 2010 to the project. It focused on the Peja region in cooperation with ERA NGO. The educational centre was supported. It was restructured and renovated in an environmental friendly manner and environmental awareness and youth education was provided. The grant system provided support to small local groups to address sustainable development in the Peja area.

At regional level, the project resulted in a regional structure of REFORD with members of seven countries in the Balkan. These organisation provide services to family forestry, represent and lobby for the interest of family forestry and represent family forest owners. Through this the project strengthened the associations and has led to enhanced opportunities to influence policy change through their participation in forestry law working group. For instance, the Project and NAPFO have been instrumental in influencing government to increase production targets for firewood.

The project end report included publications related to (i) the organization of forest owners in Kosovo, (ii) process of forest management decentralization, (iii) coppice forest management; (iv) biomass production and use for bioenergy; (v) forestry and gender; (vi) organisation and networking at regional level; (vii) small scale family forest practices; (viii) service provision by associations. These are shared with main stakeholders and used in the new Sida projects.

### **Sida SSPDF: Strengthening Sustainable Private and Decentralised Forestry in Kosovo**

Duration: 2014-2018

Area: Kosovo

Donor: Sida

Total budget: 3.497.696 € (Sida: 2.979.157 €, CNVP contribution 518.539 €)

Total budget realised: 205,532 € (Sida: 169,018 €, CNVP contribution 36,514 €)

Budget planned 2014: 222,332 €, budget realised: 205,532 €

Total advisor days planned: 5,400

Total advisor days realised: 493

Advisor days, 2014 planned: 417

Advisor days, 2014 realised: 493

The SSPDF project is a follow phase and builds on the approach of the previous project for capacity building and close cooperation and involvement of the local actors in family forestry. The main focus is on improved management of decentralized forests, management of private forests as well as application of renewable energy from wood biomass. The project's main objective is: Sustainable managed private and decentralized forests secure products, income and environmental services. This will be achieved through the following 3 outcomes:

- 1: Improved management of decentralized forests;
- 2: Improved management of private forests in Kosovo
- 3: Increased application of renewable energy from wood biomass addressing environment services and income generation.

The inception period planned started after signing of the agreement at beginning of September. This was 1 month later than originally planned due to later signing of the contract. The end date of the inception phase is therefore extended till 15 December 2014 instead of 15 November 2014 as was indicated in the agreement between Sida and CNVP.

During the inception period, a number of project start up activities and meetings are conducted as well as an assessment of the situation, consultation with actors for the target areas and collection of the baseline data. One of the main activities in this phase was preparation and organization of launching events with the existing local associations and National Forest Association in Prishtina and the national launching with main partners of existing partners and clients of the target municipalities.

Preliminary to the baseline data collection a revision of the result framework is made. This was done to refine the results and related indicators to be able to obtain an optimal matrix serving to RBM (Result Based Management). This revision is done in cooperation with an international expert from SIPU Sweden on RBM and jointly with the project team responsible for SSPDF implementation. This effort is deliberately included to be able to address the specific RBM approach required by Sida and to provide proper context and timing in the result matrix and indicators setting.

The inception report is completed and submitted, including the next period project work plan and is approved by Sida.

### **WB-PROFOR SFM for Payment for Environmental Services in Albania and Kosovo**

Duration: September 2011 – October 2013 (1<sup>st</sup> phase)

Duration: November 2013 – October 2014 (2<sup>nd</sup> phase)

Area: Albania, Kosovo

Donor: World Bank

Total budget 2<sup>nd</sup> phase: 52,463 € (WB)      Total budget realised: 56,395 €\*

Total advisor days: 52 days                      Total advisor days realised: 70 days

This project based on deliverables. The actual expenditure was a bit lower on reimbursable cost than planned which was compensated with the additional day input. There is a surplus of unspent funds of 2,931 € and from positive exchange rate difference of 3,932€.

\*Higher due to positive exchange rate

The study on Environmental Services from SFM is with the completion of the case in Albania fully finished. The first phase of the study was completed at the end of 2013. The second phase continued for the Albania case in the Ulza watershed on land use and erosion monitoring. The first phase revealed the positive influence from forests on erosion control and reduction on sediments. The second phase continued the erosion

measurements with involvement of the Communal Forestry Federation and the Forestry Faculty from Skopje, Macedonia.

In the second phase additional focus was given on erosion monitoring for different forest types and situations as well gully erosion. New measurement plots were made for this and run off and sedimentation is being measured until August. An erosion risk assessment is made for the watershed as well as a second bathymetry of the lake to allow for assessing the current rate of sedimentation. Dissemination and training workshops are provided in the region on the results for Payment for Environmental Services (PES).

A closure seminar was conducted in October and all studies and results are published and approved by the WB after expert reviews. All information is available and disseminated on the project website and related blog and Facebook ([www.cnvp-wbprofor.org](http://www.cnvp-wbprofor.org)). The results are published by PROFOR and used as an example in an EU DG Agr-Env publication.

The WB ESP (Environmental Services Project) is agreed by the WB and the Government of Albania. Within this project one of the components is dealing with PES. Concrete PES schemes will be implemented including watershed management planning, continued monitoring. CNVP will be opting to continue a role for capacity service within ESP related to this as well. The ESP project will start in 2015.

### **PEFC Awareness on Forest Certification and Chain of Custody in the region**

Duration: 2013 June – 2014 March  
Area: Macedonia, Kosovo and Albania  
Donor: PEFC

Total budget: 10.850 € (PEFC: 6.950 €, CNVP contribution 3.900 €)  
Total budget realised: 10.850 €

Total advisor days planned: 26 days                      Total advisor days realised: 46 days

Engaging in certification is new for CNVP. It is seen as well as investing in our knowledge. The project took more time than foreseen. Advisory days paid in total 3,900 € by PEFC (26 days x 150 €), resulting in 85 €/day for the actual time spent. The project however resulted in a follow up project.

Based on the interest in the forestry, forest related industry and wider public about forest certification and consequences from the implementation of the EU Timber Regulation towards wood related industry, CNVP Foundation and PEFC (Programme for Endorsement of Forest Certification) have jointly implemented promotional and awareness project in the countries from the Region: Albania, Macedonia and Kosovo. In the framework of this project several stakeholders meetings were organized where global developments of forest certification were presented, PEFC forest certification procedures and criteria for Sustainable Forest Management, including recently published PEFC Chain of Custody Standard. Especially the Chain of Custody Standard was interesting for the wood exporters since it is fulfilling the requirements of EU Timber Regulation. The implementation was supported with info materials prepared for the events, such as translation of the PEFC Chain of Custody Standard, promotional brochure for PEFC forest certification and CDs with all standards, guidelines and steps for development of national forest certification scheme. In addition, for the members of the Private Forest Organization in Macedonia, a field practice was implemented to assess current forest management practice in private forests towards PEFC requirements for SFM. As final activity, CNVP organized a regional workshop in Skopje where forestry stakeholders from the region (AL, MK, KO and MNE) were able to discuss about the development and issues in the region related to forest certification.

With the promotional and awareness activities in the Region, the level of knowledge and interest amongst forestry stakeholders on forest certification and EUTR (Timber Regulation) become higher. As continuation to this activity, with support from Ministry (Forestry Sector) in Macedonia, State Forest Company and Private Forest Organization, CNVP Macedonia have submitted and won a project at PEFC Collaboration Fund "Design of Macedonian Certification System for Sustainable Forest Management".

