



**CNVP Annual Report
Abbreviated Version
2016**

CNVP Annual Report Abbreviated Version 2016

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This is the abbreviated version of CNVP’s Annual Report for 2016. CNVP obtained an unqualified audit opinion for its financial accounts for 2016. A full version including the auditor opinion is available on request (info@cnvp-eu.org).

Abbreviations

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:	Environmental Centre for Nature Conservation
ESP:	Environmental 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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Part I: Annual Report

Report of the Supervisory Board

Dear Reader,

We are happy to provide you with CNVP's annual report on our outcome, impact and activities in 2016. In this year, we worked in the Balkans with over 187 organisations, including 6 ministries related to environment and/or natural resources, over 30 municipalities and 50 government organisations, as well as 100 civil society organizations.

2016 was a year of both change and continued development. It was the first year that we operated as a Supervisory Board, with the Executive Director¹ having more statutory responsibilities, more in line with the actual practice within CNVP. This change of governance was also the moment that Mr. Michel Farkas stepped down as chair of the Board, and Mr. Maarten Bremer became chair of the new Supervisory Board.

Within the organization, we said farewell to the founding Executive Director, Mr. Peter Kampen, who left with his family to work in Ukraine. Together with the rest of Team CNVP, he saw the opportunity of creating from SNV a separate and independent organization. The fact that CNVP thrives today after 4 and a half years is also due to his energy, and we are grateful to him for that.

The appointment of the new Executive Director, Mr. Ross Bull, gave CNVP the opportunity to evaluate and rethink its strategy in the light of developments in the Balkan region and donor agendas. Based on this review, CNVP's strategic objective up to 2020 is to focus its core activities on a wider set of services that are linked to different aspects of the "Green Economy" e.g. natural resource management, forestry, agri-rural development, renewable energy, waste management, environment and climate change, and all set within an EU accession framework.

2016 saw Team CNVP cooperate closely with stakeholders to improve the livelihoods of rural communities in the Balkan region, and ensure the sustainable development of their natural resources. Working with the support of multiple donors, CNVP's programme in 2016 impacted almost 500,000 households.

Finally, CNVP is grateful for the commitment and energy provided by all its partners, and looks forward to expanding and improving its contribution to the Balkan region in 2017 and the years beyond.

On behalf of the CNVP Foundation Supervisory Board

30 April 2017, Hollandsche Rading

¹ The CNVP statutes refer to the position of Executive Director as a Trustee. The term Executive Director has been retained to differentiate it from the term Board of Trustees.

Maarten Bremer, Chair Person

Constitution of the Board

The governance structure of CNVP was formally changed as of 16 January 2016. Before that, the CNVP governance structure consisted of a Foundation Board, with management by an Executive Director. These were the following members:

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.

At the board meeting on 16 January 2016, a Board of Trustees and a Supervisory Board was formally established. During 2016, the CNVP governance structure consisted of a Supervisory Board, attended by the Executive Director. These are the following members:

CNVP Foundation Board

Board of Trustees

Executive Director

Mr. Ross Bull appointed on 5 September 2016

Supervisory Board

Chairperson, CNVP Supervisory Board

Mr Maarten Bremer, Appointed: 16 January 2016, Assigned until: 01 January 2020

Other functions:

Dean, Academy of Part-time Studies,

Avans University of Applied Sciences in the Netherlands;

Member, CNVP Supervisory Board

Mr. Michel Farkas, Appointed: 16 January 2016, Assigned until: 31 December 2016

Other functions:

Managing Director Global Support Services/CFO, SNV

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

Member, CNVP Supervisory Board

Mr Thijs van Buuren Appointed: 01 January 2017, Assigned until: 01 January 2021

Other functions:

Controller at Médecins Sans Frontières

Member, CNVP Supervisory Board

Mr Arno Willems, Appointed: 16 January 2016, Assigned until: 16 January 2018

Other functions:

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

Member, CNVP Supervisory Board

Mr Aurel Jupe, Appointed: 16 January 2016, Assigned until: 31 December 2017

Other functions:
HR Manager and Business Development Advisor at Simmons Edeco Ltd.

In 2016, the Supervisory Board convened 4 times; the minutes were taken and distributed.

The Audit Committee convened once before the approval of the annual accounts 2015.

In 2016, the Supervisory Board formally approved the Annual Report 2015 and the CNVP strategy for 2016.

In December 2016, the Supervisory Board elected Mr. Thijs van Buuren as a new member to replace Mr. Michel Farkas who stepped down from his position.

In July 2016 Peter Kampen stepped down from the position as Executive Director. He was replaced by Ross Bull on 05 September 2016.

The annual accounts of CNVP are audited annually by an independent external auditor, Deloitte BV. The external auditor reports to the Supervisory Board and the Executive Director.

The auditor presented its findings to the Supervisory Board for the annual accounts 2015 and the audit 2016. The annual accounts 2015 resulted in an unqualified audit opinion.

The 2016 audit report by Deloitte BV showed no serious issues that resulted in an unqualified opinion.

1 Introduction

This fourth annual report of CNVP reflects the organisation's developments in 2016.

Its purpose is to review the results achieved and progress made during 2016 in each of the countries where CNVP is working. It allows for actual and planned activities to be compared, lessons to be learned, and priorities to be updated.

The report outlines activities to be undertaken in 2017.

2 Executive Summary

CNVP is committed to improving the livelihoods of rural communities in the Balkans, empower them and the organisations that represent their interests, and improve the sustainable and transparent management of their natural resources.

In 2016, CNVP impacted 467,000 households. It worked with: over 180 organisations directly, including 6 ministries covering agriculture, natural resources and the environment; 50 government institutions or agencies related to forestry, rural development, cadastre or environmental parks; and 31 municipalities, mainly in rural areas. Major partners are the associations of private forest owners/users, their networks, umbrella structures and CSOs (100 in total, including 68,000 members)².

The following projects were under implementation in 2016:

1. Sida FLED: Forest for Local Economic Development in Albania
2. Sida SSPDF: Strengthening Sustainable Private and Decentralised Forest Development in Kosovo
3. PEFC: Forest Certification and SFM standards in Macedonia
4. PEFC: in the Balkans
5. FAO: Land consolidation project in Macedonia
6. NUFFIC: Food security and climate change training in Macedonia
7. TREES: Timber Regulation Enforcement

Overall progress in project implementation was good in 2016. The two Sida-funded projects in Albania and Kosovo completed their second year, with their annual plans for 1 August 2016 to 31 July 2017 approved by Sida³. The other projects under implementation made good progress, with the NUFFIC project strengthening CNVP's programme in Macedonia.

Political tensions in the region impacted negatively on the pace and depth of necessary reforms in 2016, thereby affecting project implementation. Additional efforts are therefore required to strengthen government administrations and support ongoing reform processes (through improved transparency, lobbying, awareness and facilitation). This is being addressed particularly by the FLED and SSPDF projects.

Business development (BD) was the main priority in 2016. Fourteen project applications were made, with six under development. Two projects were won - the NUFFIC project on food security training in Macedonia, and the PEFC/FAO funded project on supporting forest certification in the Balkans. The total value of these projects was about 150,000€. At the end of 2016, a third project was won to be implemented in 2017 concerning the establishment of a National Rural Parliament for Macedonia with a total budget of 293,566€. Total EU funding for the whole project is 263,622€. In general, CNVP had a low win rate, and the project value was less than 50% of that targeted.

² Data taken from CNVP mid-term report, 2016.

³ The mid-term project review of the both projects took place during February and March 2017.

The increased BD efforts allowed expansion of CNVP's network of donors and implementing partners, including embassies and UN agencies/programmes, (the EU remaining the main donor for project applications). CNVP was included as a junior partner in an EU tender in Moldova (that was subsequently lost).

A Business Developer started work in May 2016, and BD procedures were revised to reflect this new position. Focus was given to improving CNVP's profile through its website, Facebook updates and a new CNVP leaflet.

Project proposals submitted in 2016 focused on rural development, environment, community development/engagement and renewable energy, as well as mitigation against climate change (to achieve food security).

Geographically, project submissions focused on the Balkans, including Montenegro and Serbia. The number of proposals submitted for Kosovo was weak, and requires further attention.

CNVP expanded its network in 2016, becoming a member of the European Centre for Nature Conservation (ECNC), The Netherlands. It cooperated with a variety of partners in response to donor calls/tenders, including the Forest Sciences Centre of Catalonia, ALCDF and WWF.

At the end of 2016, CNVP employed 28 people. The new Executive Director started work on 5 September 2016.

The overall advisory day realisation in 2016 was 97% of planned advisory days. The financial result was a negative balance of income and expenditure of EUR 63,379 at 31 December 2016. EUR 67,325 will be deducted from appropriated reserves.

Overall, CNVP's progress in 2016 was satisfactory, and provided a stable platform for further development of the organisation in 2017.

3 Background and Context

There are many similarities in the region, not least the wish of each Balkan country to join the EU. Other than EU accession, the main focus of the regional governments is economic development and job creation.

Forestry reforms are being held back at national level, while pressure for reform grows from the field and local level.

Donor support is channelled increasingly through multilateral institutions, especially the EU.

In **Albania**, European integration is the first priority of the government, which pays particular attention to challenges to the rule of law, public administration and fundamental rights. It is assumed that this will remain a government priority following the results of the forthcoming election, (bearing in mind that it will be difficult to implement new activities in the country some two months before and after the election). Albania's new Strategy for Development and Integration 2014 – 2020 and the other sectorial strategies is consistent with the EU's IPA II (Instrument for Pre-Accession).

Rural development policies in Albania aim at increasing productivity and competitiveness to reduce rural poverty and sustain the natural resource base, especially forest resources. According to the national action plan for climate change, Albania will reduce the emission

of greenhouse gases by 11.5%. The decentralization reform in the forestry and environment sector was finalized during 2016 as a part of administrative and territorial reform. But, the new forest law was not finalized in 2016 as foreseen, just small amendments of the existing law in May 2016 which allowed all state forest to be transferred to the ownership of 61 new municipalities. During the year, municipalities have established management structures with staff numbers according to available funds, but not according to the forest and pasture areas transferred. In Albania, only protected areas remain under the state, and are managed by the recently established National Agency of Protected Areas.

The new territorial-administrative reform is under gradual implementation with administrative structures established in 61 new municipalities, and adapting legal acts. This will strengthen decentralization of natural resource management. Remaining challenges include: 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 Forest and Pastures Users' Associations (FPUAs); and the integration of forestry into rural development financial support schemes.

During 2016, an open call was issued for grant schemes in the forestry sector under the World Bank ESP project. About 130 FPUAs applied for these grants. This is important since it is in line with the Sida-funded FLED project implemented by CNVP, and offers further business opportunities for FPUAs.

