

CNVP Annual Report
Abbreviated version
2015

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This is the abbreviated version of our CNVP Annual 2015 report. CNVP obtained an unqualified audit opinion for its financial accounts for 2015. In case a full version is desired including the auditor opinion please do request a copy at CNVP (info@cnvp-eu.org)

Abbreviation

ALCDF:	Albanian Local Capacity Development Fund
APFO:	Association of Private Forest Owners
BD:	Business Development
CDI:	Centre for Development Innovation
CFF:	Connecting Family Forest project
CFP:	Communal Forest and Pastures
CNVP:	Connecting Natural Values & People
DBU:	German Development Cooperation Agency
EBRD:	European Bank for Reconstruction and Development
ECNC:	Environnemental Centre for Nature Conservation
ESP:	Environnemental Service Project
EU:	European Union
EUTR:	EU Timber Regulation
FLED:	Forest for Local Economic Development project
FAO:	Food and Agriculture Organisation of United Nations
FPUA:	Forest and Pasture Users' Association
GEF:	UN Global Environmental Facility
GIZ:	German Development Agency
IPA:	Instrument for Pre-Accession
IUNC:	International Union Nature Conservation
JFM:	Joint Forest Management
KFA:	Kosovo Forest Agency
KfW:	German Investment Fund
LC:	Land Consolidation
LGU:	Local Government units
MAFRD:	Ministry of Agriculture, Forestry and Rural Development
MAFWE:	Ministry of Agriculture, Forestry and Water Economy
MoE:	Ministry of Environment
MT:	Management Team
NACFP:	National Association of Communal Forests and Pastures
NAPFO:	National Association of Private Forest Owners
NFI:	National Forest Inventory
NGB:	National Governance Body
NTFP:	Non-Timber Forest Products
Nuffic:	Netherlands Fellowship Programme
PEFC:	Programme for Endorsement of Forest Certification
RD:	Rural Development
RE:	Renewable Energy
REFORD:	Regional Centre for Forestry and Rural Development
SDC:	Swiss Development Cooperation
Sida:	Swedish International Development Agency
SFM:	Sustainable Forest Management
SNV:	SNV Netherlands Development Organisation
SSPDF:	Strengthening Sustainable Private and Decentralised Forestry project
TREES:	EU Project on Timber Regulation
UPFOA:	Union of Private Forest Owners Association
UNDP:	United Nations Development Programme
USAID:	USA Development Agency
WB:	World Bank
WWF:	World Wildlife Fund

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Foreword of the Foundation Supervisory Board

Dear reader,

We hereby present you CNVP's annual report on 2015. In this report we want to inform those interested in our work on our activities and the organization.

CNVP is continuing its development as an organization. As an offspring of the Netherlands Development Organization SNV in the Balkans, our strategy focuses on our work on forestry and rural development, currently materializing in two main projects and several smaller ones. The main projects in cooperation with Sida provide capacity building and advisory services to our partners in the projects.

At the same time the region has seen intense developments with the influx of large numbers of refugees through the so-called Balkan route, affecting Macedonia and partly Albania. We have also seen unfavourable political developments in Kosovo and Macedonia, hampering the progress of these countries towards development and possible EU accession.

In this context we have continued our work and worked with over 187 organisations. These partners include 6 ministries related to environment or natural resources, over 30 municipalities and 50 government organisations. Besides we close cooperate together and provide capacity strengthening to 100 civil society organisation. Through our programme we impact a total over 467,000 household. In this annual report you can read more in detail the outcome and impact of our work, as well as our contacts with stakeholders and partners.

We continue to deploy our strategy, in which we strive to widen our resource base and financial partners, and continue to improve the quality of our work and renewable energy. We also gradually strive to expand the programme in our current working areas and in the wider Balkan region. The European Union has a large focus on rural development in which increased attention and effort is given to renewable energy and climate change issue. Forestry and other natural resources play an important role in this. It remains a challenge yet to incorporate this in programmes in the Balkan, while increasingly effects of climate change are noticed; flooding, extreme rainfall and erosion.

Where 2015 was a year of continued development, 2016 will bring us the opportunity to evaluate and rethink our strategy, also in light of all the developments in the region. The new strategy development process will also be lead by a new Executive Director, since the current Director will leave CNVP after many years of leading its programmes and move to Kiev for a new challenge.

These past years the organization and its staff are strengthened, so we look forward towards the next step in development of our work and our contribution to the sustainable development of natural resources in the Balkan region.

In 2015 the team of CNVP and our partners have closely cooperated to improve the livelihoods of rural communities. We are grateful for the commitment and energy that we have seen by all and hope to continue and step up our contribution in the coming years.

On behalf of the CNVP Foundation Supervisory Board,

Maarten Bremer, Chair Person
23 April 2016, The Hague

Part I: Annual Report

1 Introduction

The third annual report of CNVP reflects the developments in the 2015 against the annual plan 2015 of CNVP. We remain committed in our programme and efforts to have an impact on the livelihood of communities in rural areas and the sustainable management of natural resources. To achieve sustainable development a proper use and sustainable management of these resources and empowered organisations representing the communities and functional related institutions are required. CNVP through the implementation of its programme has contributed to this in the Balkan. Through our programme we impacted 467,000 households. We worked with over 180 organisations directly of which 6 ministries in the region related to natural resources or environment and 50 government institutions or agencies related to forestry, rural development, cadastre or environmental parks. We cooperated with 31 municipalities, mainly in rural areas. Our main partners are the associations, their networks, umbrella structures and civil society organisations (100 in total). These organisations have in total about 68,000 members who directly benefiting.

This report provides the results achieved during 2015. 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 2015 till 31 December 2015.

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 it will help defining the priorities that need to be addressed in the coming period. Specific attention is given to the business development of CNVP within 2015. The report also includes the annual accounts and serves to obtain an insight in the financial situation of CNVP.

2 Executive Summary

In 2015 we consolidated our programme with full implementation of the CNVP projects financed by the Swedish Government through Sida in Albania FLED and in Kosovo SSPDF. Next to these projects CNVP implemented a project on sustainable forest standards and forest certification with PEFC in Macedonia, a regional EU project in joint cooperation with our partners on capacity strengthening for the EU Timber Regulation and a project on support on Land Consolidation in Macedonia with FAO. Through our programme we impacted 467,000 households and worked directly with 187 partners engaged and benefitting from the programme.

The projects are all in proper implementation. Through the programme CNVP is able to achieve the results expected. On land tenure results were made in communal forest registration and user right contracts (FLED). People obtained long term rights on the management and use of their communal forests in user rights contracts. Traditional user identification and inclusion of local communities in degraded coppice forest management (SSPDF), while voluntary land consolidation is practiced in the FAO project in Macedonia.

Sustainable natural resource management practices and standards are applied. The PEFC project in Macedonia established a national multi-stakeholder body that is working on the national standards for sustainable forest management to be used for certification. The EU TREES project is identifying and developing practices to reduce marketing of illegal wood

in the EU. Small strips coppice forest is practiced with local communities and municipalities in degraded forest to obtain firewood and regenerate forests in Kosovo (SSPDF). This practice is closing the gap between need and production and reducing illegal logging. In the FLED project, in cooperation with the FPUAs, users of communal forests are trained on farmer forest practices. Farmer forests developments are monitored with the Federations using permanent plots.

The use of wood biomass for heating is replicated in public buildings using the previous experience. Local people and associations are involved in the sustainable production of wood biomass (SSPDF). In Albania investigations are made using fast growing species for biomass production, while the regenerated communal forest increasingly is providing firewood through thinning.

The support of (Forest) Producer Groups continues. The FLED project in a participatory review defined different models for producer groups to grow from small informal groups in to wider producer organisations and networks. This allows better marketing, sales and service provision to producers. Training support and representation on fairs provide marketing and sales connections. In Kosovo application of growing, processing and marketing berries is supported, helping farmers to increase their off farm income. Linkages are promoted between producer groups and forest associations to assure sustainable collection and harvest.

The forest associations cooperate at local, national and regional level. Their structures increasingly become more representative of family forest families, including women. This is also reflected in an increased gender balance in boards and governance positions. Service provision by the associations is supported to strengthen the capacity of associations at regional and national level. With selected municipalities in SSPDF project participatory planning and engagement of local communities is established for degraded forest areas. The first forest management practices in a few cadastral areas are in implementation, supported by the forest agency.

CNVP supports ongoing reforms in forestry and rural development in its cooperation with its partners. Allowing more management and harvesting rights to private forest owners is proposed in Kosovo. Strengthening the role of communal forestry and the responsibilities and roles of FPUAs and municipalities are taking place in Albania. Incorporation of forestry in rural development is addressed with REFORD and local organisations throughout the region.

To be able to sustain our programme and work on the longer term business development is a top priority. The effort made on business development resulted in an increase and wider variety of applications. To further strengthen our BD we are making an additional investment for business development; increased focus (as reflected also in our 2016 plan), specific BD training and recruiting addition staff for business development.

Our overall advisory performance was satisfactory, with a realisation of 96%. This is a bit lower than planned due to the postponed recruitment of advisor staff in Albania. The total staff increased to 26 people with the recruitment of an advisor representing CNVP in Montenegro.

During 2015 the adjustment of the governance structure of CNVP is prepared. From 2016 onwards there will be a Board of Directors, comprised of the Executive Director and a Supervisory Board. This is reflecting better the actual situation of day to day management.

The budget realisation of the approved revised budget is satisfactory. The expenditure is 86% of the plan. The financial result of 2015 is 175,830 Euro. The effective result is a gain of 1,909 Euro not taking in to account the project asset investments.

