



**GEF**

# REQUEST FOR CEO ENDORSEMENT/APPROVAL

**PROJECT TYPE: Medium-sized Project**

**THE GEF TRUST FUND**

**Submission Date:** February 2, 2010

## PART I: PROJECT INFORMATION

**GEFSEC PROJECT ID:** 3947

**GEF AGENCY PROJECT ID:** 4279

**COUNTRY:** Montenegro

**PROJECT TITLE:** Catalyzing financial sustainability of the Protected Area System in Montenegro

**GEF AGENCY:** UNDP

**OTHER EXECUTING PARTNER(S):** Ministry of Spatial Planning and Environment (MSPE)

**GEF FOCAL AREA(s):** Biodiversity

**GEF-4 STRATEGIC PROGRAM(s):** BD-SP1-PA Financing

**NAME OF PARENT PROGRAM/UMBRELLA PROJECT:** N/A

Expected Calendar	
Milestones	Dates
Work Program (for FSPs)	N/A
Agency Approval date	May, 2010
Implementation Start	June, 2010
Mid-term Evaluation	November, 2011
Project Closing Date	May 2013

### A. PROJECT FRAMEWORK

Project Objective: To improve the financial sustainability of Montenegro's protected areas system								
Project Components	Type	Expected Outcomes	Expected Outputs	GEF		Co-financing		Total
				(\$)	%	(\$)	%	
1. Enabling legal and policy environment for improved PA financial sustainability	TA	<p>Enabling framework for the mobilization of financial resources, and the development of financial capacities, to fund the administration of an effectively managed and representative system of PAs in Montenegro, securing safety of threatened and endemic species on mountainous, karst, coastal, and grassland habitats (&gt;165,000 ha) and reducing pressures such as unsustainable tourism, illegal construction and logging.</p> <ul style="list-style-type: none"> <li>- Financial sustainability of the PAS shows significant improvement from a baseline of 26% to &gt;55% at end of project</li> <li>- Total operational (including HR and capital) budget allocation for the PAN increases from US\$3.946m at baseline to &gt;US\$6.5 m</li> <li>- Systemic capacity of the PA system shows an improvement from the baseline of 37% to 57%</li> </ul>	<p>(i) <i>An economic valuation of the PA system supports the case for sustained public investment in protected area establishment and management:</i> economic valuation of 5 PAs completed; economic valuation of entire PA system extrapolated; subsequent assessment of benefits and costs of investing in PAS undertaken; value and benefits of PAs documented, communicated to targeted public decision-makers.</p> <p>(ii) <i>A National Protected Area Financial Plan (NPAFP) is adopted:</i> 'financial gap' for the PA system qualified and quantified; efficacy of financial management systems assessed; appropriate financial mechanisms for the PA system reviewed and selected; legal-regulatory framework requirements identified; cost-saving opportunities identified; detailed 5-year implementation programme prepared; NPAFP submitted for endorsement.</p> <p>(iii) <i>A suite of regulatory instruments are in place to support implementation of the NPAFP:</i> preparation of regulations and legislation supported on the issues of: procedures for earmarking disbursement from environmental levies; incentives framework to retain skilled PA staff; regulatory framework for co-management arrangements in PAS.</p>	200,000	15	1,170,000	85	1,370,000
2. Securing revenue-streams for the PA system	TA	<p>Total annual government budget allocation to PAs increases from US\$1.63m (national) and US\$0.04m (local) to US\$2.4m and US\$0.2m respectively.</p> <p>Earmarked income for PA management sourced from</p>	<p>(i) <i>A payment for ecosystem services (PES) scheme is piloted for watershed management service in the Durmitor World Heritage Site:</i> stakeholder working group established; options assessment completed; consultation and negotiation undertaken; administrative arrangements developed; communications</p>	430,000	11	3,445,000	89	3,875,000