In the long term, stable financial and other support is needed for integrated policy reforms and programmes in rural communities. Options include additional financing mechanisms for environmental services, and funding available through the EU Instrument for Pre-Accession for Rural Development (IPARD). Now that Albania has obtained official status as an EU candidate country, the relevant institutions need to be accredited.

Kosovo is at an early stage of alignment with European standards. Legislative alignment has continued in some areas but implementation is weak. Some progress was made in public procurement and competition. Good progress was made in customs, especially in fighting corruption, collecting revenue and reducing the administrative costs of exports. Kosovo is required to improve the fight against the informal economy and tax evasion. The energy sector continues to face problems, with no progress having been made on decommissioning the Kosovo A power plant or refurbishing Kosovo B. Very little progress has been made on renewable energy.

Concerning Kosovo's economy, there has been some progress, particularly supporting export-oriented businesses, improving contract enforcement, especially within the financial sector, and accessing finance. The persistent trade deficit reflects a weak production base and poor international competitiveness. Reliance on remittances and the widespread informal economy together decrease employment incentives. This results in low labour force participation, especially among women, and high unemployment rates, particularly amongst the young and unskilled workers.

Regarding the normalisation of relations with Serbia, Kosovo remains committed to the implementation of the agreements reached in the EU-facilitated dialogue. Progress has been limited, also due to the electoral process in Serbia and the domestic situation in Kosovo. Momentum was regained in August 2016 with the start of work on the bridge at Mitrovica/Mitrovicë and improved freedom of movement. Continued efforts are needed to implement existing agreements, in order to have a positive and concrete impact on the citizens in both Kosovo and Serbia⁴.

⁴ Kosovo Report: http://ec.europa.eu/enlargement/pdf/key_documents/2016/20161109_report_kosovo.pdf

The general political situation in **Macedonia** is complicated. Elections in December 2016 were initiated after two years of political crises with interference by EU and USA representatives. The EU Progress Report in November 2016 indicated that significant improvements are required in the rule of law (weak judicial system influenced by political party), state institutions working in favour of governing political parties, and pressure from the government on the media etc. The name dispute with Greece is an outstanding issue.

The State Forest Company (SFC) as the main player on the wood market is still not working efficiently. Their debts on VAT and social contributions are huge. The forestry sector in the Ministry for Agriculture, Forestry and Water Economy (MAFWE) remains passive, overruled by the power of the SFC. The situation in private forest management remains unchanged. After certain improvements in 2009, and with amendments to the law in 2014, overall control and a monopoly position was given back to the SFC. The rural development (RD) sector in MAFWE remains cooperative, and includes more support measures for forest owners in the framework of the national RD programme.

The Council for Sustainable Forest Management in Macedonia was accepted as the national Governance Body under the Programme for Endorsement of Forest Certification Scheme (PEFC). It is expected that the process of endorsement of Macedonia's PEFC forest certification scheme will finish at the end of summer 2017.

There are no large bilateral or multilateral donor programmes in Macedonia related to forestry. Attention is focused on governance, democracy and human rights aspects. Project opportunities include nature protection, environment, watershed management and related programmes, supported significantly by the Swiss Embassy programme.

In **Montenegro**, parliamentary elections were completed in October 2016, and won by the Socialist Democratic Party which has already been in power for 20 years. A coalition government has been formed. The opposition has boycotted parliament, considering the elections to be irregular, and did not attend the constitution of government.

Concerning its abilities to assume the obligations of membership, important work on alignment and preparation for implementation of the acquis has taken place. Montenegro has so far opened 26 negotiating chapters, including the free movement of goods, public procurement, statistics as well as justice, freedom and security. It is at an early stage of preparation regarding fisheries, budgetary and financial provisions. Good progress has been made in the free movement of goods, agriculture and rural development, food safety, veterinary and phytosanitary policy, energy, environment and climate change, customs union, external relations and financial control. Strengthening the administrative capacity for ensuring the application of the acquis remains a substantial challenge for Montenegro.

In addition to EU accession, Montenegro's key foreign-policy priority is membership of NATO, (which it was invited to join in December 2015). The relevant Accession Protocol was signed in May 2016, and is currently being ratified by NATO members. The Foreign Affairs Committee of the Senate of the United States in December 2016 unanimously supported the ratification of the Protocol on the accession of Montenegro to NATO, but it has not yet become a member.

Montenegro has achieved some success in the fight against corruption, although it is prevalent in many areas and continues to be a serious problem. In the forestry sector, taxes have been imposed on the export of logs, both from state forests (20EUR/m³) and private forests (10EUR/m³), as well as for firewood (which is not constitutionally justified, and is the subject of debate). Due to increased exports of firewood to Albania, (as a result of its 10 year moratorium on logging), prices of firewood in Montenegro went up 20%. A new Minister of Agriculture and Rural Development has been appointed who has announced changes in the sector. At the beginning of January 2017, a complete ban on the export of logs was introduced, but the ban will be temporary while the forestry sector

is regulated by rules about export. Montenegro started implementation of the project for the reform of the forestry sector, (funded by the World Bank and implemented by the Ministry of Agriculture and Rural Development).

Montenegro's Union of Private Forest Owners (UPFO) prepared a plan to start implementing regional activities planned under the FLED project.

Montenegro's Union of Private Forest Owners (UPFO) lobbied the management of NP "Prokletije" to prepare management plans for private forests, in order to improve the management of this resource.

No major international donor is supporting the forestry sector, although there is a significant need. Implementation of the Natura 2000 project started at the beginning of 2016.

In **Serbia**⁵, concerning political criteria, early national elections were held in April 2016, together with provincial and local elections. International observers recommended that campaign financing and the registration process should be transparent. The new government programme included Serbia's EU accession as a priority goal. Involvement of parliament and stakeholders in the accession process, including civil society, was further enhanced. Inclusiveness, transparency and quality of law-making and effective oversight of the executive need to be further developed, and the use of urgent procedures limited. Constitutional reforms are needed for alignment with EU standards in some areas. There is scope for improved cooperation between the executive and independent regulatory institutions.

Serbia is moderately prepared in public administration reform. Good progress was achieved with the adoption of the public financial management reform programme, strategies on e-government and on regulatory reform and policy-making, and of new laws on administrative procedures, public salaries and local/provincial civil servants. Serbia needs to implement its reform targets, professionalise and depoliticise the administration, and make recruitment and dismissal procedures more transparent, especially for senior management positions.

Concerning economic criteria, Serbia is moderately prepared to develop a functioning market economy. Good progress was made to address some policy weaknesses, in particular with regard to the budget deficit and restructuring of publicly-owned enterprises. Economic reforms have brought clear results in terms of growth prospects and reduction of domestic and external imbalances. In view of the still high level of government debt, fiscal consolidation needs to be sustained. The restructuring of large state-owned utilities is still to be completed. Credit activity is recovering but the high level of non-performing loans remains an issue. Unemployment remains high, particularly among youth. Further expansion of the private sector is hampered by weaknesses in the rule of law.

Serbia is moderately prepared to cope with competitive pressure and market forces within the EU. Public and private investments increased, though the level of investment activity remains below the economy's needs. The quality, equality and relevance of education and training do not match needs. Some progress was made concerning support to SMEs and entrepreneurship, but they face challenges in the form of an unpredictable business environment, a high level of para-fiscal charges, and difficult/costly access to finance.

Concerning Chapter 11 (Agriculture), the common agricultural policy (CAP) supports farmers and rural development. This requires strong management and control systems. There are also common EU rules for quality policy and organic farming. Serbia has some level of preparation in agriculture and rural development. Some progress was made

⁵ Source: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_serbia.pdf

towards aligning national legislation with the CAP, and the development of an action plan on acquis alignment has advanced. In the coming period, Serbia should in particular:

- take all necessary steps to fulfil the requirement, in order to be entrusted with budget implementation tasks for the IPARD II programme, including allocating adequate resources and strengthening the capacity of all IPARD bodies, and improving implementation procedures; and
- adopt and proceed with implementation of the action plan for acquis alignment in agriculture and rural development.

Concerning Chapter 27 (Environment), the EU promotes strong climate action, sustainable development and protection of the environment. EU law contains provisions addressing climate change, water and air quality, waste management, nature protection, industrial pollution, chemicals, noise and civil protection. Serbia has achieved some level of preparation in this area. Some progress has been made in further aligning policies and legislation with the acquis, including in waste, nature protection and climate change. Serbia improved its strategic planning and set up a Green Fund, both key recommendations in 2015. In the coming period, Serbia should:

- enhance administrative and financial capacity by strengthening the environmental protection agency's monitoring and reporting, adequately resourcing the new environmental finance facility (Green Fund), and improving inter-institutional coordination at both central and local level;
- intensify efforts regarding implementation and enforcement, including closing non-compliant landfills, investing in waste separation and recycling, reinforcing air quality monitoring and advancing river basin management; and
- ratify the September 2015 Paris Agreement and start implementing it, by developing a comprehensive strategy for climate change that is consistent with the EU 2030 framework for climate and energy policies, and well-integrated in all relevant sectors.

There was no reference to forestry in the 2016 Progress Report for Serbia.

In **Bosnia Herzegovina**⁶, concerning political criteria, the electoral legislation was improved, with a number of OSCE-ODIHR recommendations being followed, and local elections organised broadly in an orderly manner, despite incidents in some municipalities. Despite efforts to resolve the Mostar issue, elections could not take place. The Bosnia and Herzegovina Parliamentary Assembly and the entities' parliaments made progress towards adopting outstanding reform priorities, in particular those stemming from the Reform Agenda. Cooperation between state-level, entity-level and Brčko district parliaments improved. However, their role and capacities in the EU integration process need to be further strengthened. Cooperation between the BiH Council of Ministers and the entities' governments was effective as regards the Reform Agenda, the implementation of which needs to continue. The coordination mechanism on EU matters was adopted by the Council of Ministers in August 2016. A strategic programme for the country's legal approximation with the EU acquis has yet to be adopted.

For economic criteria, Bosnia and Herzegovina is still at an early stage in developing a functioning market economy. Some progress has been made in modernising the labour legislation, improving the business environment and addressing weaknesses in the financial sector in the framework of the agreed Reform Agenda. However, the public sector is inefficient and private sector development is slow. Strong and continuing political support for the swift implementation of much-needed structural reforms, in line with the agreed Reform Agenda, will be key.

Bosnia and Herzegovina is at an early stage in building the capacity to cope with competitive pressure and market forces within the EU. There was no progress in improving

⁶ Source: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_bosnia_and_herzegovina.pdf

the country's competitiveness, but implementation of the Reform Agenda measures is ongoing.

Concerning agriculture and fisheries, preparations in these areas are at an early stage. Some progress was achieved on food safety, veterinary and phytosanitary policies.