3 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 (Instrument for Pre-Accession for Agriculture and Rural Development) is very limited. The EU policy has an increased focus on forestry linked to renewable energy and climate change in its policy. This is not yet reflected in concrete measures in the country programmes. Also inclusion of civil society and addressing environmental issues is despite increased awareness and understanding a struggle. In addition the political conflicts and high corruption in the region are a major concern. As a result the international community gives increased attention to governance and democratic process.

In **Albania** European integration is the first priority for the Albanian government, which pays particular attention to related challenges in the rule of law, public administration and fundamental rights areas. Albania is elaborating the new Strategy for Development and Integration 2014 – 2020 and other sectorial strategies, ensuring the coherence of such documents with IPA II.

Rural development policies in Albania aim at increasing productivity and competitiveness to reduce rural poverty and sustain natural resources, especially forests. The ongoing reforms in forestry and environment sector are still in process. During 2015 MoE (Ministry of Environment) declared, that all State forest will transfer in ownership to the newly created municipalities. These must establish management structures with staff according to the forest and pasture areas transferred. Only protected areas will remain State properties managed by the National Agency of Protected Areas.

The draft forest law is still under discussion by the parliamentary commissions due to many comments of civil society and private sector. It is expected to pass parliament early 2016. The long time needed preparing the new forest law created many problems between different stakeholders in fulfilling their roles and responsibilities in forest management. At the end of 2015, state forest service and extension service are abolished (all staff fired) since all State forests will be transfer to municipalities early 2016. This created an institutional vacuum in the sector and no services are provided to the municipalities and Forest and Pastures Users' Associations (FPUA).

The new territorial-administrative division, took place after local elections in June 2015 and it is under gradual implementation by setting up new administrative structures in 61 new municipalities and adapting the legal acts (including forest law) according to the new situation. This reform it is expected to strengthen decentralization of natural resources management. Other challenges remain; sustainable management of forest and pastures through recognizing the traditional users and their associations, registration of all forest and pasture land, strengthening and financial sustainability of the FPUAs and the integration of forestry in rural development with financial support schemes.

The Environmental Service Project (ESP) is launched by Ministry in February 2015. During the year 2015 no progress is made, just some consultancy services. The calls for grants for FPUA expected for the second half of the year is postponed for 2016 because of delay of forest law approval. This is important since it is in line with the Sida project implemented by CNVP, strengthening FPUAs.

Kosovo as potential candidate for EU membership has signed Stabilisation and Association Agreement in October 2015. The expectations are that it will help Kosovo make much needed reforms, increase investment opportunities, increase jobs and put country on the path of a sustainable economic growth. It will also help Kosovo with the implementation of reforms to achieve the adoption of European standards. The agreement covers a wide

variety of areas including political dialogue, justice and cooperation in sectors of education, employment, energy and environment. In order to support the necessary reforms, the EU provides Pre-accession Assistance through programme and project support¹.

The overall political process in Kosovo is difficult. Relations with Serbia and ethnic groups are improving. This is on return giving tensions between certain opposition parties against this process and the government.

The Renewable Energy Action Plans (REAP), approved by the government calls for a 25% renewable energy target by 2020. Recent studies found considerable potential for biomass (for both heating purposes and as moderate potential for power generation).

The process of reforms in forestry are stagnating also due to the political tensions. The draft forest law is submitted to the Minister of Ministry of Agriculture, Forestry and Rural Development (MAFRD). Consultation is made with private forestry stakeholders but the request to simplify procedures in private forest are not included yet. It is agreed to establish a multi-stakeholder work group to address these issues. The draft law is still in discrepancies with forest policies and strategies related the systems of joint forest management, as a tool to decrease the illegality in sector, increase the employment of rural communities and revenues from the sector.

Macedonia undergoes a political crises. The cooperation of government with opposition is not existing, democratic functioning of institutions is weak, while corruption, fraud and bribery are high. The EU reports Macedonia is having problems with assuring free media, political influence on the court system and absence of the democracy. The economic situation with growing depths and high government related employment is worrying. The crises was mediated with EU and USA involvement and resulted with the agreement to call for elections earliest at April 2016 if all preconditions for democracy are respected.

The negative effects of the forest law changes in 2014 are noticed. There was a lack of firewood on the market and prices went to almost 70 €/m³ in November. The service to private forest, again only by the State, is weak and not satisfactory. Subsidies for private forests from the funds at the Ministry in 2015 are zero. The RD (Rural Development) programme includes forestry measures: geodetic works to mark private forests, cost for timber marking and forestry equipment. But bureaucracy is high and conditions difficult, hence only a small number of forest owners applied, using NAPFO (National Association of Private Forest Owners) support.

Donor support to Macedonia is mainly focused on rule of law, democracy and media development. Some support in environment and nature exists from SDC (Swiss Development Cooperation) but mainly through their implementing agencies. The EU funds are expected to continue in the future. Focus on forestry will remain mainly through environment protection. Besides the SDC programme there were limited ongoing forestry projects in Macedonia. The Macedonian Ecological Society implemented financed by Germany a nature related project focusing on forest management practices. FAO is currently implementing a project including a household survey on wood consumption in the country and the region, but cooperating mainly with local consultants from the Forest Faculty.

In **Montenegro** the EU integration process continues. Until end of 2015, 18 chapters of EU *acquis* have been opened and criteria for their closing set, while two are temporarily closed. The chapters on Agriculture and RD (11) and Environment (27), Energetics (15) and Regional Development (22) have not been opened yet. In terms of the progress, lack of administrative and human capacities are main issues. Concerning the agriculture and

¹ http://www.consilium.europa.eu/press-releases-pdf/2015/10/40802204201_en_63582165540000000.pdf

RD, most criteria have already been fulfilled and opening of the negotiations is expected in 2016.

The Forest law (2010) has been implemented to a very low extent. A number of provisions, related to private forests have not been implemented at all. A change of the Forest law has been adopted in 2015 by the Government and endorsed by the Parliament. Some changes for private forests are essential, such as rationalisation of administration procedures after harvesting and forest plans for private forests only on request by the forest owner. The Forestry strategy (2014) has not been implemented, mainly due to lack of financial means. The associations of private forest owners at national level reregistered into a new Union of Private Forest Owners Associations (UPFOA) in order to get a formally recognized organization that could legally represent the private forest owners' interests in Montenegro.

A renewable energy use action plan (2014 – 2020) has been adopted, including wood biomass. The Strategy for agriculture and rural areas for 2014 – 2020, under IPARD II, has been adopted. The expected IPARD II programme will start in 2017, before the start of the implementation of IPARD II program in 2016 will be implemented certain measures within the IPARD-like program.

The focus of donors is at EU integration, within this limited inputs is related to forestry, RD and environment. Only two small European Bank for Reconstruction and Development (EBRD) projects (studies on forest biomass use and forest and wood processing sector) finished, while a Natura 2000 network project from EU will start in April 2016.

4 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 2015 is completed as planned. The inception phase of the FLED project in Albania and the SSPDF project in Kosovo are completed, from January 2015 onwards full project implementation started. 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 2015:

- Sida FLED: Forest for Local Economic Development
- Sida SSPDF: Strengthening Sustainable Private and Decentralised Forest Development in Kosovo
- PEFC: Forest Certification and SFM standards in Macedonia
- EU TREES: Timber Regulation Enforcement to protect European wood Sector from criminal infiltration in Europe
- FAO Land Consolidation project in Macedonia

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: 1,649,641 € (Sida: 1,404,343 €, CNVP contribution 245,298€)

Budget 2015 planned: 1,362,700 €

Budget realised 2015: 1,340,873 € (Sida: 1,147,563 €, CNVP contribution 749,782€)

Total advisor days planned: 7,700

Total advisor days realised: 3,087

Advisor days, 2015 planned: 2,293

Advisor days, 2015 realised: 2,312

The FLED project is a 4 year project and builds on the previous projects for communal forestry of Sida and CNVP. It will further strengthen the capacity of especially the FPUAs and their structures and the local government units, strengthening linkages between stakeholders for sustainable communal forestry and pastures management and improving the environment. FLED project implementation is in the second year. The first project year was completed in July 2015. The progress report, project audit and the second project year plan (August 2015 to July 2016) are made and approved by Sida.

The project progress according to outcome areas is as follows:

Outcome area 1: *Improved decentralised Communal Forest and Pasture area management and secured property/user rights in existing and new target communes*

The main focus is strengthening the capacity of the target local government units to manage communal forest and pastures in close collaboration with FPUAs. 24 target communes in 9 regions have prepared annual utilization plans and most of them achieved to collect a certain amount of fees and tariffs for forest products and looking for other funding opportunities. 4 communes finished the properties registration process (about 24,500 ha), while 7 other are under the process of registration. In 24 selected villages of the target communes the process of users mapping is continuing. Through the property

registration at communes and especially the user rights it is increasing the land tenure and management security for the people.

Regional (9) and one national core groups are reorganized, new members have joined. Several meetings and trainings were held related CFP (Communal Forest Management) management. This core groups are instrumental in knowledge development and dissemination.

Table 1 Properties registration progress during 2015

#	LGU	# of villages (cadastral zones)	Area transferred (in ha)	Area registered cadastre (in ha)
1	Golaj	11	10483	10483
2	Fajza	6	3468	3468
3	Rubik	10	6657	6657
4	Sllove	10	4000	4000
Total		37	24608	24608



Photo 1 Core group activity

Table 2 fees collection by communes in 2015

no	Region	Commune	Total fee amount collected (Leke)	Reinvestment fund (in Leke)
1	Korça	Vithkuq	800,000	
2		Pustec	160,000	
3		Dardhas	400,000	
4	Berati	Roshnik	690,000	
5	Elbasan	Qukes	150,000	
6		Gjinar	1,000,000	
7		Qender Librazhd	1,550,000	
8	Gjirokaster	Dropull I siperm	900,000	400,000
9		Qender Tepelen	1,700,400	400,000
10		Petran	3,000,000	
Total			9,450,400	800,000

Outcome 2: *Enhanced relevance and sustainability of FPUAs, Regional Federation and National Federation*

A critical reflection is made on the structures of FPUAs, Regional Federations, National Federations (NACFP) and their functioning. A specific focus is given to independency from Municipalities of FPUAs as NGOs. This is a concern from the past experience. Awareness meetings at village level help building a democratic, transparent and participatory process for elections of FPUAs boards.