### **PEFC Design of Macedonia Certification System for Sustainable Forest Management**

Duration: July 2014 – July 2016

Area: Macedonia

Donor: PEFC

Total budget: 45,918 € (PEFC 32,417, €; CNVP contribution 13,501 €

Note: Project contract with PEFC in CHF (exchange rate used 1,23 CHF/€ as per contract signing date)

Total advisor days: 70 days

Total advisor days realised: 11 days

Advisor days planned 2014: 0 days\*

Advisory days realised 2014: 11 days

\*Note: there were no days planned in 2014 since the project was gained only in July 2014.

The project activities started at July 2014 with signing of the contract with PEFC. The project implementation will last for a period of 2 years, but due to many partners engaged it may result with longer period of implementation. This project will elaborate the national SFM (Sustainable Forest Management) criteria & indicators and also full certification scheme for Macedonia. With the project signing first activities implemented from CNVP were on elaboration and analyse of requirements of PEFC for standard setting process, establishment of National Governance Body (NGB) and documents that are part of the scheme and necessary for the process. Initial meetings were held with project partners and other stakeholders, like Cluster for Wood Industry, to discuss the creation of initial body to work on draft criteria and indicators for SFM and basic documents that are necessary for the NGB: Statute, Standard and revision procedures, work group nominations etc. The actual work of the working group starts in 2015.

### **Naturegio: Get in Touch with Nature**

Duration: August 2014 – December 2014

Area: Macedonia

Donor: Alfred Toepfer Academy for Nature Conservation (NNA), Germany

Total budget: 3.330 €

Total advisor days: 20 days

Total advisor days realised: 21 days

The "Naturegio" project is used as initial step to involve CNVP in Nature Conservation. However the budget funds and timing was very limited therefore it was chosen to implement activities with visible impact that will be easily measured and promote CNVP. While at the same time, this project provided an extensive training on nature conservation for the CNVP Macedonia advisor involved.

The "Get in touch with Nature" project aimed to increase awareness and promote forests as important habitat for many animals, with two objectives: To improve forest awareness of at least 100 children from local primary schools; to improve education about Macedonian forests in the Skopje Zoo centre. Children are a key point for changing the human attitude towards nature. It enabled students to understand a linkage of the forest resources with wildlife's needs and values, how people and their activities impact wildlife and the communities we share.

The first group of activities was related to produce a "Forest exploring guide" for primary school and kindergarten teachers. In this line the project prepared a short handbook to be used as a supplementary material for teaching nature sciences, more specifically forest ecosystems. The second group of activities related to conduct 7 forest educational workshops in the Zoo educational centre. A group of 27 teachers, from 6 preschools and 4 kindergartens, was trained and later involved in replicating workshops with over 210 children to improve awareness on forests importance. Third group of activities related to construction of forest educational trail. The educational trail offers unique opportunity for better understanding natural resources, interrelationships, environmental issues, and reflect current education theory and practice.

All project activities were successfully implemented, receiving a lot of publicity in Macedonia. Because of its interactive character it was welcomed incredibly positive and people of different age found it interesting and useful. Further project opportunities on larger scale are discussed with NNA.

### **EU TREES: Timber Regulation Enforcement to protect European wood Sector from criminal infiltration**

Duration: October 2014 – May 2016  
 Area: EU, Macedonia, Albania, Kosovo  
 Donor: EU

Total budget: 45,530 € (EU 41,321 €, CNVP contribution 4,209 €)

Total advisor days: 145 days	Total advisor days realised: 40 days
Advisor days planned 2014: 0 days*	Advisory days realised 2014: 40 days

\*Note: there were no days planned in 2014 since the project was gained during 2014.

The Trees Project (Timber Regulation Enforcement to protect European wood Sector from criminal infiltration) is a 20 month transnational project aiming at enforcing the EU Timber Regulation (N°995/2010) support implementation as instrument to fight corruption. It is a research project funded by EU as part of the ISEC Program (Prevention of and Fight against Crime). TREES aims at exploring anti-corruption potentialities of EU-TR, increasing cooperation among law enforcement agencies and private operators, improving their cooperation to fight against crime and transfer knowledge to EU member states.

In order to reach its goal the project will:

- collect data concerning criminal routes and criminal events in the EU market, implement vulnerability assessment on corruption of the Due Diligence System, identify weak points;
- develop a survey on timber crime to identify law enforcement agencies and private operator's perceptions and experiences concerning corruption in timber sector;
- develop a tool to assess the various level of risk of corruption in timber market and collect best practices in risk mitigation;
- develop a toolkit to prevent and combat corruption in private business in order to provide market operators and law enforcement agencies with suggestion on how to implement risk mitigation procedures;
- transfer the results through the organisation of seminars for stakeholders taking place in Lyon at INTERPOL, in Macedonia, Albania, Kosovo and Bulgaria.

A kick off meeting was held in Italy where partners in the project discussed about the upcoming activities and tasks. Based on that it was agreed that every partner from the project will start working on the research to point out the current situation on illegal activities in forestry and wood trade in their countries. The methodology proposed to implement desk research on current national/international legislation related to forestry and wood marketing, interviews with at least 5 institutional representatives and to present at least 5 cases of illegal activities in forestry and wood trade where final decisions by the court were implemented due to law violation.

## 6 Business Development

In 2014 the main BD focus was gaining the Sida projects (Albania, Kosovo, and Regional). The first proposals were delivered already in 2013 and based on the inputs from Sida revision and submission of the projects was conducted in 2014. The projects for Albania FLED and Kosovo SSPDF were contracted and implementation started in the end of August 2014. The regional CFF project was dealt with on suggestion of Sida during the inception phase. The result framework was adjusted and an overall review was made related to Sida's comments. The CFF proposal was submitted in November to Sida embassies. Unfortunately Sida Head Office decided not to approve the regional project in the end of December for which we were informed on 8 January 2015 by e-mail.

As explained before this is a very unfortunate situation and is also not in line with the communication and joint development efforts undertaken with Sida before. However, for a longer term sustainability of the programme of CNVP the acquisition of the FLED and SSPDF projects were most important. In consultation with Sida in the beginning of 2015 some regional activities will be included within the two projects to address issues related to Albania and Kosovo at regional level.

During 2014 CNVP was awarded three other contracts. The three new projects are financed by various donors and range in different sizes. Most of the new contracts are of smaller nature. The total budget of the gained projects is about 120.500 € of which about 100.000 € is for CNVP advisory fees. This amount is not very significant but important regarding the confidence of donors granting assignments to CNVP and widening our profile.

The following project were gained during 2014:

- Strengthening Sustainable Private and Decentralised Forestry (SSPDF), in Kosovo, 4 years, 3,6 million € (cost share 15%) with 5.400 advisory days, donor Sida
- Forests for Local Economic Development (FLED), in Albania, 4 years, 5,75 million € (cost share 20%) with 7.700 advisory days, donor Sida
- PEFC Design of Macedonia Certification System for Sustainable Forest Management, in Macedonia, 2 years, 57.113 € with 25 advisory days, donor PEFC.
- Naturegio: Get in Touch with Nature, in Macedonia, small assignment with limited days during 2014, donor Alfred Toepfer Academy for Nature Conservation (NNA).
- EU TREES: Timber Regulation Enforcement to protect European wood Sector from criminal infiltration, regionally, 2 years, 63.450 € with 145 advisory days, donor EU

### BD pipeline development

In January 2014 we had 10 project initiatives in our pipeline<sup>1</sup>. The pipeline has been changing constantly during 2014. From the project initiatives remaining in the pipeline, in 2014 CNVP gained 5 projects, eleven initiatives were rejected and 3<sup>2</sup> are still in process. Beside some smaller opportunities among the rejected projects, there were several from the EU (cross border proposal Kosovo – Montenegro, Civil Society engagement in Albania and Macedonia), the next phase for the Prespa Park project on producer groups in Albania and a tender for the WB in joint effort with INDUFOR.