In the coming year, Bosnia and Herzegovina should in particular:

- design and adopt a countrywide strategic plan for rural development, and agree to establish the national structures for obtaining pre-accession assistance to the agricultural sector through the Instrument for Pre-accession Assistance for Rural Development (IPARD);
- align further its official veterinary and phytosanitary control systems with European standards; and
- upgrade further its administrative capacity, in particular inspection services and laboratories.

Concerning environment and climate change, Bosnia and Herzegovina is at an early stage of preparation. Some progress has been achieved in further aligning policies and legislation with the acquis, in particular in the water and waste sectors. However, significant efforts are needed on implementation and enforcement. In the coming year, Bosnia and Herzegovina should in particular:

- adopt a country-wide environment approximation strategy and accordingly enhance the legal framework, strengthen administrative capacity and monitoring systems, and improve inter-institutional coordination among all authorities on environmental protection;
- formalise the procedures for the appointment and functions of the National Focal Point for Bosnia and Herzegovina for the implementation of environmental conventions;
- ratify the September 2015 Paris Agreement under the UN Framework Convention on Climate Change, and start implementing it; and
- implement the Low Emissions Development and Adaptation to Climate Change Strategy.

There was no reference to forestry in the 2016 Progress Report for Bosnia Herzegovina.

4 Project Progress and Results

The following projects were under implementation in 2016:

- Sida FLED: Forest for Local Economic Development in Albania
- Sida SSPDF: Strengthening Sustainable Private and Decentralised Forest Development in Kosovo
- PEFC: Forest Certification and SFM standards in Macedonia
- PEFC: Balkan
- FAO: Land consolidation project, Macedonia
- NUFFIC: Food security and climate change training in Macedonia
- TREES: Timber Regulation Enforcement, EU and regional

Sida Forest for Local Economic Development (FLED) in Albania

Duration: August 2014 – July 2018

Area: Whole Albania, with 24 target communes and 9 regions

Donor: Sida

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

Total budget realised: 2,834,976€ (Sida: 2,428,587€, CNVP: 406,389€)

Budget plan 2016: 1,353,000€

Budget realised 2016: 1,185,335€ (Sida: 1,024,244€ CNVP: 161,090€)

Total advisor days planned: 7,700
Advisor days, 2016 planned: 2,200

Total advisor days realised: 5,432
Advisor days, 2016 realised: 2,345

Key project impacts/achievements to date: FLED is progressing well according to planned activities, results and budget. Project support has improved decentralized forest management in 24 target communes and extended it to 22 new municipalities (due to territorial reform) by establishing/strengthening management structures, and building relationships among new and old actors. This has led to larger project impact than that planned originally, as a result of increased support for the area of improved forest and pasture under decentralised management. The property registration process has been finalized in 7 communes, and is ongoing in others. In parallel, participatory mapping is identifying and documenting traditional users. All communes have prepared an annual utilization plan, and created a reinvestment fund through the collection of fees and tariffs. An online database has been produced that aims to support communes in the cadastral data and monitoring process. Specific attention has been given to FPUAs and federations, particularly to increase their capacities in project proposal writing. As a result, 136 FPUAs and individual users have applied for grant under the World Bank ESP project. The project has increased the participation of women on the FPUA boards (up to 30%). Producer groups have been established in target communes. Based on the support/training provided by the project, the number of producers has increased (to about 30 people) and the groups function better. The processing and promotion of NTFPs has been undertaken through the organization of at least 10 local and regional fairs. The ongoing process of stakeholders' involvement at municipality level in legal reform has been achieved through sharing experiences, brokering knowledge, and evaluating the different approaches through training, workshops and on-the job practice. Existing and new established sample plots (about 130), the on-line data base and different farmer forest models are being used at demonstration sites. These feed in to capacity building activities such as training, module development, sharing and learning, biomass and carbon calculation. The lobbying process is continuing to try to achieve legal recognition of traditional users' rights. Cooperation in regional activities is strengthening partner associations and sharing/learning in the ongoing EU accession process.

Donor concerns: Based on comments on the annual report and the annual review meeting, Sida's main concern is that the legal reform in the forestry sector has not been completed by government/parliament, especially the legal recognition of traditional user and economic rights for rural families and associations. Further, decisions about whether to give ESP grants to the 136 applicants supported under FLED have not yet been taken. CNVP has requested a copy of the Aide Memoire produced by the last ESP-WB mission, in order to clarify the current position, identify what is holding up the decisions, and propose next steps to be taken.

The 4 year FLED project builds on the previous Sida projects for communal forestry implemented by CNVP. It will further strengthen the capacity of FPUAs, their Federations and the municipalities, strengthening linkages between stakeholders for sustainable communal forestry and pasture management, as well as improving the environment. The mid-term project review took place in March 2017, undertaken by an independent evaluator appointed by Sida. The third year of project implementation has started well. Focus in 2017 will be on the outcome results leading to impact within FLED. Project results to be achieved in 2017 are as follows:

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

- Extending the capacity building programme to new large municipalities.
- Strengthened capacity of the target municipalities to manage municipal forest and pastures in close collaboration with FPUAs.

- 24 target administrative units (previously communes) as a part of 22 new municipalities in 9 regions have prepared annual utilization plans, and are progressively increasing the amount of collection fees and tariffs for forest products and looking for funding opportunities.
- Finalizing the property registration process in 5 new communes, while implementing in 24 selected villages of target communes the process of participatory user mapping, (which should lead to increasing the land tenure and management security for the people).

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

- Main support to FPUAs will be on strengthening their positioning in terms of the new administrative reform and the new forest law.
- Based on the structures and functioning of FPUAs in each commune, regional and national federation, training will be provided according to the identified weak points of each organization. This will cover:
 - Extensive awareness programmes at village level.
 - Building a democratic, transparent and participatory process for elections of FPUA boards, and increased representation of users (with up to 30% of women)
- Support regional and national federations on business planning and service delivery to FPUAs and individual users.
- National and regional federations will continue to lobby strongly on FPUAs to remain a permanent structure after the new administrative reform by representing traditional users in existing areas to play an important role in forest and pastures management.

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

Activities will be based on an analysis and review of the functioning of producer groups. Training will be based on manuals prepared on marketing, business development and networking of producers' groups. Based on this, work will be developed on forest producer group representation, governance principles, communal forest management in relation to NTFPs (Non-Timber Forest Products), firewood production, relations between producer groups, FPUAs and Municipalities, payment of fees and tariffs, and benefit-sharing mechanisms etc. The project will continue to strengthen NTFP value chains and start working on firewood value chains by support the functioning and structure of producer groups. It will also support market opportunities and networks, as well as assess possibilities to enhance the quality of some forest products to adhere to EU standards.

Outcome 4: *Strengthening multi-objective forest management approaches (including wood biomass for renewable energy and carbon sequestration), and increase understanding/acceptance of stakeholders, in particular of policy makers and regulations*

Stakeholders will continue to be involved in discussions, sharing experiences, knowledge brokering and evaluation of the different approaches of forest interventions and management through trainings, workshops and best practices. The existing and new established sample plots (about 150) and different farmer forest models will be used as demonstration sites. Information from them will be fed into capacity building activities such as training, module development, sharing and learning, biomass and carbon calculation, and other environment services that are aimed at increasing the forest area under sustainable management.

Based on the manual "Forest and education", each region will undertake activities with high schools to promote their understanding of forest values and their environmental impact on society and nature.

The system of collection of fees/tariffs and reinvestment will be used to replicate and build more farmer forest models, including fire prevention measures and erosion control. In target municipalities, production and use of biomass for renewable energy will be analysed. A heating system for a school in Gjinar, based on using wood biomass, will be introduced.

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

Support for the National and Regional Federations will continue to ensure the recognition of FPUAs as key organisations within forestry, as well as the institutionalisation of roles and responsibilities of local actors in forestry legislation. The national and regional federations are engaged in current reforms including EU programmes involving the LEADER approach, using IPARD funding. The project will support their lobbying efforts with different meetings and discussion with main actors - parliament, the Prime minister, the Ministry of Environment, other Ministries and donors.

Regional activities are supporting family forest owners and users to address important issues for family forestry with forestry-related institutions, and share experiences and best practices with family forest associations from the Balkan region in terms of the EU integration process.

There will be increased cooperation with the new municipal administrations and other partners to increase the impact of project activities in 22 municipalities.

Sida Strengthening Sustainable Private and Decentralised Forestry (SSPDF) in Kosovo

Duration: August 2014 – July 2018

Area: Whole Kosovo

Donor: Sida

Total budget plan: 3,497,696€ (Sida: 2,979,157€ CNVP: 518,539€)

Total budget realised: 1,657,457€ (Sida: 1,402,559€, CNVP: 254,898€)

Budget plan 2016: 804,000€

Budget realised 2016: 755,337€ (Sida: 649,485€ CNVP: 105,852€)

Total advisor days planned: 5,400

Advisor days, 2016 planned: 1,450

Total advisor days realised: 3,265

Advisor days, 2016 realised: 1,408

Key project impacts/achievements to date: The project has produced valuable outputs under each result area. Outcomes include presenting and implementing for the first time a new approach related to decentralized forestry. This is based on delegating public management rights to communities in coordination with central and local government. The model has been implemented in 6 municipalities at village level, and has been incorporated into the national planning system (as joint forest management) as well in the municipal cadastral system. Forest owners' associations have been extended and strengthened to influence policy decisions. Simplified procedures for forest harvesting have been introduced, and forest management models introduced that are incorporated into regular forestry activities. Innovative heating systems based on biomass have been introduced for the first time. (A similar model has been implemented by Sharrcem in Han

Elez Municipality.) There was no past experience in Kosovo related to the delegation of public forest management rights to communities. Whilst it has not been possible to detect any definite impact of project activities on the reduction of illegal logging on a national scale, it is anticipated that there will be a reduction at village level as a result of the introduction of the joint forest management model. (Improvements in the current situation will be monitored during 2017-18.) This model is being included in the national planning and reporting system, and can be considered as a model for the future.

Donor concerns: Important reforms in the forestry sector are progressing more slowly than planned. Sida's main concern relates to the impact of project achievements/results, both socio-economic and environmental. The mid-term project evaluation (February/March 2017) allowed for reassessment of the opportunities for a non-cost project extension.

The SSPDF project is a 4 year project that builds on the previous project to develop private and decentralised forestry in Kosovo. Project year 2 implementation started well. The focus in 2017 is on the three outcome results leading to impact within SSPDF, as set out below.