Project Objective: To improve the financial sustainability of Montenegro's protected areas system								
Project Components	Type	Expected Outcomes	Expected Outputs	GEF		Co-financing		Total
				(\$)	%	(\$)	%	
		<p>different public environmental levies and surcharges is significantly improved from a baseline of US\$0 to US\$0.1m by end of project.</p> <p>The financial flows to protected areas are increased and diversified through inclusion of innovative of financing mechanisms:</p> <ul style="list-style-type: none"> <li>- revenue streams from PES schemes is initiated in Durmitor National Park (income of &gt;US\$1,250 per annum by end of project)</li> <li>- Income from recreation and nature-based tourism activities in PAs of northern Montenegro improved from US\$0.68m to US\$1.2m</li> <li>- Nature-based concessions initiated in regional parks (one operating concession by end of project).</li> </ul>	<p>campaign implemented; municipal by-laws prepared, the PES system is launched, its efficacy documented and communicated within and outside the country.</p> <p>(ii) <i>A nature-based tourism concession is piloted in Komovi Regional Park</i>: concession documentation finalized; expression of interest for pre-qualification invited; due diligence and ground-truthing completed; bidding process concluded; contract negotiation and management completed, the concession success is documented and communicated within and outside the country.</p> <p>(iii) <i>The income from user fees for adventure-based tourism in the protected areas of northern Montenegro is raised</i>: adventure tourism strategy prepared; options for cave-tourism assessed; trails (horse, bike, ski, hike) infrastructure and services improved; boating (rafting, canoeing, kayaking) infrastructure and services improved; sport-climbing routes formalised; brochures, maps, signage, branding prepared; working forums with recreational user groups established. Income flows from adventure tourism documented and communicated to stakeholders.</p>					
3. Development of institutional and individual capacity of PA institutions to raise PA management cost-effectiveness	TA	<p>Financial administration of PA institutions ensures that funding is effectively allocated and spent</p> <ul style="list-style-type: none"> <li>- Institutional capacity for the PAS shows an improvement from a baseline of 49% to 60%; individual capacity improves from a baseline of 33% to 62%</li> <li>- The ratio of financial resource allocations to human resources and operational costs of PA institutions is incrementally improved from 80:20 to 60:40</li> </ul> <p>Partnerships are fostered with donors, banks and the private sector to guide the strategic investment in the PA System.</p> <ul style="list-style-type: none"> <li>- Annual financial support for the PA System from donor funding sources or loans is increased from a baseline of US\$0.75m to US\$2.2m by end of project</li> </ul>	<p>(i) <i>Business planning processes are introduced to different categories of PAs</i>: preparation of integrated management and business plan/s supported for 2 national parks; financial baseline/s and needs assessed; potential sources of revenue, costs of pursuing financing mechanisms, and projected income from viable funding options evaluated; cost-saving opportunities identified; detailed business plan discussed with stakeholders and endorsed accordingly. Lessons documented, a generic PA business plan template developed, a set of standard business planning procedures for national replication is approved.</p> <p>(ii) <i>The fund-raising capacity of the MSPE is improved</i>: training delivered to at least 10 officials on fund-raising opportunities; procedures for management an administration of donor funds and/or loans prepared; detailed project proposals developed for targeted donors; marketing and communication materials for key projects developed; mechanism for coordination of donor-funded projects established.</p> <p>(iii) <i>A 'help desk' created to assist PAs in improving their cost-effectiveness; advice of the help desk will focus on</i>: strengthening of financial controls and managing the financial information systems at the PA level; reporting; financial information flows; ways to increase cost-effectiveness of PA operations; incentives to retain skills.</p>	225,000	11	1,885,000	89	2,110,000
Project management				95,000	11	765,000	89	860,000
<b>Total</b>				<b>950,000</b>		<b>7,265,000</b>		<b>8,215,000</b>