Country	Pipeline January 2014	Gained projects	Not gained projects 2014	Pipeline January 2015
Albania	5	1 (Sida Al)	6	
Kosovo	1	1 (Sida KO)	1	

<sup>1</sup> These are concrete opportunities either with submitted proposals, tenders or in process of elaboration.

<sup>2</sup> This includes the CFF proposal to Sida which is not obtained, early January 2015



Macedonia	1	2 (PEFC; Naturegio NNA)	2	1
Regionally	3	1 (TREES)	2	2
<b>Total</b>	<b>10</b>	<b>5</b>	<b>11</b>	<b>3</b>

The main focus in 2014 was on the Sida projects and all effort was given towards this. Although several other applications were made, especially in the summer and second half of 2014, the success rate was low. There are different reasons for this, high competition, local assessment and granting which is not always very transparent, but also not being able to get the right partnerships. And at time a limited quality of the proposal. The later issues are important since those are in our control and we need to improve for this. Being able to make better partnerships and increase the quality of our proposals.

### Portfolio development

In 2014 the transition is made from the previous Sida projects still coming from SNV to two new CNVP-Sida projects. In addition some other projects are completed and gained.

Country	Project under implementation January 2014	Project under implementation December 2014	Finished projects during the period
Albania	1 (Sida ALII)	1 (FLED)	1 (Sida ALII)
Kosovo	1 (Sida KO + reg)	1 (SSPDF)	1 (Sida KO + reg)
Macedonia	1 (PEFC awareness)	2 (PEFC SFM, Naturegio)	1 (PEFC awareness)
Regionally	1 (WB Profor)	1 (TREES)	1 (WB Profor)
<b>Total</b>	<b>4</b>	<b>5</b>	<b>4</b>

During 2014 the CNVP portfolio is completely renewed. The four projects at the start are all completed in 2014. While there are 5 projects under implementation at the end of 2014, of which FLED and SSPDF form the basis of the programme, both lasting till 2018.

Our aim for 2014 was to make the transition of the programme. This is succeeded. The resource diversification is still limited, although we gained an EU project. The EU project is at regional project and in a consortium which is providing a good experience as well enlarging our network. Based on this we are engaged in another consortium for a regional EU project. There were a few project opportunities in 2014 that are delayed. The WB ESP is only starting in 2015 and the Nuffic call for providing tailor made training had only limited call for proposals in 2014, excluding the Balkan region. There is a call planned in 2015 including the Balkan.

The programme is still very much forestry focused. Although the Sida projects include a very good focus and profiling on renewable energy and working with producer groups. Furthermore the WB PROFOR project fully focused on environmental services and we will follow up on similar opportunities for this again in the WB ESP. On widening our efforts in environmental, conservation aspects we have not yet succeeded except for the very small assignment with Naturegio. This provided however contacts in Macedonia which are followed through for EU joint applications in 2015.

### Expansion in the region

The expansion in the region was conditional to the Sida regional CFF project. Since the process was late, this was not undertaken in 2014. With the negative response from Sida – early 2015 - this will have an impact on our plans for expansion in 2015. The aim for enlarging in the region remains however. Some limited regional activities can be undertaken through the Sida projects which supports expansion in the region. This however should be further based on other financing.



In 2014 CNVP made the analysis for Montenegro on forestry and initial contacts are made with forestry associations and other stakeholders from Serbia exploring the possibilities for geographical expansion of CNVP work. These will be used in 2015.

### Advisory days

Regarding the advisory service results the table below provides the total overview of time allocated.

Country	Total working days plan	Total working days end 2014	%	Advisor days	Advisor days till end 2014	%	%Advisor y days vs. total working days (realised)	Strat. & Pos.	Strat. & Pos. end 2014	%
Albania	2810	2406	86%	2280	1239	54%	51%	89	293	329%
Kosovo	1320	1378	104%	1080	579	54%	42%	50	311	622%
Macedonia	660	656	99%	457	275	60%	42%	30	143	477%
Montenegro	220	0	0%	180	0	0%	0%	10	0	0%
Serbia	120	0	0%	100	0	0%	0%	5	0	0%
Netherlands	225	246	109%	100	80	80%	33%	60	57	95%
<b>Total</b>	<b>5355</b>	<b>4686</b>	<b>88%</b>	<b>4197</b>	<b>2173</b>	<b>52%</b>	<b>46%</b>	<b>244</b>	<b>804</b>	<b>330%</b>

Overall working days realisation for 2014 is with 88% realisation of the annual plan (see table). The reason is postponing of opening offices in Serbia & Montenegro and not recruiting additional FTE in Albania. The overall advisory days are only 52% from the original plan. This very low realisation is due to late start of the new Sida projects (September instead of May 2014) and not gaining the Sida CFF project.

Country	Business Development	Business Development till end 2014	%	%Total days vs BD till end 2014	Learn- ing	Learn- ing till end 2014	%	Sup- port	Sup port till end '14	%
Albania	246	393	160%	16%	130	103	79%	65	378	582%
Kosovo	100	226	226%	16%	60	135	225%	30	127	423%
Macedonia	128	196	153%	30%	30	30	100%	15	12	80%
Montenegro	15	0	0%	0%	10	0	0%	5	0	0%
Serbia	0	0	0%	0%	10	0	0%	5	0	0%
Netherlands	45	98	218%	40%	10	0	0%	10	11	110%
<b>Total</b>	<b>534</b>	<b>913</b>	<b>171%</b>	<b>19%</b>	<b>250</b>	<b>268</b>	<b>107%</b>	<b>130</b>	<b>528</b>	<b>406%</b>

Consequently the realisation on strategy, positioning and Business Development days are high. The teams made an additional focus on these aspects in the period without the projects. Regarding strategy and positioning additional effort is made to publication of experiences from the Sida projects. This is helpful for profiling, business development and proof of track records as well for future implementation.

BD days are with 171% realisation from the planning. Additional time was needed for the process with Sida projects. Within the process Sida had many additional request which required more inputs, such as on RBM. Further effort was given to BD for other opportunities such as the EU the proposals submitted and other opportunities (refer above).

Due to the extended gap between the Sida projects also time on support and learning was much higher than planned. The main constraint was that the gap between the Sida projects could not be planned for. It was constantly extended, which did not allow for undertaking other measures or planned activities, since Sida indicated every time to finalise it with a 2-

3 weeks, after which it was extended. Therefore it was unavoidable especially in the summer time to keep all staff efficiently engaged.