First, the project is supporting municipalities to increase their capacities for joint forest management, facilitate policy dialogue and strengthen the implementation of innovative forest management practices, as foreseen in the forest sector strategy 2010-20. The work will continue with six earlier municipalities and four new municipalities. In cooperation with the Kosovo Forest Agency and the municipalities, the project will continue support for Joint Forest Management (JFM). Ten cadastral zones will implement JFM using participatory forest planning. This will take into consideration the annual basic needs of populations for wood materials and the potential of the public forest in those cadastral zones. The annual firewood supply will be realised legally from the planned silvi-cultural works in public forests. The expected result will be a model for reducing the high rate of illegal wood production (93%). The work will be done by engaging the local community, and will have a positive impact on local employment and the incomes of participating rural families.

Second, the project will continue to work and strengthen the national and 26 local associations of family forest owners, and extend their networks in Kosovo with which to improve (a) service delivery in private forest management, and (b) sustainable private (family) forestry. In 2017, SSPDF will support the creation of 2 family forest owners' associations at municipal level. The Mitrovica region with Serbian communities is a priority area. Considering the forest as "family property", the project will continue to focus more on strengthening the role of women in their family forests. Seven associations currently have a women's section, and two more are expected to be created. These are leading producer groups that contribute to the development of non-timber forest products (NTFPs), agro=forestry and rural development. The process of simplified procedures for private forest will continue during 2017.

Third, SSPDF is working on the use of wood biomass for renewable energy. The recognition of wood biomass as an energy source in forestry will be addressed by working with national and local stakeholders. Based on the feasibility study for two institutional buildings, an innovative heating system was developed using forest waste resulting from silvi-cultural works involving private forest owners and their associations. A school in Podujeve was identified to receive a heating system, which is expected to be finalized during 2017. An innovative heating system has been installed in Blinaja, and has been installed in Doli School (Gjakova). A school in Podujeve has also been identified to benefit from such a heating system; it is expected that this will be finalized during 2017.

PEFC, Forest Certification and SFM standards in Macedonia

Duration: July 2014 – September 2017
Area: Macedonia

Donor: PEFC (Programme for Endorsement of Forest Certification)

Total budget plan: 45,918€ (PEFC: 32,417€, CNVP: 13,501€)

Total budget realised: 19,043€ (PEFC: 10,079 CNVP: 8,964€)

Budget plan 2016: 26,000€

Budget realised 2016: 7,567 € (PEFC: 5,917€ CNVP: 1,650€)

Total advisory days planned: 70

Total advisory days realised: 55

Total advisory days planned in 2016: 15

Total advisory days realised in 2016: 18

Key project impacts/achievements to date: The National Governance Body (NGB), officially registered as a legal entity and NGO, has involved the participation of the Ministry, the Forest Faculty, Private Forest Organizations and the Chamber of Commerce. A consensus has been reached on the criteria and indicators to be used for sustainable forest management. The Council for SFM (CSFM) in Macedonia was accepted as a member of PEFC during its annual congress in Bali, Indonesia. The national scheme was submitted to PEFC for assessment in December 2016.

Donor concerns: There are no donor concerns related to the expected deliverables. The need for further training for forest managers, forest owners, wood processors and certification body representatives has been discussed with PEFC Council.

Project continuation was mainly due to the acceptance by Macedonia's CSFM of PEFC membership. The CSFM was accepted by the PEFC congress in November 2016. The set of documents from the Macedonian PEFC scheme has been prepared and is being assessed, (a procedure that lasts 6-9 months).

PEFC BALKAN

Duration: September 2016 – June 2017

Area: Balkan (BG, MK, AL, KO, MNE, RS (B&H), CR)

Donor: PEFC, FAO

Total budget: 53.000€ (27.080€ PEFC; 18.090€ FAO; 7.300€ CNVP; 480€ REFORD)

Total budget realised: 6,115€

Total advisory days planned in 2016: 67

Total advisory days spent in 2016: 14

Key project impacts/achievements to date: The draft content of a questionnaire, interview and outline for the country survey prepared by CNVP has been shared with REFORD. The initial process for the start-up of the PEFC initiative has been held in Bulgaria, involving the Ministry, the Faculty, PFO organizations and other relevant stakeholders.

Donor concerns: The process of contracting between FAO and REFORD was concluded late in November 2016, (mainly due to FAO procedures). REFORD has discussed this issue with FAO, and agreed to postpone its first activity report by 3 weeks to the end of January 2017.

CNVP has signed a contract with PEFC International for the project **"Supporting Small Forest Holders in the Balkan countries as Drivers for the Development of Forest Certification schemes"**. The project is funded by several organizations. To the end of November 2016, FAO had not signed an agreement with REFORD (although it had signed a letter of commitment). Project activities started with a stakeholder meeting in Bulgaria where an initiative by "Gorovladelets" (PFO from Bulgaria) on the PEFC certification

scheme was elaborated and positively received by Bulgarian stakeholders. Similar initiatives will be supported in Croatia and Serbia with engagement of CNVP as the facilitator. A regional conference and survey (mainly funded by FAO) concerning forest certification in the Balkans will be executed in 2017.

FAO Land Consolidation, Macedonia

Duration: May 2014 – March 2017

Area: Macedonia

Donor: FAO

Total budget: 17,57€ (FAO)

Total budget realised: 24,121€ (FAO)

Total budget 2016: 9,000€⁷ (FAO)

Total budget realised 2016: 15,988€ (FAO)

Total advisory days planned: 165

Total advisory days realised: 158

Total advisory days planned 2016: 80

Total advisory days spent in 2016: 95

Key project impacts/achievements to date: A number of private-to-private land exchanges/transactions have been executed covering 7 ha. of agriculture land. A draft community development plan was delivered to the target municipality. The process of land valuation has been finalized. The final plan for the exchange of state-to-private agriculture land has been prepared involving 30 farmers and around 30 ha of agriculture land.

Donor concerns: The election required postponement of important steps by the Ministry.

CNVP Macedonia is engaged in implementation of, and providing specific advice for, the **Land Consolidation** project in Macedonia. "*Support to the formulation and implementation of a national land consolidation programme*" is jointly implemented by the Ministry for Agriculture, Forestry and Water Economy (MAFWE) and FAO. The project aims to complete two practical land consolidations to improve land infrastructure (Egri, Bitola and Konce, Radovis) with CNVP engaged in the Konce pilot area. The final plan for the exchange of state-to-private land has been prepared, and Government approval is due. Almost 30 ha of state-to-private land transactions are involved. Over 7 ha of land transactions were executed in 2016.

The project was supposed to end in 2016, but a non-cost extension was given until the end of March 2017. The EU and FAO have contracted for a new land consolidation project in Macedonia.

NUFFIC, Food security and climate change training in Macedonia

Duration: June 2016 – May 2017

Area: Macedonia

Donor: NUFFIC (Dutch Funds)

Total budget: 75,844€ (NUFFIC budget 74,414€, CNVP budget 1,430€)

Total budget realised: 14,374€

Total advisory days planned: 50

Total advisory days spent in 2016: 16

Key project impacts/achievements to date: CNVP is providing tailor-made training for Macedonia's National Extension Agency (NEA) which has a leading role in empowering

⁷ The budget realisation is higher than planned, due to an extension of the project for an additional 12 months.

farmers to contribute to rural development processes. The training is being implemented jointly with the Centre for Development Innovation (CDI), Wageningen. The training is focused on: training of trainers (TOT); climate change adaptation and agriculture; floods, droughts, and production technology options; land and water management; water efficient irrigation systems; and farm diversification (sustainable livelihood approach, access to market, farmers organizing themselves etc.). The training supports the knowledge improvement of NEA staff, their skills and competences, in order to support farm diversification for small farm holdings and contribute to achieving a higher level of food security. It should also lead to increased awareness amongst a broader constituency of stakeholders, and improve farmers' decision-making processes and planning for the agricultural sector. The agreement with NUFFIC ends in May 2017 by which time all activities should be implemented. A questionnaire was compiled in 2016 to make a Training Needs' Assessment (TNA) for 15 trainees. A first training module on "Climate change adaptation in agriculture and specific farm diversification strategies" was conducted.

Donor concerns: The election required postponing the second training module until March 2017. The ongoing security situation in Turkey required the study visit to be postponed until April 2017. The postponed activities have been accepted by the donor.

EU TREES: Timber Regulation Enforcement, EU and regional

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: 48,937€ (EU 43,725€, CNVP contribution 5,212€)
Budget planned 2016: 6,000€,
Budget realised 2016: 18,510€⁸, (EU: 16,593€ CNVP: 1,917€)

Total advisory days: 145 (note: the number of days increased by 49 days after a budget neutral extension was approved by the EU)

Total advisory days realised: 211

Advisory days planned 2016: 25 (planned does not include the additional 49 days)
Advisory days realised 2016: 48

The TREES Project (Timber Regulation Enforcement to protect the European wood sector from criminal infiltration) was a 20 month transnational research project funded by the EU as part of the ISEC Programme (Prevention of and Fight against Crime). TREES aimed at exploring anti-corruption potentialities of the EU Timber Regulation (N°995/2010) (EUTR), increasing cooperation among law enforcement agencies and private operators, improving their cooperation to fight against crime, and transferring knowledge to EU member states.

Input from the project partners involved preparing a final project document and a tool for law enforcement in the wood sector related to criminal activities. A conference in Lyon, France in June 2016 focused on exchanging information and strengthening future cooperation among practitioners for enforcement matters in the timber sector. In particular, representatives of Law Enforcement (prosecutors, investigators, forest police officers and customs), EUTR Monitoring Organisations and EUTR Competent Authorities from all 28 EU countries were invited. During the conference, participants exchanged

⁸ The budget realization was higher because the EU Commission approved the use of additional days in the framework of the unspent budget.

information about recent activities against illegal logging and corruption in the timber sector, and held discussions with the INTERPOL Forestry Crime Sub-Working Group. A final conference was held in Rome in July 2016 to present all project results.

The organisations with which CNVP cooperated in 2016 to develop project opportunities included:

- ALCDF, Albania;
- Centre for Change Management, NGO, Macedonia;
- Centre for Development of Jablanica and Pcinja region, Serbia;
- Centre for Development Innovation, Wageningen;
- DKM, Nature Conservation Centre, Turkey;
- Forest Sciences Centre of Catalonia;
- European Bank for Reconstruction and Development
- European Centre for Nature Conservation;
- Eco Svest Environmental NGO, Macedonia;
- Foundation Network for Change in South-East Europe, Sarajevo, BiH;
- Gorenje Project, Slovenia;
- KfW, Kosovo and Albania
- Macedonian Ecological Society NGO, Macedonia;
- NERCO, Greece
- NNA- Nature Conservation Academy, Germany;
- OBF, Austria;
- PONT, Prespa Ohrid Nature Trust
- REGEA, Croatia;
- Rural Development Network, Macedonia;
- Rural Development Network, Montenegro;
- Serbia NGO, Serbia;
- Slovenian Forest Institute;
- University of Athens;
- University in Bulgaria, Faculty of Forestry, Sofia;
- University of Thrace;
- USAID, Kosovo; and
- WWF, Croatia and Bosnia & Hercegovina.