FPUAs assure representing all users in their area and most users are aware of their role as members of FPUA and know their rights and responsibilities. This reflects in improved CFM. In 12 new communes, users elected the village commission that represents the village in general meetings of FPUA. In general there is increased number (10-30%) of

Photo 2 FPUA village level users' meeting



women in all meetings. This improved functioning of FPUAs being a permanent structure in the new municipalities; representing traditional users and playing their role in CFM.

As the result of implemented activities FPUAs in target regions are more aware on gender issues, on organization management and functioning. Elections in FPUA boards are expected to bring more positive energy and involvement of communities in sustainable management of natural resources. There is still a lot to be done towards strengthening the target FPUAs especially in relations with the new municipality administration. The roles and cooperation need to be re-organised, requiring training and capacity building.

All regional and national Federations have identified their areas of service provision and prepared their working plans for further development.

Outcome 3: *Forest and NTFP value chains (further) developed and strengthened*

FLED started with a review related to representation of producer groups. It included the governance principles, CFM in relation to NTFP (Non-Timber Forest Products) production, relations between producer groups and FPUA/Local Government Unit, payment of fees & tariffs in case forest produce is collected from Communal Forest and Pastures areas,



Photo 3 Producer Groups at a Fair

benefit-sharing mechanisms, etc. The review provided better understanding of the existing situation of the producers groups, potential organizational development and identified support needs. The review on Forest Producer Groups included a survey involving 17 producer groups/nut clubs, from 7 Regions, interviews with key persons at regional and national level. Additional 4 case studies of existing producer groups are developed; producer group in Gjirokaster, Marketing Organization of producers in Korça, Agricultural cooperative company in Diber, and Chestnut producer group in Shkodra. The results of the review

process were disseminated and discussed with producers groups and stakeholders during a National Conference organised in Tirana on October 22, 2015. The Producers Groups Review gives a direction for our further support to producer groups. It will be used for training, awareness meetings and other events. The review provided also insight in the options of connecting producer groups with FPUAs and CFM. A critical issue is developing as well the (fire) wood value chain and the role of FPUAs with this. Currently this is under developed.

Due to trainings received by the project, some producers groups, like Diber, Gjinar, Prespa and Shkodra are functioning well, presenting and selling their products (medicinal plants and nuts) at local and national fairs organized during the year in Diber, Korça, Tirana, Elbasan and Gjirokaster. Linked to this is better marketing and extended network, while other producers groups receive training to learn from this experience.

The project will continue strengthening NTFP value chains supporting functioning and structure of producer groups, support market opportunities, networks and assess possibilities to enhance the quality of some forest products to adhere to EU standards. Specific attention will also be given to developing the firewood value chain.

Outcome 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*

Stakeholder's involvement continues in discussions, training, practices, sharing of experiences, knowledge brokering and evaluation of the different SFM (Sustainable Forest

Management) approaches in CFM. The existing and new (3) established sample plots (total about 130) and different farmer forest models are used as demonstration sites for capacity building on SFM, biomass and carbon calculation. Gradually SFM knowledge and practices are developed in CFM. Federations, FPUAs and LGUs are supported to develop models for sustainable management of communal forest and pastures, based on annual increment (forests) and carrying capacity (pastures) and identifying and proposing measures for their improvement. This involves also collection of fees, tariffs and reinvestment system (linked with outcome 1).

Fire prevention awareness and practices is reflected in the few cases of fire occurred so far in the target areas of FLED. Several project activities related to SFM are achieved:

- Fast growing species models under testing in Korça and Gjirokaster
- Commune Gjinar, Elbasan municipality identified for piloting of using biomass for renewable energy. Both commune and association show great interest.



Photo 4 Fast growing Paulownia in Korça

Different models for farmer forestry are supported in different regions in different forest types as demonstration sites for both farmers and forest technicians. About 70 existing forest sample plots are re-measured. This is led by the core group comprising Forest Service specialists, Regional Federations, commune technicians, forest specialists and forest users and village chairpersons. The models are from families or village use and with different forest situations to provide a variety of property right situations and forest conditions. It supports the development and knowledge on SFM in CFM.

Outcome 5: *Strengthening the institutional, policy & legal framework for communal forestry with special attention to governance principles such as: accountability, transparency, rule of law and participation/ social inclusion*

In the past period the project support to National Federation (NACFP, National Association Communal Forest and Pastures), Regional Federation and FPUAs made an active lobbying possible for the institutionalisation and incorporation of roles and responsibilities of FPUA and Federations in the forestry legislation. The new forest law is under preparation and this is used as crucial moment to advocate and lobby for CFM.

The national and regional federation are very much engaged in current institutional and policy reform. They participate active in



Photo 5 Lobbying, Parliament Deputies visit to Farmer Forest

different meetings and discussion with parliament, Prime minister, MoE, other Ministries and donors. Through regional activities support and advocacy is provided to family forest owners and users addressing important issues for family forestry. Concrete suggestions are provide by the Federations through written documents (letters and memos), meetings (7) and round tables including a public discussion with MoE at national and region level. All supported by FLED. The draft law acknowledges CFM although the roles of FPUAs needs further reflection.

NACFP becomes more capable on learning and sharing experiences at regional level (Balkan and wider). Through regional activities support and advocacy is provided to family forest owners and users addressing important issues for family forestry. As result through REFORD (Balkan forestry association network) a statement addressing; 'Local Communities as drivers of forest management in the Balkan' was provided to all institutions in all REFORD member countries as part of joint lobbying for more decentralized forest management and forestry inclusion in RD in the Balkan.

In the general FLED implementation several issues are dealt with. The local election period (April-June 2015) and reorganization of local government from 375 to 61 units is a concern. As usual, during election years the level of collection fees and tariffs drops down. Adding this time the confusion created because of merging several communes in one municipality, recognition of FPUAs as representatives of traditional users by the forest law, and continuation of FPUAs functioning in their existing areas, despite of the area of new municipalities. In the second half of this year, CNVP staff in collaboration with project partners organised several meetings and discussions with new administration of municipalities aiming to agree on how the project activities can be implemented in more effective way and to increase impact in 24 new municipalities. This was very well accepted by new Mayors and administration.

At the end of the year another issue came up by the government related to the moratorium on forest harvesting that brought a lot of discussion between all actors of the sector and further more delays on forest law approval. FLED continues to support the Federations for their effort on strengthening CFM.

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: 902,120 € (Sida: 753,074 €, CNVP contribution 149,046 €)

Budget planned 2015: 768,300 €,

Budget realised: 696,587 € (Sida: 584,056€, CNVP contribution 112,531€)

Total advisor days planned: 5,400

Total advisor days realised: 1,857

Advisor days, 2015 planned: 1,340

Advisor days, 2015 realised: 1,364

The SSPDF project implementation is in the second year of project implementation. The first project year was completed in July 2015. The progress report, project audit and the second project year plan (August 2015 to July 2016) are made and approved by Sida.

The project focuses on three outcome areas; continuation and support on joint forest management within **decentralised forestry**, with inclusion of local communities and local APFO (Associations of Private Forest Owners); **private forestry development** through strengthening NAPFO and APFO in their organisational capacity and representation and supporting family forest owners in their sustainable forest management; and the developments on sustainable **wood biomass production and use for renewable energy** and opportunities for economic development.

Decentralised Forestry

Three municipalities (Gjakova, Istog and Novoberde) are selected on implementation of Joint Forest Management (JFM) approach. Learning by doing and a participatory approach

is applied. In all three municipalities a municipality working group is engaged in the process of the implementation of JFM. The focus was on participatory planning and mapping and annual needs and forest potential calculations.



Photo 6 Participatory mapping

To avoid the legal constraints three Memoranda of Understanding are prepared and signed by the selected municipalities, KFA (Kosovo Forest Agency) and CNVP. The Public Private Partnership law is used for the small scale implementation of JFM. Three villages (cadastral zones) are selected and in each village a commission of the community representatives is established. The annual needs for firewood are calculated. The potential of annual production from private and public forest is assessed. Based on the families' request and interest to participate in management of public forest, with all obligations for protections, maintenance and annual fee payments for the produced firewood, the working group and village commission decided to share the public forest between interested families.

A core group with main stakeholders (KFA, Municipality, APFO, environmental and civil society organisation) is established in Peja region. SSPDF activities (family forest and JFM related field visits and detailed presentations from project staff and NAPFO) helped core group members to become familiar with the reasons of the gap between Annual Allowable Cut and the real harvesting plan, as well with the main reasons of illegal cutting (about 90%) in Kosovo forest. They understand that the approach on JFM and simplified procedures on harvesting permission for private forest management can lead in more employment and legal forest management. Their increased capacities are demonstrated in the national workshop on JFM and on harvest procedures for family forest. The national workshop was organised by the core group in cooperation with the municipality of Istog and supported by CNVP. Core group shared with the main stakeholders and policy makers from Parliament, MAFRD and Ministry of Environment the legal constraints leading to illegality in the sector. The workshop conclusions and recommendations proposed to the participants and Minister of MAFRD are, to delegate more responsibility and rights on forest management to forest owners and communities. SSPDF is through this gradually increasing capacities, understanding and commitment for improved legal framework on JFM and private forest management.