### **BD unit**

Business Development (BD) is part of the whole organization but specific attention and structure is set up by the management. In 2014 the following activities has been done by BD:

- The BD unit is functioning according to the set up with two designated advisors from CNVP MK and with BD contact person in the countries
- Profiling: regular update of CNVP web page and systematically filling up with information, two CNVP newsletters prepared in 2014, Facebook CNVP page maintenance
- CNVP's PADOR registration with EU was renewed including financial statements and all necessary documents for complete application
- Pipeline is maintained and regular updated and project opportunities are regularly reviewed and given follow up and shared with MT
- Project references compiled and CV's have been updated, regular updating will be performed
- Supporting the BD process on opportunities, defining steps, setting up and supporting work groups
- Budget design support on project proposals and setting advisory days costs

## **7 Human Resource Development and Internal Organisation**

There are 25 full time employed people in three countries (Albania 13, Kosovo 7, and Macedonia 5). The team in Macedonia includes the Executive Director and the Regional Administrator that functions as the CNVP regional staffing.

All positions are fulfilled. Two advisors from the Macedonia team are supporting BD on part time basis next to their advisory work, while two advisors from Albania and Kosovo are appointed as focal points to contribute to BD from their country perspective. The secretariat is fulfilled via CNVP's Chair Person by the SNV Management Secretariat.

During 2014 one additional staff was engaged in the Albania team to strengthen the CNVP back office in Tirana, as Finance Administration Assistant. The position is fulfilled in December. The further planned additional staff (advisors in Albania and region) is delayed due to the delay of the start of the Sida projects. This will be reviewed after completion of the inception phase.

All existing labour contracts are renewed in to indefinite contracts. This is done according local legislation. New contracts are made on fixed term and related to needed project engagement.

### **Learning**

During 2014 the total time spent on learning was a bit higher than the plan 107% (refer table chapter 6). The budget spend is only about 10% since mostly paid for training opportunities were used, like the RBM training within the Sida projects, nature conservation training within the Naturregio NNA project.

The main training and learning in 2014 was related to:

- Result Based Management all staff training
- All staff meeting, in adjunction to RBM training
- International Environment and nature conservation training, Naturregio

- IUFRO Forestry World Conference
- Sustainable Forest Management, PEFC
- Part time study on natural resource management and agri-business development

In addition to the personal development learning is incorporate in reviewing the work and results. This is done through specific project reporting, monitoring and evaluation, but also through specific result based assignment review. The process for assignment review is adjusted in the autumn and formally included in the process for our Sida projects. This assignment review forms a basis for joint partner learning and reflection on the work implemented and results achieved.

Regular team meetings are conducted at country and all staff level. In October in conjunction an all staff meeting was held, while at country level team meetings are conducted to review the programme and project developments.

### **Internal Organisation**

In 2014 we focused further on developing our internal system. The following topics were addressed:

- Making annual schedule for our main process and activities internally in CNVP
- Quality control using, compliance and regular management monitoring
- Completion of the financial audit for the period July 2012 to December 2013 is completed with unqualified opinion
- Sida final project audits are completed with unqualified opinions
- Computer licences (Windows 8 and Office 2013) were bought for Macedonia & Albania. All computers are with proper licenses and compliant software. For Kosovo all laptops will need to be replaced, which will be done after gaining the new Sida projects.
- CNVP is up to date according to the ANBI status requirements.
- Interim audit for 2014 covering the period January – October was conducted.
- Selection and engagement made for the EDP audit on Hour Power (CNVP's time writing system).
- Review of CNVP's governance structure by the Board for its December meeting, as based on the audit recommendation. As a result CNVP will develop towards a structure with an supervisory board.

The financial audit was made for the first time for CNVP. The process went well and the cooperation with the Deloitte Auditors was very satisfactory and professional. It resulted in a good audit opinion, but as well recommendations for CNVP that will help us to further improve and strengthen our organisation. During the interim audit a review was made on the issues identified, which indicates we are in good progress.

### **Investments**

Since all investments were in correlation with the signing of the new agreements with Sida limited investments were made in this period. Only some equipment (lap tops and photo copiers) was bought for Kosovo and Albania based on the plan from the inception phase of the projects.

### **CNVP Board, MT & Employee Council**

During this year four Management Team meetings (March, June, August and December 2014) and three CNVP Board meetings (May, August and December 2014) were held, minutes were taken and distributed. The first annual report of CNVP including the finance statements was adopted by the Board on the Board meeting in May 2014 in Skopje. The annual plan 2015 was adopted during the December meeting in Prishtina.

The Employee Council was held in August in which also a meeting was held with the Board.

The process of CNVP strategy 2014-2016 was completed. A strategy workshop was held in April with the MT and representatives of the teams to complete the inputs. The main direction of the strategy is defined in which we remain on CNVP's current focus with a controlled growth in the Balkan. The strategy was adopted on the Board Meeting in May.

### **Budget 2015**

The annual plan of 2015 is completed at the end of the year providing the programme development, priorities and the annual budget. The abbreviated budget for 2015 is presented below in the table.

<b>CNVP BUDGET 2015</b>	
	<b>Total</b>
Personnel cost	941,000
Operational costs	410,800
Project cost	771,600
Project Revenue	-771,600
Project Advisory Revenue	-1,280,700
Project Advisory - CNVP Contribution	-314,000
Other Revenue	-32,000
<b>CNVP Result</b>	<b>-274,900</b>
<b>Investments</b>	
Vehicles	370,000
Equipment	26,500
<b>Total investments</b>	<b>396,500</b>

CNVP has at the moment no specific policy on size and function of capital/general reserve. The main policy with respect to the function of the general reserve is to build up a sufficient reserve to ensure continuity of operations for CNVP. Within the Board a minimum threshold is set of 500,000 € for general reserve. In case the general reserve falls below the Board needs to be informed immediately. The continuity reserve will be build up within the standards of the sector.

## **Part II: Annual Accounts**

### **Introduction - CNVP Second Annual Accounts**

These are the second annual accounts of 'Stichting' Connecting Natural Values and People Foundation abbreviated CNVP, with registered seat in The Hague, The Netherlands.

CNVP's main objective is to improve livelihoods of rural people by providing quality services in forestry, rural development, environment and biomass for renewable energy; and to increase the capacity of local actors to achieve their sustainable development.

CNVP achieves its objectives by helping to develop the capacity of local actors through provision of advisory services and technical assistance, based on the expertise and experience of its team and partners.

#### **CNVP's Structure**

Foundation does not aim to make a profit. It functions as a not for profit Netherlands based international organisation, which designs, implements and manages projects financed by international donors, with its work currently focused in the Balkans.

CNVP's annual accounts constitute solely financial statements of one legal entity, CNVP, the Netherlands based, not for profit organisation, with three Balkan branches active in Macedonia, Albania and Kosovo.

CNVP's annual accounts reflect the main activities of the Foundation, management of the externally financed projects and provision of advisory services.

CNVP's main activities are financed both by international donors as well as through its own contribution. CNVP's initial capital contribution was donated by SNV, it consisted in cash and tangible fixed assets.

In the statement of financial performance, income generated from CNVP activities is reported under income from grants, which indicates funds made available to CNVP by other parties, donors, to be managed for the benefit of third parties. Third party beneficiaries are located in the Balkan countries, where CNVP presently operates in. Beneficiaries do not pay for services provided by CNVP. Funds are transferrable from donors to CNVP upon fulfilment and compliance with certain stipulations, as foreseen in various legal contracts that CNVP enters in with donors.