5 Human Resource Development and Internal Organisation

The following events took place in 2016 concerning CNVP's human resource development and internal organisation.

Staff planning

During 2016, CNVP planned to recruit three full time staff. Two were appointed (a Business Developer, Skopje, in May 2016; and a Junior Advisor for SSPDF, Pristina, in September 2016). Recruitment of a junior advisor for FLED (Tirana or Shkodra) was put on hold.

The CNVP team was strengthened through the appointment of an Associate Expert (Marianne Meijboom) who undertook work for the FLED project.

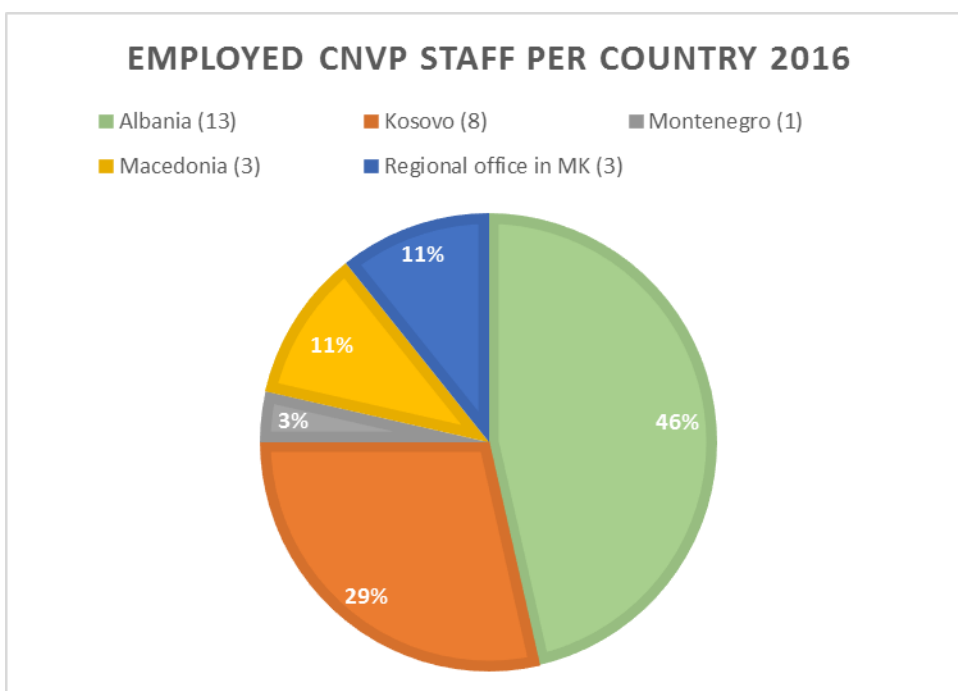


Figure 1: Staff overview per country

At the end of 2016, there were 28 employees (Albania 13, Kosovo 8, and Macedonia 6, Montenegro 1). The advisor for Montenegro in Podgorica is administratively attached to CNVP, The Netherlands, and is supervised by the Executive Director. The Macedonia regional office includes the Executive Director, the Regional Finance Administrator and the BD advisor.

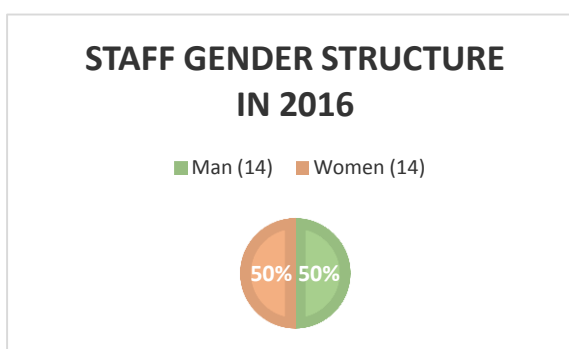
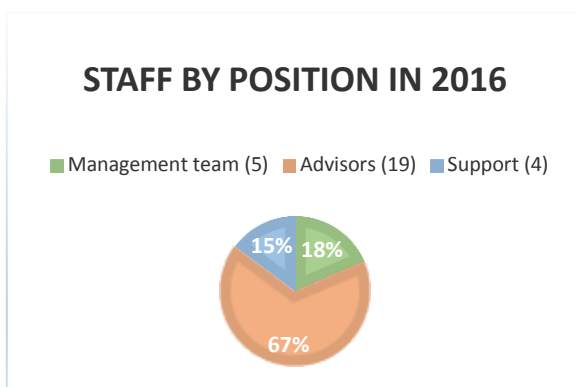


Figure 2 a & b: Staff overview (a: position, b: gender)

Learning

Learning is a key focus of internal organisational development. In 2016, a total budget of 29,000€ was set aside for learning, including 17,750€ at regional level for CNVP Team staff meetings, and 4,000€ for regional training. The remaining budget was planned to be at country level (Albania 3,500€, Kosovo 2,000€, Macedonia 750€, Montenegro 250€ and Regional staff 750€).

At 31 December 2016, the total budget spent on learning was 18,194€ (63% of the total budget). 9,238€ was spent on regional training for forest certification for selected staff from Albania, Macedonia and Montenegro, including staff meetings in January and June related to the change of Executive Director. The forest certification training is part of the process of helping staff to become certified as assessors and allow CNVP to provide future services.

Detailed country plans were made for training at country team and individual level.

The input of the Associate Expert working with the FLED project helped coach CNVP staff on value chain development and producer groups in Albania.

Internal Organisation

There was no major internal development in 2016. All existing systems and the use of quality controls were applied.

The following issues were addressed during 2016:

- Audit on the improved Hour Power confirmed the reliability of the software;
- Completion of the financial and Sida project audit;
- The EXACT finance system consolidation module was not implemented, due to technical problems; pivot tables were used to consolidate and monitor data, and part-funding was reimbursed by the vendor;
- The restructuring of the governance structure of CNVP was finalised;
- A new CNVP website started to be developed.

The financial audit went well. Cooperation with the Deloitte Auditors was satisfactory, and resulted in an unqualified audit opinion of the annual accounts 2015.

Investments

The following investments were made by 31 December 2016: Albania - 5 laptops (from project funds); Kosovo 1 laptop, 1 desktop, 2 beamers, photocopy machine, printer, 2 cameras (using project funds); and Macedonia - 2 laptops (one replacement, and one for BD), 1 beamer and 1 printer.

Employee Council

During 2016, two meetings were held in consultation with CNVP management (Executive Director). The main issues addressed and agreed were simplification of the salary scale (less steps), and revision of DSAs (one rate per country).

CNVP Management Team and Supervisory Board

Four Management Team meetings were held and minutes taken (February, June, September and December 2016).

Four CNVP Supervisory Board meetings were held and minutes taken (January, April, September and December 2016).

The 2015 annual report of CNVP including the finance statements was adopted by the Board in April 2016 in Skopje.

Secretariat and partnership

The CNVP secretariat (role and support) is facilitated by the CNVP Board Chairperson in Hollandsche Rading, The Netherlands and the secretariat of Avans University of Applied Sciences.

Strategy, planning and reporting

The CNVP strategy for 2014-16 finished at the end of 2016. A revised strategy was prepared by the new Executive Director in 2016, and approved by the Supervisory Board.

The third year project plans were submitted to, and approved by, Sida for the FLED and SSPDF projects for 1 August 2016 – 31 July 2017.

Leadership transition

The Supervisory Board led the recruitment of the new Executive Director following a staff meeting in January 2016 to discuss the process and profile. The selection process was

concluded in May 2016. Ross Bull started a three year term on 5 September 2016, including the formal transfer as Trustee.

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 was completed in May 2016.

The CNVP staffing is in gender balance, although there are no women on the management team.

Advisory days

Advisory day realization in 2016 is summarised below:

Country	Total working days plan	Total working days till end 2016	%	Advisory days	Advisory days till end 2016	%	%Advisory days vs. total working days (realised)	Strat. & Pos.	Strat. & Pos till end 2016	%
Albania	2600	2430	93%	2190	2174	99%	89%	120	47	39%
Kosovo	1500	1451	97%	1230	1289	105%	89%	75	65	86%
Macedonia	660	682	103%	405	348	86%	51%	20	44	221%
Netherlands	620	630	102%	230	133	58%	21%	145	152	105%
Total	5380	5192	96%	4055	3943	97%	76%	360	308	86%

Table 4 CNVP day realisation (part I)

The overall working day realisation in 2016 was 96% of the original plan. The days are lower in Albania since the recruitment of new advisors was postponed. The balance of advisory days versus working days was 76%. The advisory day realisation for Netherlands (regional) staff is lower than planned (at 58%) due to the delay in recruiting the new Executive Director, and a reduced number of days for the SSPDF project regional component.

Strategy and positioning had 86% realisation. It was higher in Macedonia (221%) due to a lack of projects and efforts made to identify possible partnerships with various NGOs and ministries, and higher in the Netherlands (105%) because of additional efforts to develop networking for regional projects.

Two staff of CNVP Macedonia supported BD. This had a good realisation (125%) reflecting increased focus and extra effort to increase the number of funding applications. BD was higher in Macedonia (146%) and the Netherlands (151%), due to regional activities and the need to find additional projects.

Learning days were lower than planned (29%), especially in Albania and Kosovo. Some were due to absence from regional training, but also due to the lower realisation of the country team training plans prepared by the Country Directors. Support days were higher than planned at 108%.

Table 5 CNVP day realisation (part II)

Country	Business Development	Business Development till end 2016	%	%Total days vs BD till	Learning	Learning till end 2016	%	Support	Support till end 2016	%
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Albania	110	83	75%	3%	120	32	27%	60	94	156%
Kosovo	85	70	83%	5%	70	7	10%	40	20	51%
Macedonia	175	256	146%	38%	30	20	65%	30	13	45%
Netherlands	195	295	151%	47%	30	15	49%	20	34.88	174%
Total	565	705	125%	14%	250	73	29%	150	162	108%

Budget

The annual plan of 2017 provided the year's budget, as summarised below.

Table 6 CNVP Budget 2017

CNVP BUDGET 2017	
	Total
Personnel cost	889,371
Operational costs	331,264
Project cost	964,640
Project Revenue	-964,640
Project Advisory Revenue	-1,220,761
Operational Result	-126
Other Revenue	-380
Total	-506
Investments	
Vehicles	0
Equipment	2,000
Total investments	2,000

Capital reserves

Capital consists of a general reserve, an appropriated reserve (project assets reserve). The appropriated reserve is allocated for the depreciation of project assets with a value higher than 5,000 euro. A minimum threshold for reserves has been set at 500,000€. In the event that the general reserve falls below this level, the Supervisory Board will be informed immediately.