**B. SOURCES OF CONFIRMED CO-FINANCING FOR THE PROJECT** (expand the table line items as necessary)

<i>Name of Co-financier (source)</i>	<i>Classification</i>	<i>Type</i>	<i>Amount</i>	<i>%*</i>
Ministry of Spatial Planning and Environment	National Government	In-kind	5,475,000	75.36
Ministry of Spatial Planning and Environment	National Government	Grant	1,450,000	19.95
German Technical Cooperation (GTZ)	Bilateral agency	In-kind	300,000	4.13
UNDP	Implementing agency	Grant	40,000	0.56
<b>Total Co-financing</b>			<b>7,265,000</b>	<b>100</b>

**C. FINANCING PLAN SUMMARY FOR THE PROJECT (\$)**

	<i>Project Preparation a</i>	<i>Project b</i>	<i>Total c = a + b</i>	<i>Agency Fee</i>	<i>For comparison: GEF and Co-financing at PIF</i>
GEF financing	50,000	950,000	1,000,000	100,000	950,000
Co-financing	46,000	7,265,000	7,311,000		1,900,000
<b>Total</b>	<b>96,000</b>	<b>8,215,000</b>	<b>8,311,000</b>	<b>100,000</b>	<b>2,850,000</b>

**D. GEF RESOURCES REQUESTED BY AGENCY(IES), FOCAL AREA(S) AND COUNTRY(IES)<sup>1</sup> N/A**

**E. CONSULTANTS WORKING FOR TECHNICAL ASSISTANCE COMPONENTS:**

<i>Component</i>	<i>Estimated person weeks</i>	<i>GEF amount (\$)</i>	<i>Co-financing (\$)</i>	<i>Project total (\$)</i>
<i>Local consultants*</i>	298	298,000	678,000	976,000
<i>International consultants**</i>	86	258,000	662,000	920,000
<b>Total</b>	<b>384</b>	<b>556,000</b>	<b>1,340,000</b>	<b>1,896,000</b>

\* Details are provided in Annex C. Estimated person weeks and GEF amount inclusive of contract services – individuals.

\*\* Details are provided in Annex C. Estimated person weeks and GEF amount inclusive of contractual services – companies (the contracted company may however be either national or international).

**F. PROJECT MANAGEMENT BUDGET/COST**

<i>Cost Items</i>	<i>Total Estimated person weeks</i>	<i>GEF amount (\$)</i>	<i>Co-financing (\$)</i>	<i>Project total (\$)</i>
<i>Local consultants*</i>	195	90,000	148,000	238,000
<i>International consultants*</i>	0	0	364,000	364,000
<i>Office facilities, equipment, vehicles and communications*</i>		5,000	180,000	185,000
<i>Travel*</i>		0	73,000	73,000
<b>Total</b>	<b>195</b>	<b>95,000</b>	<b>765,000</b>	<b>860,000</b>

\* Details are provided in Annex C.

**G. DOES THE PROJECT INCLUDE A “NON-GRANT” INSTRUMENT?** yes  no

**H. DESCRIBE THE BUDGETED M & E PLAN:**

1. Project monitoring and evaluation will be conducted in accordance with established UNDP and GEF procedures and will be provided by the project team and the UNDP Country Office (UNDP-CO) with support from UNDP/GEF. The Project logical framework (Project Results Framework) in Annex A provides performance and impact indicators for project implementation along with their corresponding means of verification. These will form the basis on which the project's Monitoring and Evaluation system will be built.

2. The following sections outline the principle components of the Monitoring and Evaluation Plan and indicative cost estimates related to M&E activities. The project's Monitoring and Evaluation Plan will be presented and finalized at the Project's Inception Report following a collective fine-tuning of indicators, means of verification, and the full definition of project staff M&E responsibilities.

## **Monitoring and Reporting**

### Project Inception Phase

3. A Project Inception Workshop will be conducted with the full project team, relevant government counterparts, co-financing partners, the UNDP-CO and representation from the UNDP-GEF Regional Coordinating Unit (RCU) in Bratislava, as well as UNDP-GEF (HQs) as appropriate.