Photo 6 Coppice May 2012



Photo 8 Coppice July 2013



Photo 9 Coppice Sep 2015

Some small implementation of silvicultural works on degraded coppice oak forest are implemented in Gjakova and Novoberde with the support of MLWS. The degraded oak forest rehabilitation interventions with strip coppicing from May 2012 are monitored in July 2013 and August 2015 in Manishince, Novoberde. Based on results of the trials on coppicing with strips in degraded public oak coppice forest of previous project, KFA reflected positively in the annual forest management plan and included in plan the coppicing in strips in degraded oak coppice forest. This aims to improve forest structure in quality and quantity leading to improve planning and realization of planned harvest.

Private Forestry

NAPFO is growing. During 2015 NAPFO joined international networks, as International Family Forest Confederation and International Land Coalition. Geography of existing local APFOs extended with four new local family forest owner association. A high interest to participate on project implementation is showed in Mitrovica region, an inter-ethnic area. The first association was established in Mitrovica municipality and the forest owners of Leposaviq Municipality are involved in preparation procedures. The total membership is just over 4,000 people. About 400 members are women and youth who also have their representation in the management bodies.

In support to improve the functioning of NAPFO and their overall direction and mission, the strategy for the private forest owners' network of Kosovo is prepared. The strategy is currently reviewed for approval by NAPFO. In addition to strengthening the capacity and functioning of NAPFO and APFOs the project continued to support them with the self-assessment of their organizations through the organizational assessment tool. Previous assessments were reviewed and action plans with six APFOs realized. The NAPFO and APFO communication and information service provision was further improved through the development of webpage, publishing joint newsletter with Albania Federations "Jeto Gjelber" (Green live) and information provision to media for awareness.

As part of the SSPDF a regional workshop was conducted in Peja, Kosovo with REFORD and its members with focus on Family Forestry aspects; i) forestry reform, ii) RD forestry practices such as Joint Forest Management and iii) service provision. It also facilitated REFORD's organisational strengthening and assembly meeting. The focus and interest of NAPFO and APFO is to increase capacity and service delivery for their members. The service delivery used by associations in the region has been reviewed and elaborated. Regarding service provision to the NAPFO and APFO members on the best practices for private forest management 20 participatory management plans for family forest were prepared.



Photo 10 and 11 Producer groups for NTFP – raspberry cultivation, APFOs Pashtriku and

Improving the legal and policy framework remains an important area of work of NAPFO supported by SSPDF. The draft law is again under revision by MAFRD. Some information meetings are realised between NAPFO representatives and the commission of parliament dealing with economy, environment and agriculture, pointing out the non-considered proposals of NAPFO-related to simplify procedures of harvesting in private forest on the new draft law. The lobbying process regarding simplifying procedures in harvesting private forest as the main requirements of the members of associations is now considered by MAFRD. The Regional Core group established for SSPDF implementation informed Minister about the discrepancies between policies and strategies on forest sector development, related to the recommended systems of JFM, that need to be reflected in the new forest law. This can service as a legal tool to decrease the illegality, increase the employment of rural communities and revenues from the sector. After frequent negotiations between NAPFO and Forestry Department of MARFD, it is agreed to establish a working group to review and simplify the procedures for forest harvesting in private forest. The purpose is to simplify the procedures and delegate more decision making to the forest owners and their associations.

Wood biomass production

Despite increasing attention on wood biomass and use for renewable energy, proper information and understanding is limited in Kosovo. SSPDF undertook a study on the specifics of biomass used for RE. This was shared and discussed with relevant sectors: energy, forestry, agriculture, economy and rural development to contribute to better recognition in overall national policy, planning and utilisation of biomass.

In an effort to support the actual use of wood biomass for heating SSPDF works on concrete examples for heating following on the experience of the previous project. A feasibility study on innovative heating systems using woodchips in public building is realised for the Doli School in Gjakova. This will replace the actual oil heating system with biomass use resulting in clean energy and less annual expenditure. Although the investment assessed in the feasibility study is higher than planned (30,000 € to 53,000 €) the study highlights that the Financial Internal Rate of Return (IRR=18%) and Pay Back Period (PBP=5.54 years) are very good. We therefore in cooperation with the school will continue this. The second public building, KFA training centre, is proposed, for which the feasibility study is under implementation. With these examples we aim at opening the market and application of wood biomass in RE. This is combined with SFM practices and supply of wood biomass by local actors (APFO).

In support of application in policy and practice a workshop on SFM standards and Forest Certification is organized through REFORD, with member organisations from Kosovo, Macedonia and Montenegro and the Kosovo forest institutes. Certification is helping to

comply with the EU Timber Regulation for Due Diligence assuring all wood products having a legal origin entering the EU market. A start is made with permanent plots to assess forest development and carbon sequestration. Assessing carbon is based on the methodology applied for the National Forest Inventory (NFI). The permanent sample plots are defined based on the existing grid established in line with the framework of implementation of NFI.

PEFC Design of Macedonia Certification System for Sustainable Forest Management

Duration: July 2014 – July 2016

Area: Macedonia

Donor: PEFC

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

Total budget realised: 14,363 € (PEFC: 7,049 €, CNVP contribution 7,314 €)

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

Budget planned 2015: 18,200€

Budget 2015 realised: 10,913€

Total advisor days: 70 days

Total advisor days realised: 37 days

Advisor days planned 2015: 19 days

Advisory days realised 2015: 26 days

The project has three objectives: to build a wide consensus among different stakeholders in Macedonia on the criteria and indicators for SFM, to establish an efficient and sustainable National Government Body (NGB) able to manage, keep and update the Macedonian SFM standards and to apply for Macedonian SFM certification system for endorsement at PEFC Council.

Project activities started July 2014, but most implementing activities started from February 2015. It took time to engage all stakeholders in the process. Until the end of 2015 the project succeeded to draft criteria and indicators for SFM. This was developed by the initial group of forest experts and discussed among wide group of stakeholders. Meanwhile all preparation for the establishment of the NGB; statutes and other documents compiling the forest certification scheme, is completed. The process is developing slow and is not openly supported by all stakeholders. The State Forest Company is passive, but the other stakeholders appreciate and support the certification process. The process will continue in 2016; registering of the NGB, submission request to PEFC for membership and continuing the process of finalizing the criteria and indicators for SFM.

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 budget realised: 30,265 € (EU: 27,226 €, CNVP contribution 3,132 €)

Budget planned 2015: 22,100 €

Budget 2015 realised: 22,768 €

Total advisor days: 145 days

Total advisor days realised: 146 days

Advisor days planned 2015: 95 days

Advisory days realised 2015: 109 days

Note: total advisory realised days are equal to 145. Total advisory billable days in 2015 are 109 days.

The TREES Project (Timber Regulation Enforcement to protect European wood Sector from criminal infiltration) is a 20 month transnational project and 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 Timber Regulation (N°995/2010) (EUTR), increasing cooperation among law enforcement agencies and private operators, improving their cooperation to fight against crime and transfer knowledge to EU member states.

The potential and risks for criminal activities in the forestry sector were identified in the country studies for Macedonia, Albania and Kosovo. The studies have provided an overview of the national legislation, statistic and institutional data about criminal records related to forestry in the countries. Awareness among forest stakeholders for the European Timber Regulation was assessed through the interviews with the representatives from institutions and influence of the Regulation to national policy, market and institutions. The perception of corruption and criminal in forestry sector was assessed through a web based survey. Although people have heard about the regulation, real understanding on the regulation, certification and due diligence is very limited. Hardly any practice exists on this in the region. The training sessions in Macedonia, Albania and Kosovo have increased awareness and knowledge among forest stakeholders for the EU Timber Regulation.

In general, TREES project provided increased attention to forest actors from the non EU countries about the influence of the EUTR to the European market. There is an obvious lack of understanding and no steps are taken at institutional level in non EU countries to prepare forest actors for the influence of the EUTR on their forest economy. The project will end in 2016 providing a toolkit for the forest actors to support enforcement of the EU Timber Regulation.



Photo 12 and 13 TREES Project Interim Workshop, Skopje

FAO Land Consolidation project in Macedonia

Duration: May 2014 – April 2016

Area: Macedonia

Donor: FAO

Total budget: 17,572 € (FAO)

Total budget plan: 12,000 €

Total budget realised: 8,132 €

Total advisor days: 165 days

Advisor days planned 2015: 112 days

Total advisor days realised: 63 days

Advisory days realised 2015: 63 days

CNVP is engaged in implementation of the ongoing project on **Land Consolidation** in Macedonia, providing specific expertise on land management practices. The project "Support to the formulation and implementation of a national land consolidation programme" is implemented by the Ministry for Agriculture, Forestry and Water Economy

(MAFWE) and supported by FAO. CNVP is providing input on Land Consolidation (LC) in the project activities in the area of Konçe, Radovis where voluntary based land consolidation is ongoing. It is the same area where CNVP was engaged during STIMERALD project (2010-2012).

The following steps are taken in LC process in the pilot area:

- Awareness meetings with the farmers
- Farmer interviews to assess their needs and interest for LC
- Cadastre data analysis and preparing the maps for the LC area
- Start-up workshop for community development plan development
- Farmer consultation on planning the land exchanges and reallocation of land parcels
- Finalization of the first agreements for land exchanges



Photo 14 Farmer consultation for land exchange

The project made an assessment of the legal framework and proposals for its improvements are provided. In the process of planning for LC in 2016 there will be two scenarios developed. The first one will take in to account private-private land exchanges where through a process of negotiation and facilitation the farmers will exchange land parcels improving the structure of their farms. The second scenario will include private land parcels and parcels in state ownership. The land exchange will follow all legal steps foreseen in the legal framework, even that the framework is not clear and is not providing sufficient support to use state land in a voluntary based approach of LC. The project has started with implementation in spring 2015 and will last till November 2016.



Figure 1 Land exchange map (part) in Konçe

5 Business Development

In 2015 Business Development was a top priority, gaining additional importance when not gaining the Sida regional CFF project. The focus on BD therefore increased in the beginning of the year and our priorities were adjusted. This was done based on consultation in the Board, MT (Management Team) and BD unit.