6 Risk Management and Mitigation Measures

Uncertainties arise from complete/partial lack of information, insight or knowledge about an event, its consequences or the probability that such an event will occur. Risks are the consequences of uncertainties on the achievement of objectives.

The following categories are relevant (but not mandatory) to the selection of the significant risks and uncertainties that any organisation might face.

1. Strategy: risks and uncertainties (often with an external orientation) that may: (a) hamper the achievement of the organisation's strategic and/or business plans; and (b) impact the long-term objectives (e.g. with respect to the strategy or governance, technological or social developments and sustainability aspects);
2. Operational activities: risks and uncertainties that impact the effectiveness and efficiency of operational activities. These especially relate to the organisation's processes, and may impact the short-term objectives (e.g. internal organisation and administration, the implementation of new information systems and remuneration policies);
3. Financial position: risks and uncertainties with respect to the financial position (e.g. foreign exchange risk, currency risk, interest rate risk and uncertainties in acquiring financing);

4. Financial reporting: risks and uncertainties that may impact the reliability of internal and external financial reporting (e.g. uncertainties with respect to complex allocation issues, the degree of subjectivity in valuations, and risks regarding the design of financial reporting systems);
5. Rules and regulations: risks and uncertainties with respect to laws and regulations (internally and externally) and a direct impact on the organisation and/or its business processes (e.g. risks and uncertainties of operating in an environment with significant regulation and complex regulation, uncertainties with respect to misuse of inside information, and risks of changes in tax legislation).

At the same time, the organisation has to review its risk appetite and risk management, as well as the potential impact of the main risks identified.

The following main risks and associated mitigation measures have been identified based on the current and projected programme of activities.

Risk	High	Med	Low	Trend	Mitigation measures
<p>Inadequate BD Poor business development (BD) has led to a narrow project portfolio and limited donor revenue streams. The results to date i.e. not winning new large projects/lack of long term funding are threatening CNVP's longer term sustainability and financial performance.</p> <p>There has been a failure to focus the attention of all CNVP employees on their need to contribute urgently to constructive business development.</p>	X			Down	<p>Specific investments have been made for BD (including staff learning, greater focus, and staff recruitment) to help CNVP widen its programme of activities and diversify its funding.</p> <p>The Executive Director will visit each country office monthly to motivate the local teams to develop and submit proactively generated project ideas.</p> <p>The Executive Director will look for opportunities in other countries such as Serbia, Bosnia Herzegovina, Moldova etc.</p>
<p>Staff satisfaction and motivation Limited BD results and lack of clarity on BD procedures have led to staff stress and lower motivation.</p> <p>The poor results to date in business development need to be reversed; this requires a team effort by the Executive Director, the CNVP country directors and the rest of CNVP's staff.</p>	X			Down	<p>Greater involvement of the Executive Director at country level will be introduced to support local staff. BD procedures will be modified continuously, and explained to staff. Transparency, regular staff meetings and discussions, job performance assessment and staff participation and engagement of the Employee Council will support this.</p>
<p>Termination of indefinite staff employment contracts Failure to win additional large scale projects would require termination of indefinite staff employment contracts.</p>	X			Up	<p>A provision will be included in the accounts to ensure there are sufficient reserves to meet end of contract obligations.</p>
<p>Inadequate project management Current projects run well. There is an increased need for compliance on results, control and measurement. This requires increased focus, and better overall monitoring by senior management.</p>		X		Down	<p>CNVP will improve its project monitoring by (a) regular reporting to the Executive Director, and (b) the introduction of a more structured template for preparing projects.</p>
<p>Engaging in loss making activities Procedures covering BD, control on costing/pricing, thresholds and management approval exist.</p>		X		Down	<p>Full implementation of the procedures is required, including use of the Full Cost Recovery analysis.</p>
<p>Overhead costs and fee rates CNVP costs are relatively high compared to local organisations,</p>		X		Down	<p>Overhead levels and salary costs will remain at current levels for the foreseeable future.</p>

but are competitive at regional and/or international levels.					
Political situation The political situation might have an adverse effect on programme results and impacts.		X		Stable	Political instability exists, but is unlikely to lead to a significant reduction in donor involvement. Where required, programme activities will be reviewed/adjusted with partners.
Reform processes stagnates The reform processes in Balkan forestry and rural development suffer from delays and obstruction, with Governments not always following an open, transparent and participatory process e.g. reforms related to private forestry require reduced bureaucracy.		X		Stable	Where this happens, additional lobbying and advocacy will be introduced.
Exchange rate changes Exchange rate changes can limit the Euro value of project revenues earned.		X		Up	Discussions will be held with donors to attempt to reduce the scale of project activities to be in line with the real value of available resources.
Limited interest of donor funding for forestry The number of forestry-specific projects that are tendered annually is limited.		X		Up	A broader focus covering all aspects of the "Green Economy" will be introduced, breaking away from CNVP's traditional area of forestry.
Insufficient cashflow There is a danger that available billable days and programme cost expenditures are not maximised.			X	Down	Regular monthly monitoring of cashflow and project activities will ensure regular invoicing takes place.
Corruption and fraud CNVP has reviewed its fraud policy, and adjusted its agreements to include a fraud clause. An open system is available for whistle-blowers. Regular and strict financial control takes place, particularly during the audit process.			X	Down	Team-based project implementation and financial procedures allow for transparency, including the avoidance of single person transactions i.e. minimum of "four eyes" principle.

7 Business Development in 2017

The main focus of business development in 2017 will be to bid for, and win, projects relevant to CNVP's mission, which is to use evidence-based analysis to improve the sustainable livelihoods of rural communities within the ongoing process of environmental and climate change. To achieve this, business development will focus on strengthening capacity through participatory processes in six key areas: sustainable forest management; climate change, environment and natural resource management; agri-rural development; renewable energy, primarily from biomass, and waste management; community mobilisation of producer groups, user associations and women's groups; and European accession issues and related policy questions that are linked particularly to Chapter 13 (Agriculture) and Chapter 27 (Environment) of the *acquis communautaire*.

At the same time, business development will aim to recalibrate the balance between proactive and reactive project activities, as well as diversify sources of revenue away from predominantly single, bilateral donor support.

Increased flexibility will be achieved by seeking a balance at national, cross border and regional levels between: (a) projects developed proactively by staff in the different country offices for submission to donors; (b) projects that result from reacting to donor calls for proposals; and (c) identifying all possible sources of money (including centralised/decentralised public and private sectors), not just donor funding.

Within this framework, CNVP's four key business development priorities for 2017 are to:

1. build up its core activities around the "Green Economy", acting as a facilitator that provides advisory services and strengthens local capacities;
2. gain access to additional business opportunities at national, cross border and regional levels by:
 - a. maximising contacts with all key international and national public/private/donor/CSO stakeholders and partners;
 - b. joining all major networks linked to CNVP's core activities, (where free or modestly priced), and attending related networking events;
 - c. aiming to be a junior partner in consortia that are bidding for donor-funded tenders;
3. register all CNVP offices as local legal entities to maximise bidding flexibility, initially in Albania, then in Kosovo and Macedonia, followed by the other three Balkan countries; and
4. update CNVP's website, social media/PR capacity, and promotional literature, and require all CNVP staff to use the same material to deliver a clear and consistent message about CNVP to potential donors, partners and other stakeholders.

Concerning CNVP's ambition to work in all six Balkan countries, the Executive Director will during 2017:

1. provide continuous monthly support to help the three country directors empower their staff to (a) identify and develop project opportunities, (b) take ownership for implementing projects won, and (c) meet their personal targets for 2017;
2. give one-to-one management support to the CNVP representative in Montenegro to win one or more in-country or cross-border projects; and
3. establish a CNVP footprint in Belgrade and Mostar, with a view to winning projects in Serbia and Bosnia-Herzegovina, respectively.

Business development is under the general guidance of the Executive Director, supported by the Management Team. This involves networking, membership of key organisations, project identification and proposal preparation, complemented by:

- improved public relations;
- regular updating of CNVP's website and Facebook page;
- representing the organisation at relevant events and donor call information sessions;
- updating staff CVs and project references;
- maintaining all business development data bases, including the project pipeline; and
- supporting the business development activities of CNVP's country teams.

Progress in achieving the priority objectives for 2017 is monitored regularly by the Executive Director and Management Team, and reported to the Supervisory Board.

8 Introduction – CNVP Abbreviated Annual Accounts

Part II contains the annual accounts of 'Stichting' Connecting Natural Values & People Foundation (CNVP) registered in The Hague, The Netherlands.

CNVP's mission is to use evidence-based analysis to improve the sustainable livelihoods of rural communities within the ongoing process of environmental and climate change.

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

CNVP's Structure

The Foundation is a not-for-profit organisation. It designs, implements and manages projects financed by international donors and other sources of finance. Its work is currently focused in the Balkans with three branches active in Macedonia, Albania and Kosovo.

The annual accounts constitute solely the financial statements of one legal entity, CNVP. They reflect the main activities of the Foundation, including management of the externally financed projects and provision of advisory services.

CNVP's main activities are financed by international donors and own contributions. CNVP's initial capital contribution consists of cash and tangible fixed assets.