4. A fundamental objective of this Inception Workshop will be to assist the project team to understand and take ownership of the project's goals and objectives, as well as finalize preparation of the project's first annual work plan on the basis of the project's logframe matrix. This will include reviewing the logframe (indicators, means of verification, assumptions), imparting additional detail as needed, and on the basis of this exercise finalize the Annual Work Plan (AWP) with precise and measurable performance indicators, and in a manner consistent with the expected outcomes for the project.

5. Additionally, the purpose and objective of the Inception Workshop (IW) will be to: (i) introduce project staff with the UNDP-GEF *expanded team* which will support the project during its implementation, namely the CO and responsible Regional Coordinating Unit staff; (ii) detail the roles, support services and complementary responsibilities of UNDP-CO and RCU staff *vis à vis* the project team; (iii) provide a detailed overview of UNDP-GEF reporting and monitoring and evaluation (M&E) requirements, with particular emphasis on the Annual Project Implementation Reviews (PIRs) and related documentation, the Annual Project Report (APR), Tripartite Review Meetings, as well as mid-term and final evaluations. Equally, the IW will provide an opportunity to inform the project team on UNDP project related budgetary planning, budget reviews, and mandatory budget re-phasing.

6. The IW will also provide an opportunity for all parties to understand their roles, functions, and responsibilities within the project's decision-making structures, including reporting and communication lines, and conflict resolution mechanisms. The Terms of Reference for project staff and decision-making structures will be discussed again, as needed, in order to clarify for all, each party's responsibilities during the project's implementation phase.

### Monitoring responsibilities and events

7. A detailed schedule of project reviews meetings will be developed by the project management, in consultation with project implementation partners and stakeholder representatives and incorporated in the Project Inception Report. Such a schedule will include: (i) tentative time frames for Tripartite Reviews, Steering Committee Meetings, (or relevant advisory and/or coordination mechanisms) and (ii) project related Monitoring and Evaluation activities.

8. Day to day monitoring of implementation progress will be the responsibility of the Project Manager based on the project's Annual Work Plan and its indicators. The Project Team will inform the UNDP-CO of any delays or difficulties faced during implementation so that the appropriate support or corrective measures can be adopted in a timely and remedial fashion.

9. The Project Manager and the Project GEF Technical Advisor will fine-tune the progress and performance/impact indicators of the project in consultation with the full project team at the Inception Workshop with support from UNDP-CO and assisted by the UNDP-GEF Regional Coordinating Unit in Bratislava. Specific targets for the first year implementation progress indicators together with their means of verification will be developed at this Workshop. These will be used to assess whether implementation is proceeding at the intended pace and in the right direction and will form part of the Annual Work Plan. The local implementing agencies will also take part in the Inception Workshop in which a common vision of overall project goals will be established. Targets and indicators for subsequent years would be defined annually as part of the internal evaluation and planning processes undertaken by the project team.

10. Measurement of impact indicators related to global benefits will occur according to the schedules defined in the Inception Workshop and tentatively outlined in the indicative Impact Measurement Template at the end of this Annex. The measurement, of these will be undertaken through subcontracts or retainers with relevant institutions (e.g. vegetation cover via analysis of satellite imagery, or populations of key species through inventories) or through specific studies that are to form part of the projects activities (e.g. measurement carbon benefits from improved efficiency of ovens or through surveys for capacity building efforts) or periodic sampling such as with sedimentation.

11. *Periodic monitoring* of implementation progress will be undertaken by the UNDP-CO through quarterly meetings with the project proponent, or more frequently as deemed necessary. This will allow parties to take stock and to troubleshoot any problems pertaining to the project in a timely fashion to ensure smooth implementation of project activities.