In 2015 we limited results were made on gaining new projects. The ambition of CNVP is unchanged, it remained diversifying and widening our programme including an expansion in the region.

BD priorities

The main priority is widening of CNVP resource base and enlarging our portfolio with new projects and partner organisations. The revised priorities for BD in 2015 are:

- Review the Sida projects FLED and SSPDF to include some regional work as foreseen in CFF;
- Establish a presence of CNVP in Montenegro;
- Enlarge our initial contacts in Serbia for cooperation and joint projects
- Acquisition; apply and gain EU projects and other financing sources;
- Widen our thematic focus (RE (Renewable Energy) and environment) in applications and portfolio;
- Improve and widen networking with partners;
- Improve and further develop our BD practice.

Advisory day realization

The table below provides the advisor service results, indicating the total overview of time spent by CNVP in 2015.

Table 4 CNVP day realisation (part I)

Country	Total working days plan	Total working days end 2015	%	Advisory days	Advisory days till end 2015	%	%Advisory days vs. total working days (realised)	Strat. & Pos.	Strat. & Pos. end 2015	%
Albania	2865	2498	87%	2368	2085	88%	83%	180	126	70%
Kosovo	1320	1330	101%	1080	1211	112%	91%	60	36	60%
Macedonia	660	660	100%	494	391	79%	59%	51	60	118%
Netherlands	225	392	174%	100	201	201%	51%	65	76	116%
Total	5070	4879	96%	4042	3888	96%	80%	356	298	84%

The overall advisory day realisation of 96% from original plan. The days are lower in Albania since the recruitment of new advisors is postponed for the next year. In the Netherlands it is higher than planned since it includes the regional advisor based in Montenegro that operates for the regional components of FLED and SSPDF. The balance of advisory days versus working days is with 80% relatively good taking in to account not obtaining new projects expected. The advisory day realisation for Netherlands (regional) staff is lower (51%) but as planned due to general tasks on management and BD.

Strategy & positioning is with 84% realisation, while it is higher in Macedonia (118%) and the Netherlands (116%) since additional effort was giving for overall regional aspects. Two staff of CNVP Macedonia support overall CNVP aspects on BD and strategy which was increased due to the extra focus on programme development. The business development has a good realisation (120%) showing the increased focus and in line with the extra effort given to increase the number of applications and BD effort. Again is it is higher in Macedonia (243%) and the Netherlands (193%) due to regional role on BD as well as the urgency for finding additional projects.

The learning days are lower than planned (44%), especially Albania and Kosovo have less learning day realisation. Some also due to absence from the regional training, but also due to the lower realisation of the country team training plans prepared by the Country Directors. The support days are higher than planned 166%. This is reviewed and proper allocation started in Albania in the second half of the year.

Table 5 CNVP day realisation (part II)

Country	Business Development	Business Development till end 2015	%	%Total days vs BD till end 2015	Learning	Learning till end 2015	%	Support	Support till end 2015	%
Albania	117	100	85%	4%	130	48	37%	65	139	214%
Kosovo	95	29	31%	1%	55	25	45%	30	29	98%
Macedonia	75	183	243%	33%	25	18	70%	15	9	61%
Netherlands	45	87	193%	25%	10	7	71%	10	21	213%
Total	332	398	120%	8%	220	98	44%	120	199	166%

BD unit actions

The BD unit in supported the overall CNVP work related to BD. This is done under responsibility of the Executive Director in support of the MT and specific teams. The BD unit is comprised of two advisors in CNVP Skopje office having a dedicated part (35%) of their time towards BD work at CNVP overall and regional level as well for CNVP Macedonia. Focal persons for BD (20%) in the counties Albania, Kosovo and Montenegro are engaged in the BD unit work.

Next to the support in networking, project identification and proposal preparation the BD unit supported on specific areas:

- PR through maintenance and update of the website and Facebook;
- Publication and distribution of CNVP Newsletter Sprouts;
- Representation in relevant events, project calls information sessions;
- Updating of staff CVs and Project References;
- Maintenance of the BD pipeline;
- Support and coordination of BD activities with the teams.

6 Human Resource Development and Internal Organisation

CNVP is gradual growing and developing. This chapter presents the internal organisation and issues.

Staffing

During 2015 our initial plan was to grow with 4 full time staff (2 full time staff and 2 part time staff), based on the CFF project and expansion in Montenegro and Serbia. Due to cancelation of the regional project the planned recruitment was not realised. In line with our strategy, as per May 2015, one additional staff is engaged in Montenegro as advisor and CNVP representative.

The advisor in Montenegro is engaged for the implementation of the regional components of the Sida projects and finding opportunities in Montenegro and the region. The advisor for Montenegro is having its base in Podgorica, administratively placed under CNVP Netherlands and day to day management under CNVP Macedonia leadership, since there is no CNVP Montenegro established yet.

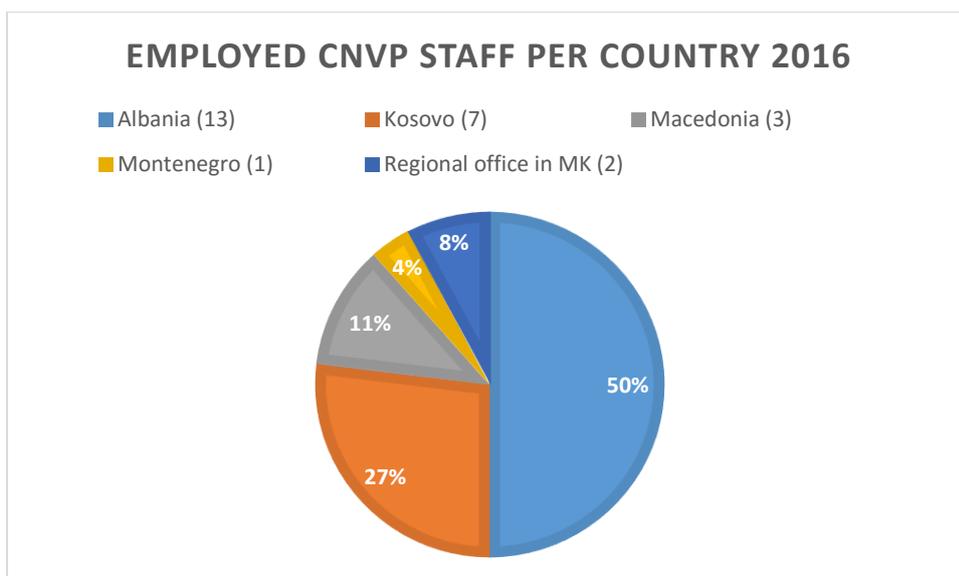


Figure 2 Employee division CNVP

All new staff are recruited with definite contracts. There are now 26 full time employed people based in four countries (Albania 13, Kosovo 7, and Macedonia 5, Montenegro 1)

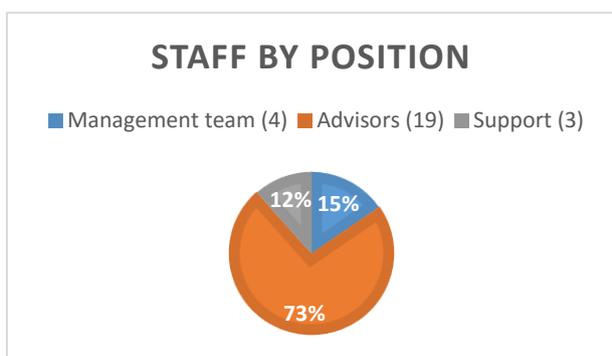


Figure 3 Staff division by position

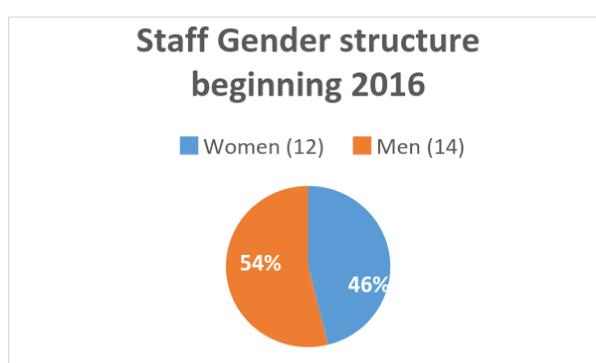


Figure 4 Staff division by gender

The CNVP staff structure is divided among advisors, management functions and support staff. The management functions also provide partly expert/advisory services. The support staff consist of the finance administrators. The process for recruitment of a BD advisor is ongoing and is expected to be completed beginning 2016. The CNVP staffing is in gender balance although there are no women in a management position.

Learning

In our annual plan we made an initial allocation and plan for personal development and learning. This plan was further elaborated in the beginning of the year in a more detailed plan. The detailed learning plan included learning at individual and team level. Also some combined training was identified for more staff at regional level.

During 2015 the total time spent on learning was with 41% realisation (refer table chapter 6). The budget spend on training is about 40% from plan. Despite the specific planning at country level, especially the individual and team level training is underspent. The regional combined training for financial aspects and nature conservation was not realised. Budget savings were achieved however through combining overall training with internal meetings.

The main training and learning in 2015 related to:

- Project Cycle Management and Monitoring training with Albania team

- Result Based management training follow up on project cycle management done in September on all staff meeting;
- International Environment and nature conservation training, Naturregio;
- Disaster Risk Reduction online training course
- Training on GIS/GPS.