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

Expenditure includes expenses incurred during and for the implementation of projects, as well as expenses for the day-to-day operations of CNVP. The balance of income and expenditure, or the result for the period, is transferred to the capital base of the organisation, and is reflected in the balance sheet. This also includes: tangible fixed assets; current assets, which are mainly project related receivables; grants receivable; prepayments; and cash. 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 2016
- Statement of Financial Performance for the period from 01 January 2016 to 31 December 2016
- Cash flow statement for the period from 01 January 2016 to 31 December 2016
- Accounting principles
- Notes to the Balance Sheet
- Notes to the Statement of Financial Performance
- Signed Financial Statements
- Independent Auditors' Report

Part II: Abbreviated Annual Accounts

Abbreviated Balance Sheet at 31 December 2016

After appropriation of balance of income and expenditure

Assets	Note	2016	2015
Tangible Fixed Assets	1	EUR -	EUR -
Vehicles		106,596	173,921
Office equipment		18,098	17,293
Subtotal		<u>124,694</u>	<u>191,214</u>
Current Assets			
Receivables	2	10,958	1,545
Grants receivable	3	0	0
Prepayments	4	3,588	30,199
Cash	5	2,158,588	2,196,340
Subtotal		<u>2,173,134</u>	<u>2,228,084</u>
Total Assets		<u>2,297,828</u>	<u>2,419,298</u>

Abbreviated Balance Sheet at 31 December 2016

After appropriation of balance of income and expenditure

Foundation's Capital	Note	2016	2015
		EUR -	EUR -
General reserve	6	856,351	852,405
Appropriated reserve	6	106,596	173,921
Subtotal		962,947	1,026,326
Current Liabilities			
Payables	7	22,765	7,538
Taxes, social security & pension	8	17,753	16,790
Grants provided	9	1,282,502	1,354,893
Accruals	10	11,861	13,752
Subtotal		1,334,881	1,392,973
Total Liabilities		2,297,828	2,419,298

Abbreviated Statement of Financial Performance

For the period from 01 January to 31 December 2016

		Actuals from 01 January to 31 December 2016	Budget from 01 January to 31 December 2016	Actuals from 01 January to 31 December 2015
Income	Note	EUR -	EUR -	EUR -
Income from grants	11	1,732,718	1,924,000	1,767,857
Other income	12	6,863	-	15,675
Total Income		<u>1,739,581</u>	<u>1,924,000</u>	<u>1,783,532</u>
 Expenditure				
Personnel	13	837,531	883,600	782,456
Depreciation fixed assets	14	76,215	72,800	30,944
Other expenses	15	889,214	1,117,400	794,302
Total Expenditure		<u>1,802,960</u>	<u>2,073,800</u>	<u>1,607,702</u>
 Balance Income & Expenditure	 16	 <u>(63,379)</u>	 <u>(149,800)</u>	 <u>175,830</u>

Appropriation Balance Income & Expenditure

to:

General reserve	3,946	(82,500)	1,909
Appropriated reserve	<u>(67,325)</u>	<u>(67,300)</u>	<u>173,921</u>
Foundation Capital	<u>(63,379)</u>	<u>(149,800)</u>	<u>175,830</u>

Abbreviated Cash flow statement at 31 December 2016

	Note	2016	2015
Operating result ⁹	11;13-15	(70,241)	160,155
Adjustment for :			
Depreciation	1	76,215	30,944
Project Receivables	2	(9,413)	(1,545)
Prepayments	4	26,610	(3,205)
Payables	7	15,227	(2,775)
Taxes, and leave of employees	8;10	(928)	(5,106)
Project Payables	9	(72,391)	655,837
Interest received	3	1,038	259
Net Cash from Operating Activities		(33,883)	834,564
Purchase of fixed assets	1	(9,695)	(211,959)
Sale of fixed assets	12	5,825	15,416
Cash from investment activities		(3,870)	(196,543)
Net decrease in cash and cash equivalents		(37,753)	638,021
Cash and Bank at January 1,2016	9	2,196,340	1,558,319
Cash and Bank at December 31,2016	9	2,158,588	2,196,340

⁹ Interest income of 1,038 euro is excluded from the operating results.

Accounting Principles

General information and structure

Connecting Natural Values & People (CNVP) Foundation, with its registered seat Tolakkerweg 68 3739 JP Hollandsche Rading, The Netherlands, currently has three registered and active branches in the Balkans in Macedonia, Albania and Kosovo.

The annual accounts of CNVP cover 01 January 2016 to 31 December 2016. They reflect the financial information of the Netherlands based foundation along with the financial information of the three local branches. For the purposes of these financial statements, internal transactions and relations have been eliminated.

The mission of the Foundation is to improve the livelihoods of rural people through providing quality services in forestry, rural development, environment and biomass for renewable energy to increase the capacity of local actors to achieve their sustainable development in, but not restricted to, the Balkans, and anything which may directly or indirectly relate, or be conducive, to these activities in the broadest sense of the terms.

General accounting principles for the preparation of the annual accounts

The annual accounts are prepared in accordance with the Dutch Accounting Standard RJ 640 for not-for-profit organisations. 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, 2017. Deloitte Accountants B.V. has expressed an unqualified opinion with the full annual report on May 22, 2017. 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 2016. Exchange rate differences are included in other operational costs, in the statement of financial performance. Incomes 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 currency of CNVP.

Financial instruments

Financial instruments are both primary financial instruments (such as receivables and debts), and 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 use 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 requested by Sida, assets that have value higher than 5,000 € will be given to the cooperation partner at the end of the project (31.07.2018). Asset depreciation is calculated for the years that assets (vehicles) will be used by CNVP until the end of the 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 2016.

Cash and bank

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

Capital and Liabilities

The Foundation's Capital consists only of a general reserve and appropriated 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 is also 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 reserve relates to the project asset reserve. This is for the depreciation of fixed assets that are purchased from donor project funds with a value higher than 5,000 EUR, and will be given to the cooperation partners on project completion.

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 revalued. 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. It also reimburses the 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 the 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 are 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 2016

1. Tangible fixed assets

In 2016, CNVP purchased assets that were 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 periodic major maintenance are also charged to the statement.

Based on Sida requirements, tangible fixed assets purchased by or for externally financed Sida programmes 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. Their lifespan is calculated 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.

	Vehicles	Office equipment	Total
	EUR	EUR	EUR
Acquisition cost as at January 1, 2016	253,675	31,802	285,477
Cumulative depreciation and other impairments as at January 1, 2016	(79,754)	(14,509)	(94,263)
Carrying amount as at January 1, 2016	<u>173,921</u>	<u>17,293</u>	<u>191,214</u>
Investments	0	9,695	9,695
Carrying amount of disposals	0	0	0
Depreciation	(67,325)	(8,890)	(76,215)
Carrying amount as at December 31, 2016	<u>106,596</u>	<u>18,098</u>	<u>124,694</u>
Acquisition cost as at December 31, 2016	253,675	41,497	295,172
Cumulative depreciation and other impairments as at December 31, 2016	(147,079)	(23,399)	(170,478)
Carrying amount as at December 31, 2016	<u>106,596</u>	<u>18,098</u>	<u>124,694</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 receivables are the outstanding amount for the EU TREES project that finished in 2016.

The receivables are made up of the following :

	At 31-12-2016	At 31-12-2015
	EUR -	EUR -
Project Receivables	10,958	1,545
Debtors		
Total	<u>10,958</u>	<u>1,545</u>

3. Grants receivable

There are no grants receivable as of 31 December 2016.

4. Prepayments

Prepayments include prepaid expenses related to items such as rent deposits, and work advance payment that was not settled.

	At 31-12-2016	At 31-12-2015
	EUR -	EUR -
Rent deposits	3,184	3,184
Prepaid school fees	0	26,965
Debtors	404	50
Total	<u>3,588</u>	<u>30,199</u>

5. Cash and bank

Cash and bank balance represents liquidity at the disposal of CNVP as of the date of the balance sheet. The total balance consists of the balances of bank accounts owned by CNVP, two dedicated project bank accounts for Sida, (SSPDF and Sida FLED), and cash on hand at 31 December 2016.

The total of both project bank balances on 31 December 2016 was €1,675,022 which were pre-received donor funds for Sida SSPDF and Sida FLED. The amount of pre-received donor funds still include to be recognized income from the first part of project year 3 of both projects. This will be settled in the first months of 2017.

The remaining amount of €483,566 reflects the balance of cash that belongs to CNVP as of the balance sheet date.

	At 31-12-2016	At 31-12-2015
	EUR -	EUR -
CNVP bank balances		
Rabobank Netherlands	399,501	253,563
ProCredit Bank Albania	23,258	43,184
Reiffeisen Bank Albania	1,693	5,648
Procredit Bank Kosovo	40,860	52,499
Uni Bank Macedonia	14,767	11,356
Subtotal	<u>480,079</u>	<u>366,250</u>
Project bank accounts		
Rabobank Netherlands, Project SIDA SSPDF	1,050,164	876,978
Rabobank Netherlands, Project SIDA FLED	624,858	951,195
Subtotal	<u>1,675,022</u>	<u>1,828,173</u>
CNVP cash on hand		
CNVP Albania	2,559	964
CNVP Kosovo	185	580
CNVP Macedonia	742	374
Subtotal	<u>3,487</u>	<u>1,918</u>
Total	<u><u>2,158,588</u></u>	<u><u>2,196,340</u></u>

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

Liabilities

Foundation's Capital

6. Reserve

The Foundation's Capital is consisted of a general reserve and an appropriated reserve (project assets reserve).

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

The appropriated reserves relates to the project assets reserve. This 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 is 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 2016 that will be used for the depreciation until the project ends.

The balance of income and expenditure over 2016 is appropriated to the general and appropriated reserve.

The summary of movements in the reserve accounts is given below.

	Balance at 31-12-2016	Add result for period	Balance at 31-12-2015
	EUR -	EUR -	EUR -
General reserve	856,351	3,946	852,405
Appropriated reserve	106,596	(67,325)	173,921
Total	962,947	(63,379)	1,026,326

Current Liabilities

7. Payables

The amounts to be paid consist of organisation expenses incurred in 2016 to be paid in 2017. Furthermore, the amount of €1,516 is payable to SNV. It is the remaining amount from the advance paid to CNVP for costs incurred due to the closure of the SNV regional office.

Payables

This item can be broken down as follows:

At 31-12-2016	At 31-12-2015
------------------	------------------

	EUR -	EUR -
Amounts to be paid	22,765	7,538
Total	22,765	7,538

8. Payroll taxes, social security and pension payable

This consists of the 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 2016 staff salaries to be paid in January 2017.

Payroll taxes, social security & pension payable

This item can be broken down as follows:

	At	At
	31-12-2016	31-12-2015
	EUR -	EUR -
Payroll tax, social security & pension payable	17,753	16,790
Total	17,753	16,790

9. Grants provided

These are pre-received funds from the grant contracts that continue to be implemented beyond 31 December 2016.

In 2016, based on the grant schedule and approved 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 a liability. The remaining amounts related to small projects (e.g. Nuffic and PEFC).

The following table shows the balance of grants provided by donor to be used after 31 December 2016.

	At	At
	31-12-2016	31-12-2015
	EUR -	EUR -
Project Sida FLED	439,325	604,937

Project Sida SSPDF	775,435	725,182
Project Trees	0	5,635
Project PEFC	13,221	19,139
Project PEFC Balkan	9,365	0
Project Nuffic	45,156	0
Total	<u>1,282,502</u>	<u>1,354,893</u>

10. Accruals

Accruals consist of amounts of outstanding leave days accrued for 2016. Below is the breakdown of this item.

	At 31-12-2016	At 31-12-2015
	EUR -	EUR -
Outstanding leave days	11,861	13,752
Total	<u>11,861</u>	<u>13,752</u>

Contingent assets and liabilities

Based on Sida requirements for externally financed Sida programmes, 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 project implementation.

The EU project signed in 2016 will start implementation in 2017 concerning the National Rural Parliament for Macedonia with a total budget of 293,566€. Total EU funding is 263,622€.

There are no long term commitments on rental agreements.

Notes to the abbreviated Statement of Financial Performance at 31 December 2016

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 into with different donors. Income is recorded on an accrual basis, meaning that it is recognized when earned, not received.