Expenditure entails expenses incurred during and for the implementation of the projects, as well as expenses for the day to day operations of the Foundation. The balance of income and expenditure, or the result for the period is transferred to the capital base of the organisation and it is reflected in the balance sheet. In the balance sheet are also reflected tangible fixed assets; current assets which are mainly project related receivables; grants receivable, prepayments and cash; while current liabilities consist of payables, accruals and pre-received grants.

CNVP's annual accounts consist of the following:

- Balance Sheet after appropriation of balance of income and expenditure at 31 December 2014
- Statement of Financial Performance for the period from 01 January 2014 to 31 December 2014
- Accounting principles
- Notes to the Balance Sheet
- Notes to the Statement of Financial Performance
- Constitution of the Board
- Signing of the Financial Statements
- The other information
- Independent Auditor's Report

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## Balance Sheet at 31 December 2014

<b>Assets</b>	Note	<b>2014</b>	<b>2013</b>
		<b>EUR</b>	<b>EUR</b>
<b>Tangible Fixed Assets</b>	1		
Vehicles		0	7,423
Office equipment		10,199	2,474
Subtotal		<u>10,199</u>	<u>9,897</u>
 <b>Current Assets</b>			
Receivables	2	0	35,784
Grants receivable	3	0	11,051
Prepayments	4	26,994	25,267
Cash	5	1,558,319	1,395,442
Subtotal		<u>1,585,313</u>	<u>1,467,544</u>
 <b>Total Assets</b>		<u><b>1,595,512</b></u>	<u><b>1,477,441</b></u>

## Balance Sheet at 31 December 2014

After appropriation of result

<b>Liabilities</b>	Note	<b>2014</b>	<b>2013</b>
		<b>EUR</b>	<b>EUR</b>
<b>Foundation's Capital</b>			
General reserve	6	850,495	1,186,774
Subtotal		<u>850,495</u>	<u>1,186,774</u>
<b>Current Liabilities</b>			
Payables	7	10,312	39,478
Taxes, social security & pension	8	15,989	14,309
Grants provided	9	699,056	214,599
Accruals	10	19,660	22,281
Subtotal		<u>745,017</u>	<u>290,667</u>
<b>Total Liabilities</b>		<u><b>1,595,512</b></u>	<u><b>1,477,441</b></u>

## Statement of Financial Performance

For the period from 01 January 2014 to 31 December 2014

		<b>Actuals</b> from 01 January to 31 December 2014	<b>Budget</b> from 01 January to 31 December 2014	<b>Actuals</b> from 4 July 2012 to 31 December 2013
<b>Income</b>	Note	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Income from grants	11	922,109	2,184,482	3,203,949
Other income	12	148	3,500	4,647
<b>Total Income</b>		<b><u>922,257</u></b>	<b><u>2,187,982</u></b>	<b><u>3,208,596</u></b>
 <b>Expenditure</b>				
Personnel	13	749,818	850,387	1,092,393
Depreciation fixed assets	14	8,882	51,192	54,437
Other expenses	15	499,836	1,220,565	1,635,732
<b>Total Expenditure</b>		<b><u>1,258,536</u></b>	<b><u>2,122,144</u></b>	<b><u>2,782,562</u></b>
 <b>Balance Income &amp; Expenditure</b>	 16	 <b><u>( 336,279)</u></b>	 <b><u>65,838</u></b>	 <b><u>426,034</u></b>
Appropriation Balance Income & Expenditure to:				
General reserve		<u>(336,279)</u>	<u>65,838</u>	<u>426,034</u>
 <b>Balance Income &amp; Expenditure after Appropriation</b>		 <b><u>0</u></b>	 <b><u>0</u></b>	 <b><u>0</u></b>

# Accounting principles

## General information and structure

Connecting Natural Values and People Foundation, with its registered seat at Dr. Kuypersstraat 5, The Hague, is a not for profit Netherlands based international organisation, currently with three registered and active branches in the Balkan countries of Macedonia, Albania and Kosovo.

CNVP was created as a result of a process of demerger from SNV Netherlands Development Organisation and it was registered in the Chamber of Commerce in The Hague on 4 July 2012.

The annual accounts of CNVP cover period from 01 January 2014 to 31 December 2014. They reflect the financial information of the Netherlands based foundation with the financial information of the three local branches incorporated. For the purposes of these financial statements internal transactions and relations were eliminated.

## General accounting principles for the preparation of the annual accounts

The annual accounts are prepared in accordance with the Dutch Accounting Standard RJ 640 for not for profit organisations.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention, unless presented otherwise. If assets and liabilities are stated in foreign currencies, the calculations are based on the exchange rates prevailing on the balance sheet date at 31 December 2014. Exchange rate differences are included in other operational costs, in the statement of financial performance. Income and expenses are accounted for on accrual basis. Profit is only included when realised on balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the annual accounts.

The financial statements are presented in euros, which is the functional and presentation currency of CNVP.

## Financial instruments

Financial instruments are both primary financial instruments (such as receivables and debts), and derivative financial instruments (derivatives).

The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the carrying amount. If the financial instrument is not recorded in the balance sheet the information on the fair value is disclosed in the notes to the 'Contingent assets and liabilities'. Reference is made to the recognition per balance sheet item for the principles of primary financial instruments. CNVP does not have financial derivatives.

## Accounting principles for the valuation of assets and liabilities

### Assets

#### Tangible fixed assets

Tangible fixed assets are presented at cost less accumulated depreciation and, if applicable, less impairments in value. Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use.

The donated fixed assets and low value assets, were not recorded on CNVP accounts. However, they are listed in the register of fixed assets under possession and use of CNVP with zero book value.

The assets are depreciated by asset group over their expected economic lives, using the linear method. Residual value is not taken into account. Any new assets purchased from CNVP are included at historical costs and are converted using the exchange rates prevailing at the date of the purchase. The tangible fixed assets purchased by or for the externally financed programmes are also capitalized under the fixed assets.

Annual rates of depreciation used are:

- Vehicles 25%
- Office equipment 33%

Any costs of repairs or maintenance are reported in the statement of financial performance for the period.

## **Current Assets**

### **Receivables**

Upon initial recognition the receivables are valued at fair value and then valued at amortised cost. The fair value and amortised cost equal the face value. Provisions deemed necessary for possible bad debt losses are deducted. These provisions are determined by individual assessment of the receivables.

Receivables consist mainly of project related receivables for work carried out by CNVP on projects, for which the funding has not been received as of the date of the balance sheet.

**Prepayments** consist of short term rent deposits and prepaid expenses for year 2014.

### **Cash and bank**

The cash and bank is valued at face value. If cash equivalents are not freely disposable, then this has been taken into account upon valuation.

## **Capital and Liabilities**

**Foundation's Capital** consists only of a general reserve. The account includes the initial donation of SNV to CNVP both in cash and fixed assets. At the end of the period the balance of income and expenditure for the period also gets appropriated to this account. The general reserve is for unrestricted use of CNVP and it is maintained to ensure the continuity of the organisation.

**Current liabilities** include mostly project related items and project funds received in advance to be utilized within the coming year. A lesser amount is made up of payables and accruals related to payroll and other employee benefits.

**Transactions in foreign currency** are recorded based on exchange rates updated monthly. At the end of the year the foreign currency denominated receivables, payables,

cash and bank balances are revaluated. Results are posted in the statement of financial performance.

### **Social security and pension**

CNVP contributes the employer share of social security schemes in compliance with local legislations of its branches and it also reimburses employer share of contributions for pension, in case the employee cannot be covered by the state owned social security.