The CNVP organisation is gradual growing and developing. The institutional learning started with the process of the demerger and its process. The next step in the development of CNVP focused on establishing the organisation and successful implementation of the transferred projects. In 2014 the transition was made from a programme that originated still from before the demerger in a programme to a programme with projects fully developed by CNVP. The successful completion and evaluations of the Sida projects allowed for this transition. Parallel the organisational functioning was further developed. Last year focused on completion of the structures and organisational processes in CNVP and widening and diversifying the programme. As presented in the BD chapter the results were lower than expected. The experience is used to learn and reflect in CNVP and our BD efforts. Although a lot of focus and work is spend on BD we need further increase the quality of our BD work (networking and partnership building, early intelligence and proposal writing). This was reflected especially within the MT and Board. As a result it is decided to make an additional BD investment.

Our experience, not gaining the regional project, showed the impact on the team, creating some frustration and disappointment. It also led to some stress on the teams. Specific attention was given to this in team meetings, MT and Board discussions. Our focus is on a joint CNVP, projects are of CNVP, not of certain teams, countries. Measures will be taken if not sufficient work is gained. Top priority is given to BD, for a sustainable future we need to widen our programme and avoiding the too high focus on implementation only.

Internal Organisation

During 2015 the governance structure of CNVP is adopted. CNVP had till the end of 2015 a Board of the foundation responsible for the governance of CNVP. In line with the developments of CNVP and to reflect the actuality of day to day management with the Director the governance structure is adjusted. The Board of has prepared a new CNVP's governance structure with Board of Directors, comprised of statutory Director – the Executive Director and a Supervisory Board. The new structure will be effective from the beginning of January 2016.

The following issues were addressed in our internal structure:

- Quality control using, compliance and regular management monitoring of finances and time writing.
- Changes made in EXACT including buying of consolidation module. The EXACT consolidation module is not working on full functionality, yet. This is under development of EXACT. It will be addressed with the vendor in 2016.
- Financial audit for the period January to December 2014 is completed with unqualified opinion
- Sida project year audits are completed with unqualified opinions
- Interim audit for 2015 covering the period January – August was conducted.
- Completion of the EDP (Electronic Data Processing) audit completed on Hour Power, our time writing system. It provided recommendations for upgrading Hour Power, which are addressed in an upgraded Hour Power. The new Hour Power software will be released from 1st of January 2016 on, after which a follow up EDP audit will be done.

The audit 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

In 2015 based on the Sida projects plans a few investments were made. In Albania 5 4x4 vehicles, 9 laptops and 3 printers were bought from the Sida FLED project. In Kosovo 2 4X4 vehicles, 1 photocopier and 2 printers from Sida SSPDF project were bought. In Macedonia 3 laptops were bought from CNVP resources.

All countries made their list of the assets that need to be sold or donated and the inventories are updated.

The finance software of EXACT was purchased giving a more cost efficient option in the longer term than renting. The software includes the consolidation module, which is under development to adjust it to our requirements.

CNVP Board, MT & Employee Council

In 2015 three Management Team meetings (January, May and December 2015) and two CNVP Board meeting (April, September 2015) were held, minutes were taken and distributed. The planned Board meeting for December is postponed to January 2016. The annual report of CNVP 2014 including the financial statements were adopted by the Board in the April meeting in Tirana. The annual plan 2016 was adopted in January 2016 on the Board meeting in Tirana.

The meeting with Employee Council was done in September. Minutes taken and distributed within CNVP. On the all staff in October in Budva meeting the new Employment Council was elected and will represent the employees for incoming two years and some general council related issues were discussed.

Budget 2016

The annual plan of 2016 is completed at the end of the year providing the programme development, priorities and the annual budget. The abbreviated budget for 2016 is presented below in the table.

Table 6 CNVP Budget 2016

CNVP BUDGET 2016	
	Total
Personnel cost	926,600
Operational costs	336,200
Project cost	811,000
Project Revenue	-811,000
Project Advisory Revenue	-1,113,000
Other Revenue	0
CNVP Result	149,800
Investments	
Vehicles	0
Equipment	8,000
Total investments	8,000

CNVP has at the moment a specific policy on size and function of capital/general reserve for a part of its reserve. One part of the reserve is allocated for the depreciation of project assets that are having value higher than 5000 euro. 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.

Risk assessment

There are several, mainly programme related risks identified during 2015 which are also addressed in our annual plan of 2016. These risks are identified in review with staff meetings and especially with the MT and Supervisory Board.

- Low BD results and low BD capacity
- Limited interest of donors, funding in forestry or natural resource management
- Reduced team motivation
- Increased costs
- Weak politics and political unrest
- Stagnating forestry reform processes

The most important risk relates to our BD, widening of our portfolio and diversifying our donor connections. Limited results for this is threatening the longer term sustainability and financial performance of the organisation. To address this we have increasingly focused in BD, made a specific priority and focus of BD for our 2016 plan, allocated extra investment for BD staff and BD related training and coaching with this year and planned for 2016.

The political developments and reforms are stagnating. This can have an impact on certain project results we like to achieve with our partners. This is monitored in the teams. If needed additional effort is given to support partners with lobbying and advocacy. It is also discussed with our donor partners, especially Sida during project review meetings. In the end if needed project results can be changed in mutual agreement. For the time being this was not needed.

An organisational CNVP risk assessment is done reviewing the internal and external organisation. The organisational risk review is done using set areas of risks which are reviewed each time for annual reporting in CNVP. This is presented in the table below.

Risk	Low	Medium	High	Measures
Inadequate BD			X	Current BD results are limited. To secure long term sustainability increased results are needed. Specific investments made for BD (learning, focus, recruitment)
Inadequate Project management		X		Current projects run well. Increased need for compliance on results, control and measurement however require increased focus and overall monitoring on project management from higher management. CNVP will continue its monitoring and assure this is achieved during management transition.
Engaging in loss making deals		X		BD practices and control on costing and pricing and management approval with threshold exist and minimize the risk. Full implementing the BD procedures is needed.
Insufficient Cash flow	X			Regular monitoring. No specific measures, the current projects provide pre-financing
Overhead costs and fee rates		X		CNVP costs are relatively high compared to local organisations. At

				regional or international level these are competitive. Overhead levels and salary costs should remain at current levels.
Procurement	X			CNVP procedures are strict and implemented and monitored.
Political situation		X		Political situation might have an adverse effect on results and impact to be achieved in programmes. In general this is part of the context we work in. Where needed programme activities will be reviewed and adjusted with partners.
Safety and security		X		No specific measures. Main risks are travel risks. CNVP assures vehicles are safe and well maintained.
Staff satisfaction and motivation		X		Limited BD results and staff changes may lead to stress and lower motivation. Transparency, regular staff meetings and discussions, job performance assessment and staff participation and engagement of the Employee Council all support addressing this and alert when motivation is at risk.
Corruption & Fraud	X			CNVP has reviewed its fraud policy. Adjusted its agreements including a fraud clause. An open system is available for whistle-blower and fraud. Regular and strict financial control takes place including audits. Project implementation and financial procedures are made in team effort and transparent, avoiding single person, position transactions.

Part II: Abbreviated Annual Accounts

Introduction – CNVP Third Annual Accounts

These are the third 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 2015
- Statement of Financial Performance for the period from 01 January 2015 to 31 December 2015
- Cash flow statement for the period from 01 January 2015 to 31 December 2015

- 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

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

Abbreviated Balance Sheet at 31 December 2015
After appropriation of result from 01 January to 31 December 2015

Assets	Note	2015	2014
		EUR -	EUR -
Tangible Fixed Assets	1		
Vehicles		173,921	0
Office equipment		17,293	10,199
Subtotal		<u>191,214</u>	<u>10,199</u>
Current Assets			
Receivables	2	0	0
Grants receivable	3	1,545	0
Prepayments	4	30,199	26,994
Cash	5	2,196,340	1,558,319
Subtotal		<u>2,228,084</u>	<u>1,585,313</u>
Total Assets		<u>2,419,298</u>	<u>1,595,512</u>

Abbreviated Balance Sheet at 31 December 2015
After appropriation of result from 01 January to 31 December 2015

Liabilities	Note	2015	2014
		EUR -	EUR -
Foundation's Capital			
General reserve	6	852,405	850,495
Appropriated reserve	6	173,921	0
Subtotal		<u>1,026,326</u>	<u>850,495</u>
Current Liabilities			
Payables	7	7,538	10,312
Taxes, social security & pension	8	16,790	15,989
Grants provided	9	1,354,893	699,056
Accruals	10	13,752	19,660
Subtotal		<u>1,392,972</u>	<u>745,017</u>
Total Liabilities		<u>2,419,298</u>	<u>1,595,512</u>

Abbreviated Statement of Financial Performance

For the period from 01 January to 31 December 2015

		Actuals from 01 January to 31 December 2015	Budget from 01 January to 31 December 2015	Actuals from 01 January to 31 December 2014
Income	Note	EUR -	EUR -	EUR -
Income from grants	11	1,767,857	1,826,300	922,109
Other income	12	15,675	29,000	148
Total Income		<u>1,783,532</u>	<u>1,855,300</u>	<u>922,257</u>
 Expenditure				
Personnel	13	782,456	841,300	749,818
Depreciation fixed assets	14	30,944	36,500	8,882
Other expenses	15	794,302	985,100	499,836
Total Expenditure		<u>1,607,702</u>	<u>1,862,900</u>	<u>1,258,536</u>
Balance Income & Expenditure	16	<u>175,830</u>	<u>7,600</u>	<u>(336,279)</u>
 Appropriation Balance Income & Expenditure				
to:				
General reserve		<u>1,909</u>	<u>(7,600)</u>	<u>(336,279)</u>
Appropriated reserve		<u>173,921</u>	<u>0</u>	<u>0</u>
Foundation Capital		<u>175,830</u>	<u>(7,600)</u>	<u>(336,279)</u>
 Balance Income & Expenditure after Appropriation		 <u>-</u>	 <u>-</u>	 <u>-</u>

Abbreviated Cash flow statement at 31 December 2015

	Note	2015	2014
		EUR	EUR
Operating result	11;13-15	160,155	(336,426)
Adjustment for :			
Depreciation	1	30,944	8,882
Project Receivables	3	(1,545)	46,835
Prepayments	4	(3,205)	(1,727)
Payables	7	(2,775)	(29,166)
Taxes, and leave of employees	8;10	(5,106)	(942)
Project Payables	9	655,837	484,457
Interest received	3	259	15
Net Cash from Operating Activities		834,564	171,928
Purchase of fixed assets	1	(211,959)	(9,184)
Sale of fixed assets	12	15,416	133
Cash from investment activities		(196,543)	(9,051)
Net increase in cash and cash equivalents		638,021	162,877
Cash and Bank at December 31,2015	9	2,196,340	1,558,319
Cash and Bank at January 1,2015	9	1,558,319	1,395,442

Accounting Principles

General information and structure

Connecting Natural Values and People Foundation, with its registered seat Tolakkerweg 68 3739 JP Hollandsche Rading The Netherlands organisation, currently with three registered and active branches in the Balkan countries of Macedonia, Albania and Kosovo.