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

The income for 2016 from Sida FLED project was €1,024,244, of which €644,362 came from advisory services and €379,882 from recoverable project expenses. The income for 2016 from Sida SSPDF was €649,485 of which €423,407 was from advisory services and €226,078 from recoverable project expenses.

The other projects range in small size and were financed the by EU (TREES), PEFC (National SFM standards), PEFC Balkan Certification, Nuffic and FAO. The implementation for these projects (except for TREES) will continue in 2017.

The following table gives a breakdown of income from grants for 01 January to 31 December 2016.

Actuals from 01 January to 31 December 2016	Budget from 01 January to 31 December 2016	Actuals from 01 January to 31 December 2015
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Income

<u>Income from grants</u>	EUR -	EUR -	EUR -
Project SIDA Fled - Advisory services	644,362	642,000	773,238
Project SIDA Fled - Reimbursable project expenses	<u>379,882</u>	<u>550,000</u>	<u>374,325</u>
Subtotal	<u>1,024,244</u>	<u>1,192,000</u>	<u>1,147,563</u>

	Actuals from 01 January to 31 December	Budget from 01 January to 31 December	Actuals from 01 January to 31 December
Project SIDA SSPDF - Advisory services	2016	2016	2015
Project SIDA SSPDF - Reimbursable project expenses	226,078	237,000	133,928
Subtotal	649,485	691,000	584,056
Other projects - Advisory services	44,991	17,000	27,716
Other projects - Reimbursable expenses	13,998	24,000	8,522
Subtotal	58,989	41,000	36,238
Total Income from grants	1,732,718	1,924,000	1,767,857

12. Other income

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

Other Income

Net gain from sale of assets	5,825	0	15,416
Interest income from CNVP funds	1,038	0	259
Subtotal	6,863	0	15,675

Note on the difference between actual and budget figures of income

Project income achieved 90% realisation. The income from advisory days was in line with that planned. Project costs were lower than expected due to the postponement of some activities until 2017, and later payments. For FLED, programme costs spent were less due to the Administrative and Territorial reform. Many meetings held with Mayor's and municipality staff did not have costs because they were only information meetings. A heating system planned to be installed in a school in Elbasan did not happen (with a cost forecast at around 40,000 euros). The installation did not happen because of delay in producing the feasibility study/market research, and the fact that the heating system needed to be imported. It is planned for the system to be installed and functional in the first half of 2017. For SSPDF, some payments have been postponed until 2017 (e.g. the innovative heating system for a school in Dobratin costing around 40,000 euro).

The income from sale of assets was not in the initial plan, since these assets should have been sold in the previous year.

Expenditure

13. Personnel

CNVP had 26 full time employees (FTEs) at 01 January 2016, including the Executive Director. In May 2016, one advisor in Kosovo and a business developer were recruited resulting in 28 FTEs in CNVP at 31 December 2016. The new Executive Director was recruited as of September 2016.

Details about the remuneration of the Executive Director, the Supervisory Board, staff salaries and benefits, as well as other personnel related expenses are given below.

Remuneration in 2016 for the former Executive Director, Peter Kampen, included salary earned, school fees paid as benefit, as well as other benefits, totalling €84,133.

Remuneration for the present Executive Director, Ross Bull, consisted in 2016 of salary earned as well as other benefits, totalling 47,668€.

Total remuneration for 2016 for the position of Executive Director (Peter Kampen and Ross Bull combined) was €131,781.

Supervisory Board members receive no remuneration for their activities. They are compensated for reasonable travel and business expenses incurred for board meetings. The total expense incurred for board meetings was € 9,595.

	Actuals from 01 January to 31 December 2016	Budget from 01 January to 31 December 2016	Actuals from 01 January to 31 December 2015
	EUR -	EUR -	EUR -
Executive Director – Peter Kampen			
Salary	54,304	82,000	81,770
Benefits (school fees)	26,965	45,000	49,461
Other benefits	<u>2,844</u>	<u>2,250</u>	<u>1,784</u>
Subtotal	<u>84,113</u>	<u>129,250</u>	<u>133,015</u>
Executive Director – Ross Bull			
Salary	40,000	0	0
Other benefits	<u>7,668</u>	<u>0</u>	<u>0</u>
Subtotal	<u>47,668</u>	<u>0</u>	<u>0</u>
Total Executive Director	<u>131,781</u>	<u>129,250</u>	<u>133,015</u>

Supervisory Board members - remuneration	0	0	0
Supervisory Board meetings	<u>9,595</u>	<u>8,500</u>	<u>6,594</u>
Subtotal	<u>9,595</u>	<u>8,500</u>	<u>6,594</u>

	Actuals	Budget	Actuals
	from 01 January to 31 December 2016	from 01 January to 31 December 2016	from 01 January to 31 December 2015
Staff salaries	608,090	618,500	563,771
Social security contribution	28,737	30,100	28,149
Pension premiums	2,997	3,000	2,996
Medical benefits	18,461	26,900	18,708
Other benefits & expenses	25,801	39,350	17,101
Outstanding Leave Days	<u>(1,891)</u>	<u>0</u>	<u>(5,906)</u>
Subtotal	<u>682,195</u>	<u>717,850</u>	<u>624,820</u>
External & Temporary Support	<u>13,960</u>	<u>27,500</u>	<u>18,027</u>
Total personnel expenses	<u>837,531</u>	<u>883,100</u>	<u>782,456</u>

14. Depreciation of tangible fixed assets

The following shows the details of depreciation incurred in the period.

Depreciation fixed assets

Depreciation vehicles	67,325	67,300	24,559
Depreciation office equipment	8,890	5,500	6,385

Total depreciation expense	76,215	72,800	30,944
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15. Other expenses

Other expenses include operating business expenses and project expenses.

	Actuals	Budget	Actuals
	from 01 January to 31 December 2016	from 01 January to 31 December 2016	from 01 January to 31 December 2015
	EUR -	EUR -	EUR -
<u>A. Operating expenses</u>			
Fuel & vehicle expenses	49,703	64,300	49,157
Travel & lodging	40,756	43,000	32,514
Office rent	66,872	70,200	66,794
Utilities & office maintenance	23,374	22,600	22,014
Communication & mailing	11,046	16,200	11,278
Office expense	29,470	37,200	50,015
Accounting & audit fees	32,466	35,700	27,698
Bank costs & x-rate differences	5,987	6,200	8,378
Other expenses	9,705	11,000	9,180
Subtotal	<u>269,379</u>	<u>306,400</u>	<u>277,028</u>
<u>B. Project expenses</u>			
Programme Support	300,186	392,000	256,265
Local Capacity Building	256,086	273,000	239,805
Consultancy	63,563	146,000	21,205
Subtotal	<u>619,835</u>	<u>811,000</u>	<u>517,274</u>
Total operating expenses	<u>889,214</u>	<u>1,117,400</u>	<u>794,302</u>

Total expenditure	<u>1,802,960</u>	<u>2,073,300</u>	<u>1,607,702</u>
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Note on the difference between actual and budget figures of expenditure

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

The personnel cost are lower than planned due the decision of the MT not to recruit an additional person in Albania. Depreciation is higher due to the additional purchase of equipment. Operating expenses are lower than planned due operational budget item costs being less than planned. The project cost is less than planned due to postponement of some activities and later payments.

16. Result for the period

Appropriation of balance of income and expenditure

	Actuals from 01 January to 31 December 2016	Budget from 01 January to 31 December 2016	Actuals from 01 January to 31 December 2015
General reserve	3,946	(82,500)	1,909
Appropriated reserve	(67,325)	(67,300)	173,921
Total appropriation of balance of income and expenditure	<u>(63,379)</u>	<u>(149,300)</u>	<u>175,830</u>

Note on the difference between actual and budget figures of result

The positive difference comes from the non-recruitment of one person, delay in hiring the BD person and the Executive Director, thereby saving operating expenses. There was a small income from project investments that was not accounted for in the original budget plan.

Hague, 23 April 2017

Board of Trustees

Mr. Ross Bull
Executive Director

Supervisory Board

Mr. Maarten Bremer
Chair of Supervisory Board

Mr. Thijs van Buuren
Supervisory Board member

Mr. Arno Willems
Supervisory Board member

Mr. Aurel Jupe
Supervisory Board member

Part III: Other Information

Independent auditor's report

Reference is made to the auditor's report attached below.

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 result will be made by the Foundation Board after adoption of the annual accounts by the Supervisory Board within the limits of the goals of CNVP as set out in the articles of association.

Auditor's Report



CNVP operates in the Balkan region. It focuses on natural resource management, forestry, agri-rural development and renewable energy, as well as the impact of climate change on the environment.

As a civil society organisation, CNVP acts as a facilitator to:

- Strengthen community capacity to achieve local development goals;
- Maximise the production and service potential of rural areas through sustainable and locally controlled natural resource management;
- Promote the use of natural resources to improve socio-economic development and rural livelihoods; and
- Conserve the bio-diversity of natural resources at a time of serious environmental and climate change.

Core Values

- **Green** - intervening to build a greener economic environment within the ongoing process of climate change
- **Clean** - promoting renewable energy and improved household/industrial waste management
- **Seen** - operating in the Balkans and the European Neighbourhood Space
- **Lean** - improving the efficiency of service delivery continuously and systematically

Connecting Natural Values & People

Hollandsche Rading,
The Netherlands
www.cnvp-eu.org

Independent auditor's report

To: The Supervisory Board of stichting Connecting Natural Values & People Foundation

The accompanying abbreviated annual accounts, which comprise the abbreviated balance sheet as at 31 December 2016 and abbreviated statement of financial performance for the year then ended, and related notes, are derived from the audited annual accounts 2016 of stichting Connecting Natural Values & People Foundation. We expressed an unqualified audit opinion on those annual accounts in our report dated 22 May 2017. Those annual accounts, and the abbreviated annual accounts, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The abbreviated annual accounts do not contain all the disclosures required by the Dutch Accounting Standard 640 "not-for-profit organizations". Reading the summary financial statements, therefore, is not a substitute for reading the audited annual accounts of stichting Connecting Natural Values & People Foundation.

Responsibility Board of Trustees

The Board of Trustees is responsible for the preparation of an abbreviation of the audited financial statements on the basis described in the principles for the valuation of assets and liabilities and the principles for determining the balance of income and expenditure.

Auditor's responsibility

Our responsibility is to express an opinion on the abbreviated 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 abbreviated annual accounts derived from the audited annual accounts 2016 of stichting Connecting Natural Values & People Foundation are consistent, in all material respects, with those annual accounts, in accordance with the principles for the valuation of assets and liabilities and the principles for determining the balance of income and expenditure as disclosed in the abbreviated annual accounts.

Amsterdam, June 13, 2017

Deloitte Accountants B.V.

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