### **Accounting principles for determining the balance of income and expenditure**

#### **Principles for the determination of the result**

Income and expenses are accounted for on accrual basis. Income is recognized only when realized at the balance sheet date. Income generated by CNVP is categorized under income from grants, since CNVP manages donor funds for the benefit of third parties. On their part, beneficiaries do not pay for services received from CNVP work. Revenues from services are recognised in proportion to the services rendered, based on the cost incurred in respect of the services performed up to balance sheet date, in proportion to the estimated costs of the aggregate services to be performed. All expenses related to activities carried out prior to the balance sheet date are taken into account within year's expenses.

The balance of income and expenditure, or the result for the period is determined as the difference between income generated by CNVP activities and expenditure related to implementation of these activities.

## Notes to the Balance Sheet at 31 December 2014

### 1. Tangible fixed assets

In 2014, CNVP purchased equipment that was paid by funds received projects.

New assets purchased are recorded in the books as of the date the assets were put in use. Depreciation expense starts from that date. Depreciation is based on the estimated useful life of each asset group and it is calculated as a fixed percentage, not taking into account any residual value for the asset. Asset life extends to 4 years for vehicles and 3 years for office equipment. Depreciation expense is accounted for in the statement of financial performance. Costs for periodical major maintenance are also charged to the statement.

The following table reflects movements in the fixed assets by category.

The movements in the tangible fixed assets are as follows:

	<b>Vehicles</b>	<b>Office equipment</b>	<b>Total</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Acquisition cost as at January 1, 2014	55,195	9,139	64,334
Cumulative depreciation and other impairments as at January 1, 2014	(47,772)	(6,665)	(54,437)
Carrying amount as at January 1, 2014	<u>7,423</u>	<u>2,474</u>	<u>9,897</u>
Investments	0	9,184	9,184
Carrying amount of disposals	0	0	0
Depreciation	(7,423)	(1,459)	(8,882)
Carrying amount as at December 31, 2014	<u>0</u>	<u>10,199</u>	<u>10,199</u>
Acquisition cost as at December 31, 2014	55,195	18,323	73,518
Cumulative depreciation and other impairments as at December 31, 2014	(55,195)	(8,124)	(63,319)
Carrying amount as at December 31, 2014	<u>0</u>	<u>10,199</u>	<u>10,199</u>
Depreciation percentages	<u>25%</u>	<u>33%</u>	



## Current Assets

### 2. Receivables

The balance of receivables consists primarily in receivables for project work done for which the funds were not received as of the balance sheet date. There were no outstanding project receivables as of 31 December 2014.

	At 31-12-2014	At 31-12-2013
	<b>EUR</b>	<b>EUR</b>
Project Receivables	0	31,932
Claimable VAT	0	3,852
Total	0	35,784

### 3. Grants receivable

There are no grants receivable as for 31 December 2014. All amounts receivable from donors are received during 2014.

	At 31-12-2014	At 31-12-2013
	<b>EUR</b>	<b>EUR</b>
Project Sida KV	0	11,051
Total	0	11,051

### 4. Prepayments

Prepayments include prepaid expenses related to items such as rent deposits and school fees pre-paid for 2015. It further includes prepayment on training of staff from Albania and income tax on unrecognised office cost for CNVP Macedonia.

	At 31-12-2014	At 31-12-2013
	<b>EUR</b>	<b>EUR</b>
Rent deposits	3,248	3,184
Prepaid	23,746	22,083
Total	25,546	25,267

## 5. Cash and bank

Cash and bank balance represents liquidity at the disposal of CNVP as of the date of the balance sheet. Total balance consists in balances of bank accounts owned by CNVP, two dedicated project bank accounts for Sida SSPDF and Sida FLED, and cash on hand on 31 December 2014.

Total of both project bank balances on 31 December 2014, was € 1,073,511 which are pre-received donor funds for project Sida SSPDF & Sida FLED. The amount of pre-received donor funds still include to be recognized income from the inception phase. This will be settled after approval by Sida of the inception phase.

The remaining amount of € 484,808 reflects balance of cash due to CNVP as of balance sheet date.

	At 31-12-2014	At 31-12-2013
	<b>EUR</b>	<b>EUR</b>
<b>CNVP bank balances</b>		
Rabobank Netherlands	306,105	633,704
ProCredit Bank Albania	139,681	38,787
Raiffeisen Bank Albania	1,645	2,342
Procredit Bank Kosovo	14,198	79,769
Uni Bank Macedonia	20,124	40,496
Subtotal	<u>481,753</u>	<u>795,098</u>
<b>Project bank accounts</b>		
Rabobank Netherlands, Project Sida Albania	0	359,185
Rabobank Netherlands, Project Sida Kosovo	0	238,349
Rabobank Netherlands, Project Sisa SSPDF	424,975	0
Rabobank Netherlands, Project Sida FLED	648,535	0
Subtotal	<u>1,073,511</u>	<u>597,535</u>
<b>CNVP cash on hand</b>		
CNVP Albania	2,733	1,124
CNVP Kosovo	183	174
CNVP Macedonia	138	1,511
Subtotal	<u>3,054</u>	<u>2,809</u>
<b>Total</b>	<u><u>1,558,319</u></u>	<u><u>1,395,441</u></u>

Note: due to rounding, difference of 1 euro may occur

## Liabilities

### Foundation's Capital

#### 6. General reserve

Foundation's Capital is made up only of a general reserve, which is for unrestricted use of CNVP and it serves to ensure the continuity of the organisation.

The negative balance of income and expenditure over 2014 is appropriated to the general reserve.

Below is a summary of movements in the general reserve account.

	Balance at 31-12-2014	Add / less result for period	Balance at 31-12-2013
	EUR	EUR	EUR
General reserve	850,495	( 336,279)	1,186,774
<b>Total</b>	<b>850,495</b>	<b>(336,279)</b>	<b>1,186,774</b>

### Current Liabilities

#### 7. Payables

This item is broken down in amounts to be paid and interest payable on donor funds. With the closure of the two projects (Sida KV & Sida AL), CNVP refunded in 2014 the interest earned on donor funds. The amount of € 1,447 is payable to SNV. It is remaining amount from the advance paid to CNVP for cost that were done for the closure of SNV regional office.

Amounts to be paid consist of organisation expenses incurred in 2014 to be paid in 2015.

	At 31-12-2014	At 31-12-2013
	EUR	EUR
Amounts to be paid	8,865	14,173
Interest payable on donor funds	0	25,305
Debtors	1,447	0
<b>Total</b>	<b>10,312</b>	<b>39,478</b>

## 8. Payroll taxes, social security and pension payable

This payable consists in payroll tax withheld from CNVP staff salaries; social security and pension premium, both employee and employer share. Amounts payable for this item are withheld from employees, as well incurred as expenses from CNVP from December 2014 staff salaries to be paid in January 2015.

	At 31-12-2014	At 31-12-2013
	<b>EUR</b>	<b>EUR</b>
Payroll tax, social security & pension payable	15,989	14,309
Total	<u>15,989</u>	<u>14,309</u>

## 9. Grants provided

These are pre-received funds from the grant contracts that continue to implement beyond 31 December 2014.

After signing the contract with Sida for the two new projects in August 2014 pre-received grant amounts from the donor were provided. Part of the amount was recognised as income at the end of the year. The remaining amount is recognised as liability. The remaining amounts related to small size project Trees and PEFC project.