The annual accounts of CNVP cover period from 01 January 2015 to 31 December 2015. 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 Abbreviated annual accounts

The annual accounts are prepared in accordance with the Dutch Accounting Standard RJ 640 for not for profit organisations. This abbreviated version of the annual report was prepared for publication purposes. This annual report has been abbreviated from the annual report which was adopted by the board on April 23, 2016. Deloitte Accountants B.V. has expressed an unqualified opinion with the full annual report on April 23, 2016. . In case a full version is desired including the auditor opinion please do request a copy at CNVP (info@cnvp-eu.org)

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 2015. 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 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.

As per requested by the donor (Sida) the assets that have value higher than 5,000 € will be given to the cooperation partner at the end of the project which is 31.07.2018. Those assets depreciation is calculated for the years that assets (only vehicles) will be used in the organisation till the end of project.

Annual rates of depreciation used are:

- Vehicles 25%
- Office equipment 33%
- Sida Project assets with value higher than 5,000 € 35%-40%

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 2015.

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. The appropriated reserves relates to the project assets reserve. The project assets reserve is for the depreciation of fixed assets that are purchased from donor's project funds with a value higher than 5,000 EUR and will be given to the cooperation partners.

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.

Principles for preparation of the consolidated cash flow statement

The cash flow statement is prepared according to the indirect method.

The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered to be highly liquid investments. Cash flows in foreign currencies are translated at an estimated average rate. Exchange rate differences concerning finances are shown separately in the cash flow statement.

Transactions that do not result in exchange of cash and cash equivalents are not presented in the cash flow statement.

Notes to the abbreviated Balance Sheet at 31 December 2015

1. Tangible fixed assets

In 2015, CNVP purchased assets that was paid mainly through project funds received.

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.

Based on Sida requirements, tangible fixed assets purchased by or for externally financed Sida programs with value higher than 5,000 € are fully depreciated over the total project period and handed over to project partners at the end of the project period. This is applicable for the purchased vehicles. Therefore their lifespan is calculated not as regular vehicles but until the project end when the assets will be given to the cooperation partners.

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

The movements in the tangible fixed assets are as follows:

	Vehicles	Office equipment	Total
	EUR	EUR	EUR
Acquisition cost as at January 1, 2015	55,195	18,323	73,518
Cumulative depreciation and other impairments as at January 1, 2015	<u>(55,195)</u>	<u>(8,124)</u>	<u>(63,319)</u>
Carrying amount as at January 1, 2015	<u>-</u>	<u>10,199</u>	<u>10,199</u>
Investments	198,480	13,479	211,959
Carrying amount of disposals	-	-	-
Depreciation	<u>(24,559)</u>	<u>(6,385)</u>	<u>(30,944)</u>
Carrying amount as at December 31, 2015	<u>173,921</u>	<u>17,294</u>	<u>191,214</u>
Acquisition cost as at December 31, 2015	253,675	31,802	285,477
Cumulative depreciation and other impairments as at December 31, 2015	<u>(79,754)</u>	<u>(14,509)</u>	<u>(94,263)</u>
Carrying amount as at December 31, 2015	<u>173,921</u>	<u>17,293</u>	<u>191,214</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. These are receivables for a small engagement in Kosovo that was completed within year 2015.

	At 31-12-2015	At 31-12-2014
	EUR -	EUR -
Project Receivables	1,545	
Total	<u>1,545</u>	<u>-</u>

3. Grants receivable

There are no grants receivable as for 31 December 2015.

4. Prepayments

Prepayments include prepaid expenses related to items such as rent deposits and school fees pre-paid for 2015 and overpayment that will be reconcile in 2016.

	At 31-12-2015	At 31-12-2014
	EUR -	EUR -
Rent deposits	3,184	3,248
Prepaid school fees	26,965	23,746
Overpayment	<u>50</u>	<u>0</u>
Total	<u>30,199</u>	<u>26,994</u>

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 2015.

Total of both project bank balances on 31 December 2015, was € 1,828,173 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 first part of project year 2 of both projects. This will be settled in the first months of 2016.

The remaining amount of € 368,167 reflects balance of cash that belongs to CNVP as of balance sheet date.

	At 31-12-2015	At 31-12-2014
	EUR -	EUR -
CNVP bank balances		
Rabobank Netherlands	253,563	306,105
ProCredit Bank Albania	43,184	139,681
Raiffeisen Bank Albania	5,648	1,645
Procredit Bank Kosovo	52,499	14,198
Uni Bank Macedonia	11,356	20,124
Subtotal	<u>366,250</u>	<u>481,753</u>
Project bank accounts		
Rabobank Netherlands, Project SIDA SSPDF	876,978	424,975
Rabobank Netherlands, Project SIDA FLED	951,195	648,535
Subtotal	<u>1,828,173</u>	<u>1,073,511</u>
CNVP cash on hand		
CNVP Albania	964	2,733
CNVP Kosovo	580	183
CNVP Macedonia	374	138
Subtotal	<u>1,918</u>	<u>3,054</u>
Total	<u>2,196,340</u>	<u>1,558,319</u>

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

Liabilities

Foundation's Capital

6. Reserve

Foundation's Capital is made up of a reserve including a general reserve and project assets reserve.

The general reserve is for unrestricted use of CNVP and it serves to ensure the continuity of the organisation.

The appropriated reserves relates to the project assets reserve. The project assets reserve is for the depreciation of fixed assets that are purchased from donor's project funds with a value higher than 5,000 EUR and will be given to the cooperation partners. The expenditure of these assets are charged to the donor and funds are transferred to the reserve of CNVP. The value of those fixed assets represents the net book value at the end of the year 2015 that will be used for the depreciation till the project ends. The balance of income and expenditure over 2015 is appropriated to the reserve

Below is a summary of movements in the reserve account.

	Balance at 31-12-2015	Add result for period	At 31-12-2014
	EUR -	EUR -	EUR -
General reserve	852,405	1,909	850,495
Appropriated reserve	173,921	173,921	0
Total	1,026,326	175,830	850,495

Current Liabilities

7. Payables

The amount of € 1,516 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 2016 to be paid in 2015.

Payables

This item is broken down as follows:

	At 31-12-2015	At 31-12-2014
	EUR -	EUR -
Amounts to be paid	6,022	8,865
Debtors	<u>1,516</u>	<u>1,447</u>
Total	<u>7,538</u>	<u>10,312</u>

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 2015 staff salaries to be paid in January 2016.

	At 31-12-2015	At 31-12-2014
	EUR -	EUR -
Payroll tax, social security & pension payable	16,790	15,989
Total	<u>16,790</u>	<u>15,989</u>

9. Grants provided

These are pre-received funds from the grant contracts that continue to implement beyond 31 December 2015.

In 2015 based on the grant schedule and approve financial reports grant amounts from the donor (Sida) 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 projects TREES and PEFC project.

The following table shows the balance of grants provided by donor to be used after 31 December 2015.

	At 31-12-2015	At 31-12-2014
	EUR -	EUR -
Project Sida FLED	604,937	391,760
Project Sida SSPDF	725,182	255,961
Project Trees	5,635	26,047
Project PEFC	19,139	25,287
Total	<u>1,354,893</u>	<u>699,056</u>

10. Accruals

Accruals are made up of amounts of outstanding leave days accrued for 2015. Below is the breakdown of this item.

	At 31-12-2015	At 31-12-2014
	EUR -	EUR -
Outstanding leave days	13,752	19,658
Total	<u>13,752</u>	<u>19,658</u>

Contingent assets and liabilities

Based on Sida requirements for externally financed Sida programs, tangible fixed assets purchased with a value higher than 5,000 € are fully depreciated over the total project period and handed over to project partners at the end of the project period.

Notes to the abbreviated 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.

During the course of business in August 2014, CNVP was awarded two 4 year Sida project contracts (Sida FLED & Sida SSPDF). The income for 2015 from Sida FLED project was € 1,147,563, of which € 773,238 comes from advisory services and € 374,325 from recoverable project expenses. The income for 2015 from Sida SSPDF was € 584,056 from which € 450,128 from advisory services and € 133,928 from recoverable project expenses.

The other projects range in small size and were financed by EU (TREES project) PEFC (National SFM standards) and FAO. The implementation for these projects will continue in 2016.

In the following table the breakdown of income from grants for the period from 01 January to 31 December 2015 is presented.