The following table shows the balance of grants provided by donor to be used after 31 December 2014.

	At 31-12-2014	At 31-12-2013
	<b>EUR</b>	<b>EUR</b>
Project Sida AL	0	214,599
Project Sida KV	0	0
Project Sida FLED	391,760	0
Project Sida SSPDF	255,961	0
Project Trees	26,047	0
Project PEFC	<u>25,287</u>	<u>0</u>
Total	<u>699,056</u>	<u>214,599</u>

## 10. Accruals

Accruals are made up of amounts of outstanding leave days accrued for 2014. Below is the breakdown of this item.

	At 31-12-2014	At 31-12-2013
	<b>EUR</b>	<b>EUR</b>
Project related accruals	0	15,220
Outstanding leave days	19,658	7,061
Total	<u>19,658</u>	<u>22,281</u>

### Contingent assets and liabilities

Based on Sida requirements, tangible fixed assets purchased by or for externally financed Sida programs with value higher than 5000 EUR are fully depreciated over the total project period and handed over to project partners at the end of the project period.

# Notes to the Statement of Financial Performance

## Income

### 11. Income from grants

Income generated from CNVP activities is all classified as income from grants. Funds are made available to CNVP by donors and are used for the benefit of third parties. Beneficiaries do not pay for services provided by CNVP. Funds are transferrable to CNVP upon fulfilment and compliance with certain stipulations, as foreseen in various legal contracts that CNVP enters with different donors. Income is recorded on accrual basis, meaning it is recognized when earned, not received.

Income from grants is divided in advisory services that CNVP team of advisors offers to third party beneficiaries, and project expenses which are covered by donor contribution. In projects with cost sharing such as the Sida projects, CNVP fulfils its financial contribution by sharing in the costs of advisory services.

With the demerger, the legal and financial obligation to implement and complete three projects for which SNV had entered in contractual agreements with donors, was transferred to CNVP. These projects were Sida Communal Forestry II, Albania (Sida Albania), Sida Private and Decentralised Forestry Kosovo and region (Sida Kosovo) and the World Bank PROFOR project.

The Sida ALII and Sida KV were financed by donor and SNV contribution. With the legal demerger CNVP took over not only the management and implementation of the projects, but also the outstanding financial contribution of SNV. The commitments of these projects were fulfilled in 2014. From these two inherited SNV projects, CNVP income for 2014 amounts to € 430,345, of which € 277,912 comes from advisory work and € 152,433 from recoverable project expenses. The WB follow-up phase of PROFOR was completed as of 31 December 2014. The income gained from advisory services was € 27,713 and € 28,682 from recoverable project expenses.

During the course of business in August 2014, CNVP was awarded two other 4 year Sida project contracts (Sida FLED & Sida SSPDF). The income for 2014 from these new projects was € 425,798, from advisory services € 354,009 and € 71,789 from recoverable project expenses.

The other projects range in small size and were financed by EU (TREES project) and PEFC (National SFM standards). The implementation for these projects will continue in 2015.

In the following table the breakdown of income from grants for the period from 01 January to 31 December 2014 is presented.

	<b>Actuals</b> From 01 January to 31 December 2014	<b>Budget</b> From 01 January to 31 December 2014	<b>Actuals</b> From 4 July 2012 to 31 December 2013
<b>Income</b>			
<b><u>Income from grants</u></b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Project Sida Albania - Advisory services	140,112	122,000	901,761
Project Sida Albania - Reimbursable project expenses	<u>69,835</u>	<u>42,541</u>	<u>718,057</u>
Subtotal	<u>209,947</u>	<u>164,541</u>	<u>1,619,818</u>
Project Sida Kosovo - Advisory services	137,800	138,950	890,563
Project Sida Kosovo - Reimbursable project expenses	<u>82,598</u>	<u>88,164</u>	<u>385,381</u>
Subtotal	<u>220,398</u>	<u>227,114</u>	<u>1,275,944</u>
Project World Bank PROFOR - Advisory services	27,713	15,600	83,468
Project World Bank PROFOR - Reimbursable project expenses	<u>28,682</u>	<u>41,377</u>	<u>123,887</u>
Subtotal	<u>56,395</u>	<u>56,977</u>	<u>207,355</u>
Project Sida FLED - Advisory services	207,953	506,750	0
Project Sida FLED - Reimbursable project expenses	<u>48,826</u>	<u>356,250</u>	<u>0</u>
Subtotal	<u>256,779</u>	<u>863,000</u>	<u>0</u>
Project Sida SSPDF - Advisory services	146,056	346,000	0
Project Sida SSPDF - Reimbursable project expenses	<u>22,963</u>	<u>110,000</u>	<u>0</u>
Subtotal	<u>169,019</u>	<u>456,000</u>	<u>0</u>



Project Sida CFF - Advisory services	0	237,800	0
Project Sida CFF - Reimbursable project expenses	<u>0</u>	<u>117,000</u>	<u>0</u>
Subtotal	<u>0</u>	<u>354,800</u>	<u>0</u>
Other projects - Advisory services	9,570	47,779	59,306
Other projects - Reimbursable expenses	<u>0</u>	<u>14,271</u>	<u>41,526</u>
Subtotal	<u>9,570</u>	<u>62,050</u>	<u>100,832</u>
Total Income from grants	<u>922,108</u>	<u>2,184,482</u>	<u>3,203,949</u>

## 12. Other income

Other income consists in net proceeds generated by sale and or removal of assets, interest earned on CNVP funds, and miscellaneous income. Details are below.

<b><u>Other Income</u></b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Net gain from sale of assets	100	3,500	3,963
Interest income from CNVP funds	15	0	73
Miscellaneous income	<u>33</u>	<u>0</u>	<u>611</u>
Subtotal	<u>148</u>	<u>3,500</u>	<u>4,647</u>
<b>Total Income</b>	<b><u>922,256</u></b>	<b><u>2,187,982</u></b>	<b><u>3,208,596</u></b>

### Note on the difference between actual and budget figures of income

Income is lower than expected due to late start of Sida FLED and Sida SSPDF, this resulted in a gap of four months between the previous and new Sida projects. The project implementation initial plan was the projects to start in May 2014, instead of September 2014. Additionally the difference is due to not gaining the Sida CFF project.

## Expenditure

### 13. Personnel

CNVP had 24 fte at 01 January 2014, including the Executive Director. In December one additional staff was recruited resulting 25 fte in CNVP at 31 December 2014.

The following can be stated about the remuneration of the Executive Director, Foundation Board, Staff salaries and benefits, as well as other personnel related expenses.

Remuneration for Executive Director consists in salary earned, school fees paid as benefit, as well as other benefits. Total remuneration for 2014 is € 130,547.

Board members receive no remuneration for their activities. They get compensated for reasonable travel and business expenses they incur for the board meetings. Total expense incurred for board meetings was € 8,800.

	<b>Actuals</b> From 01 January to 31 December 2014	<b>Budget</b> From 01 January to 31 December 2014	<b>Actuals</b> From 4 July 2012 to 31 December 2013
<b><u>Personnel</u></b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Executive Director - salary	81,970	81,770	92,906
Executive Director - benefits (school fees)	44,579	45,000	68,056
Executive Director - other benefits	3,998	2,500	28,054
Subtotal	<u>130,547</u>	<u>129,270</u>	<u>189,016</u>
Board members - remuneration	0	0	0
Board meetings	8,800	6,000	3,790
Subtotal	<u>8,800</u>	<u>6,000</u>	<u>3,790</u>
Staff salaries	523,713	599,313	754,361
Social security contribution	25,810	46,624	51,964
Pension premiums	2,950	0	8,173
Medical benefits	18,776	23,630	21,479
Other benefits & expenses	8,260	36,550	19,506
Outstanding Leave Days	10,397	0	6,117
Subtotal	<u>589,906</u>	<u>706,117</u>	<u>861,600</u>
External & Temporary Support	20,565	15,000	37,987
Total personnel expenses	<u>749,818</u>	<u>856,387</u>	<u>1,092,393</u>

#### 14. Depreciation of tangible fixed assets

The following shows the details of the depreciation expense incurred for the period.

	<b>Actuals</b> From 01 January to 31 December 2014	<b>Budget</b> From 01 January to 31 December 2014	<b>Actuals</b> From 4 July 2012 to 31 December 2013
<b><u>Depreciation fixed assets</u></b>			
Depreciation vehicles	7,423	32,000	47,772
Depreciation office equipment	1,459	19,192	6,665
Total depreciation expense	<u>8,882</u>	<u>51,192</u>	<u>54,437</u>

## 15. Other expenses

Other expenses are comprised of operating business expenses and project expenses.

	<b>Actuals</b> From 01 January to 31 December 2014	<b>Budget</b> From 01 January to 31 December 2014	<b>Actuals</b> From 4 July 2012 to 31 December 2013
<b><u>Other expenses</u></b>			
<b><u>A. Operating expenses</u></b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
Fuel & vehicle expenses	34,160	85,400	93,755
Travel & lodging	26,871	40,500	65,552
Office rent	66,598	81,600	95,538
Utilities & office maintenance	22,343	35,293	20,943
Communication & mailing	12,273	22,600	21,309
Office expense	29,242	105,110	50,754
Accounting & audit fees	40,431	40,760	11,813
Bank costs & f.x-rate differences	15,758	6,950	9,355
Other expenses	7,195	26,750	2,817
Subtotal	<u>254,871</u>	<u>444,963</u>	<u>371,836</u>
<b><u>B. Project expenses</u></b>			
Programme Support	144,883	326,619	771,910
Local Capacity Building	43,745	283,361	340,851
Consultancy	56,335	159,623	151,135
Subtotal	<u>244,964</u>	<u>769,603</u>	<u>1,263,896</u>
Total operating expenses	<u>499,835</u>	<u>1,214,566</u>	<u>1,635,732</u>
<b>Total expenditure</b>	<b><u>1,258,535</u></b>	<b><u>2,122,145</u></b>	<b><u>2,782,562</u></b>

#### Note on the difference between actual and budget figures of expenditure

The operational costs are lower than the planned budget, 60%. The main reason is delay in signing of the new Sida projects original planned to start in May. This effected the personnel cost since the planed additional staff were not hired and also the plan for opening offices in Montenegro & Serbia has been postponed which also effected the operational cost. The overall operational costs are reduced due to low activities in the gap period between the Sida projects and saving and economising to reduce costs in this gap period.

#### **16. Result for the period**

Result for the period consists in the balance of income and expenditure. This balance will get appropriated in the capital account as a general reserve for unrestricted use by the Foundation.

	<b>Actuals</b>	<b>Budget</b>	<b>Actuals</b>
	From 01 January to 31 December 2014	From 01 January to 31 December 2014	From 4 July 2012 to 31 December 2013
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
<b>Result for the period</b>	<b><u>(336,279)</u></b>	<b><u>65,837</u></b>	<b><u>426,034</u></b>

#### Note on the difference between actual and budget figures of result

The general reserve has been reduced for 336,279 EUR. The difference from the plan is late start of the projects (Sida FLED & Sida SSPDF) and not gaining the regional project.

## Constitution of the Board

### Chairperson, CNVP Foundation Board

Mr Michel Farkas, appointed on 4 July 2012



18/4/2015

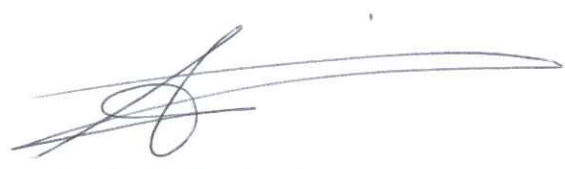
Other functions:

Managing Director Global Support Services / CFO at SNV Netherlands Development Organisation in The Netherlands;

Board Member of Aertze ohne Grenzen (Doctors without Borders), Germany;

### Member, CNVP Foundation Board

Mr Arno Willems, appointed on 4 July 2012



Other functions:

Steward (Head Forester) at Het Loo, Royal Estate in The Netherlands

### Member, CNVP Foundation Board

Mr Aurel Jupe, appointed on 4 July 2012



Other functions:

HR Manager at Simons Edeco Ltd in Albania

### Member, CNVP Foundation Board

Mr Maarten Bremer, appointed on 15 December 2013

Other functions:

Dean, Academy of Part-time Studies,  
Avans University of Applied Sciences in The Netherlands

## **Other Information**

### **Independent auditor's report**

Reference is made to the auditor's report as included hereinafter.

### **Appropriation of result according to articles of association**

The CNVP Foundation articles of association do not indicate specific requirements for appropriation of the result. Appropriation of the results will be made by the Foundation Board within the limits of the goals of CNVP as set in the articles of association.

### **Proposed appropriation of result for the financial year 2014**

The Executive Director proposes, with the approval of the Foundation Board, that the result for the financial year 2014 amounting to EUR (336,279) will be deducted from the general reserves.

# Auditor's Report



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## Independent auditor's report

To: The Board of Stichting Connecting Natural Values and People Foundation

We have audited the accompanying annual accounts 2014 of Stichting Connecting Natural Values and People Foundation, the Hague, which comprise the balance sheet as per December 31, 2014, the statement of financial performance for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

### Foundation board's responsibility

The foundation board is responsible for the preparation and fair presentation of the annual accounts, in accordance with the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board. Furthermore, the foundation board is responsible for such internal control as it determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with Dutch Law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the foundation board, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte Accountants B.V. is registered with the Trade Register of the Chamber of Commerce and Industry in Rotterdam number 24362853.

Member of  
Deloitte Touche Tohmatsu Limited

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### **Opinion**

In our opinion, the annual accounts give a true and fair view of the financial position of Stichting Connecting Natural Values and People Foundation as per December 31, 2014 and of its result for the year then ended in accordance with the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board.

Amsterdam, April 18, 2015

Deloitte Accountants B.V.

Signed on the original: M.G.W. Quaadvlieg

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*Working together to grow a canopy of trees providing home, shelter, food, a livelihood as well as a place to wander*

CNVP, a The Netherlands based foundation, is a legacy organisation of SNV in the Balkans. Established through a legal demerger, CNVP will continue the SNV forestry and rural development programme in the Balkans and beyond.

CNVP envisions:

- Local communities achieving their own development goals;
- Maximising the production and service potential of forests through Sustainable Forest Management and locally controlled Natural Resource Management;
- Forests contributing to equitable local economic development supporting rural livelihoods;
- Forests contributing to wider societal interests and values including biodiversity conservation and wellbeing;
- Connecting natural values and people!

**Connecting Natural Values & People**

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