Actuals from 01 January to 31 December 2015	Budget from 01 January to 31 December 2015	Actuals from 01 January to 31 December 2014
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Income

<u>Income from grants</u>	EUR -	EUR -	EUR -
Project SIDA Fled - Advisory services	773,238	701,100	207,953
Project SIDA Fled - Reimbursable project expenses	<u>374,325</u>	<u>485,900</u>	<u>48,826</u>
Subtotal	<u>1,147,563</u>	<u>1,187,000</u>	<u>256,779</u>

Project SIDA SSPDF - Advisory services	450,128	437,000	146,056
Project SIDA SSPDF - Reimbursable project expenses	<u>133,928</u>	<u>150,000</u>	<u>22,963</u>
Subtotal	<u>584,056</u>	<u>587,000</u>	<u>169,019</u>
Project SIDA Albania - Advisory services	0	0	140,112
Project SIDA Albania - Reimbursable project expenses	<u>0</u>	<u>0</u>	<u>69,835</u>
Subtotal	<u>0</u>	<u>0</u>	<u>209,947</u>
Project SIDA Kosovo - Advisory services	0	0	137,800
Project SIDA Kosovo - Reimbursable project expenses	<u>0</u>	<u>0</u>	<u>82,598</u>
Subtotal	<u>0</u>	<u>0</u>	<u>220,398</u>
Project World Bank PROFOR - Advisory services	0	0	27,713
Project World Bank PROFOR - Reimbursable project expenses	<u>0</u>	<u>0</u>	<u>28,682</u>
Subtotal	<u>0</u>	<u>0</u>	<u>56,395</u>
Other projects - Advisory services	27,716	36,600	9,570
Other projects - Reimbursable expenses	<u>8,522</u>	<u>15,700</u>	<u>0</u>
Subtotal	<u>36,238</u>	<u>52,300</u>	<u>9,570</u>
Total Income from grants	<u>1,767,857</u>	<u>1,826,300</u>	<u>922,108</u>

12. Other income

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

Other Income

Net gain from sale of assets	15,416	29,000	100
Interest income from CNVP funds	259	0	15
Miscellaneous income	<u>0</u>	<u>0</u>	<u>33</u>
Subtotal	<u>15,675</u>	<u>29,000</u>	<u>148</u>

Note on the difference between actual and budget figures of income

The project income is with 96% realisation. The income from advisory work is higher than planned since in the budget plan the investments were not accounted on the income side. On the other hand project cost are lower than expected due to postponement of some activities for next year and later payments. The income from sale of assets are lower than planned due to overestimated income than the market demand and prices.

Expenditure

13. Personnel

CNVP had 25 fte at 01 January 2015, including the Executive Director. In May one additional staff was recruited resulting 26 fte in CNVP at 31 December 2015.

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 2015 is € 133,015.

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 € 6,594.

	Actuals from 01 January to 31 December 2015	Budget from 01 January to 31 December 2015	Actuals from 01 January to 31 December 2014
	EUR -	EUR -	EUR -
<u>Personnel</u>			
Executive Director - salary	81,770	81,800	81,970
Executive Director - benefits (school fees)	49,461	45,000	44,579
Executive Director - other benefits	<u>1,784</u>	<u>2,400</u>	<u>3,998</u>
Subtotal	<u>133,015</u>	<u>129,200</u>	<u>130,547</u>
Board members - remuneration	0	0	0
Board meetings	<u>6,594</u>	<u>8,500</u>	<u>8,800</u>
Subtotal	<u>6,594</u>	<u>8,500</u>	<u>8,800</u>
Staff salaries	563,771	567,900	523,713
Social security contribution	28,149	40,800	25,810

Pension premiums	2,996	5,600	2,950
Medical benefits	18,708	32,450	18,776
Other benefits & expenses	17,101	37,250	8,260
Outstanding Leave Days	<u>(5,906)</u>	<u>0</u>	<u>10,397</u>
Subtotal	<u>624,820</u>	<u>684,000</u>	<u>589,906</u>
External & Temporary Support	<u>18,027</u>	<u>19,600</u>	<u>20,565</u>
Total personnel expenses	<u>782,456</u>	<u>841,300</u>	<u>749,818</u>

14. Depreciation of tangible fixed assets

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

	Actuals From 01 January to 31 December 2015	Budget From 01 January to 31 December 2015	Actuals From 4 July 2012 to 31 December 2014
	EUR -	EUR -	EUR -
<u>Depreciation fixed assets</u>			
Depreciation vehicles	24,559	31,000	1,459
Depreciation office equipment	6,385	5,500	7,423
Total depreciation expense	<u>30,944</u>	<u>36,500</u>	<u>8,882</u>

15. Other expenses

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

	Actuals from 01 January to 31 December 2015	Budget from 01 January to 31 December 2015	Actuals from 01 January to 31 December 2014
<u>Other expenses</u>			
<u>A. Operating expenses</u>	EUR -	EUR -	EUR -
Fuel & vehicle expenses	49,157	74,300	34,160
Travel & lodging	32,514	39,500	26,871
Office rent	66,794	69,500	66,598
Utilities & office maintenance	22,014	29,400	22,343
Communication & mailing	11,278	18,600	12,273
Office expense	50,015	48,000	29,242
Accounting & audit fees	27,698	35,200	40,431
Bank costs & x-rate differences	8,378	5,500	15,758
Other expenses	9,180	13,500	7,195
Subtotal	<u>277,028</u>	<u>333,500</u>	<u>254,871</u>
<u>B. Project expenses</u>			
Programme Support	256,265	286,700	144,883
Local Capacity Building	239,805	257,100	43,745
Consultancy	21,205	107,800	56,335
Subtotal	<u>517,274</u>	<u>651,600</u>	<u>244,964</u>
Total operating expenses	<u>794,302</u>	<u>985,100</u>	<u>499,835</u>
Total expenditure	<u>1,607,702</u>	<u>1,862,900</u>	<u>1,258,535</u>

Note on the difference between actual and budget figures of expenditure

The operational costs are with 87% realisation from the project plan and it is effected from the personnel, depreciation and operating expenses.

The personnel cost are lower than planned due decision of the MT not to recruited additional person in Albania. Depreciation is lower due to later purchase of planned vehicles. Operating expenses were lower than planned due to some of the operational budget items cost were less than planned leading to less expenditure. The project cost are less than planned due to postponement of some activities.

16. Result for the period

Result for the period consists in the balance of income and expenditure. This balance is get appropriated in the capital account, one part as appropriated reserve for the project vehicles and one part as general reserve for unrestricted use by the Foundation.

	Actuals From 01 January to 31 December 2015	Budget From 01 January to 31 December 2015	Actuals From 4 July 2012 to 31 December 2014
	EUR	EUR	EUR
General reserve	1,909	(7,600)	(336,279)
Appropriated reserve	173,921	0	0
Result for the period	175,830	(7,600)	(336,278)

Note on the difference between actual and budget figures of result

The positive result is coming from not recruitment of one person, saving made in the operating expenses and income from the project investments that was not accounted in the original budget plan.

Constitution of the Board

In 2015 the governance structure of CNVP is reviewed and preparations made towards an organisation with Board of Trustees and Supervisory Board. This new governance structure is effective from January 2016 onwards. During 2015 CNVP governance structure consisted of a Foundation Board and management with Executive Director.

During 2015 the Foundation Board consisted of:

- Chairperson, CNVP Foundation Board
Mr Michel Farkas, appointed on 4 July 2012 – until 16 January 2016
- Member, CNVP Foundation Board
Mr Arno Willems, appointed on 4 July 2012 – until 16 January 2016
- Member, CNVP Foundation Board
Mr Aurel Jupe, appointed on 4 July 2012 – until 16 January 2016
- Member, CNVP Foundation Board
Mr Maarten Bremer, appointed on 15 December 2013 – until 16 January 2016

Due to changes in the governance structure the current board is as follows:

CNVP Foundation Board Board of Trustees

Executive Director

Mr. Peter Kampen appointed on 16 January 2016

Supervisory Board

Chairperson, CNVP Supervisory Board

Mr Maarten Bremer, appointed on 16 January 2016

Other functions:

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

Member, CNVP Supervisory Board

Mr Michel Farkas, appointed on 16 January 2016

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 Supervisory Board

Mr Arno Willems, appointed on 16 January 2016

Other functions:

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

Member, CNVP Supervisory Board

Mr Aurel Jupe, appointed on 16 January 2016

Other functions:

HR Manager at Simons Edeco Ltd in Albania

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 2015

The Executive Director proposes, with the approval of the Supervisory Board of the Foundation, that the result for the financial year 2015 amounting to EUR 175,830 will be added for € 173,921 to the appropriated reserve and for € 1,909 to the general reserve.

Auditor's Report

Independent auditor's report

To the Supervisory Board of Stichting Connecting Natural Values & People Foundation

The accompanying abbreviated annual accounts, which comprise the balance sheet as at December 31, 2015, the statement of income and expenditure 2015 and related notes, are derived from the audited annual accounts of Stichting Connecting Natural Values & People Foundation, The Hague for the year ended December 31, 2015.

We expressed an unqualified audit opinion on those annual accounts in our report dated April 23, 2016. Those annual accounts, and the summarized annual accounts, do not reflect the effects of events that occurred subsequent to the date of our report on those annual accounts. The summarized annual accounts do not contain all the disclosures required by the Dutch Accounting Standard 640. Reading the summarized annual accounts, therefore, is not a substitute for reading the audited annual accounts of Stichting Connecting Natural Values & People Foundation.

Management's responsibility

Management is responsible for the preparation of a summary of the audited annual accounts on the bases described in the principles of valuation of assets and liabilities and the determination of results.

Auditor's responsibility

Our responsibility is to express an opinion on the summarized annual accounts based on our procedures, which were conducted in accordance with Dutch Law, including the Dutch Standard on Auditing 810 "Engagements to report on summary financial statements".

Opinion

In our opinion, the summarized annual accounts derived from the audited annual accounts of Stichting Connecting Natural Values & People Foundation; for the year ended December 31, 2015 are consistent, in all material respects, with those annual accounts, in accordance with the principles of valuation of assets and liabilities and the determination of results.

Amsterdam, August 9, 2016

Deloitte Accountants B.V.

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



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 continues 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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