12. UNDP Country Offices and UNDP-GEF RCUs as appropriate, will conduct yearly visits to projects that have field sites, or more often based on an agreed upon schedule to be detailed in the project's Inception Report / Annual Work Plan to assess first hand project progress. Any other member of the Project Steering Committee (PSC) can also accompany, as decided by the PSC. A Field Visit Report will be prepared by the CO and circulated no less than one month after the visit to the project team, all PSC members, and UNDP-GEF.

13. *Annual Monitoring* will occur through the *Tripartite Review (TPR)*. This is the highest policy-level meeting of the parties directly involved in the implementation of a project. The project will be subject to Tripartite Review (TPR) at least once every year. The first such meeting will be held within the first twelve months of the start of full implementation. The project proponent will prepare an Annual Project Report (APR) and submit it to UNDP-CO and the UNDP-GEF regional office at least two weeks prior to the TPR for review and comments.

14. The APR will be used as one of the basic documents for discussions in the TPR meeting. The project proponent will present the APR to the TPR, highlighting policy issues and recommendations for the decision of the TPR participants. The project proponent also informs the participants of any agreement reached by stakeholders during the APR preparation on how to resolve operational issues. Separate reviews of each project component may also be conducted if necessary.

15. *Terminal Tripartite Review (TTR)*. The terminal tripartite review is held in the last month of project operations. The project proponent is responsible for preparing the Terminal Report and submitting it to UNDP-CO and LAC-GEF's Regional Coordinating Unit. It shall be prepared in draft at least two months in advance of the TTR in order to allow review, and will serve as the basis for discussions in the TTR. The terminal tripartite review considers the implementation of the project as a whole, paying particular attention to whether the project has achieved its stated objectives and contributed to the broader environmental objective. It decides whether any actions are still necessary, particularly in relation to sustainability of project results, and acts as a vehicle through which lessons learnt can be captured to feed into other projects under implementation of formulation.

16. The TPR has the authority to suspend disbursement if project performance benchmarks are not met. Benchmarks will be developed at the Inception Workshop, based on delivery rates, and qualitative assessments of achievements of outputs.

### Project Reporting

17. The Project Manager in conjunction with the UNDP-GEF extended team will be responsible for the preparation and submission of the following reports that form part of the monitoring process. Items (a) through (f) are mandatory and strictly related to monitoring, while (g) through (h) have a broader function and the frequency and nature is project specific to be defined throughout implementation.

### *Inception Report (IR)*

18. A Project Inception Report will be prepared immediately following the Inception Workshop. It will include a detailed First Year/ Annual Work Plan divided in quarterly time-frames detailing the activities and progress indicators that will guide implementation during the first year of the project. This Work Plan would include the dates of specific field visits, support missions from the UNDP-CO or the Regional Coordinating Unit

(RCU) or consultants, as well as time-frames for meetings of the project's decision making structures. The Report will also include the detailed project budget for the first full year of implementation, prepared on the basis of the Annual Work Plan, and including any monitoring and evaluation requirements to effectively measure project performance during the targeted 12 months time-frame.

19. The Inception Report will include a more detailed narrative on the institutional roles, responsibilities, coordinating actions and feedback mechanisms of project related partners. In addition, a section will be included on progress to date on project establishment and start-up activities and an update of any changed external conditions that may affect project implementation. When finalized the report will be circulated to project counterparts who will be given a period of one calendar month in which to respond with comments or queries. Prior to this circulation of the IR, the UNDP Country Office and UNDP-GEF's Regional Coordinating Unit will review the document.

#### *Annual Project Report (APR)*

20. The APR is a UNDP requirement and part of UNDP's Country Office central oversight, monitoring and project management. It is a self-assessment report by project management to the CO and provides input to the country office reporting process and the ROAR, as well as forming a key input to the Tripartite Project Review. An APR will be prepared on an annual basis prior to the Tripartite Project Review, to reflect progress achieved in meeting the project's Annual Work Plan and assess performance of the project in contributing to intended outcomes through outputs and partnership work. The format of the APR is flexible but should include the following:

- (i) An analysis of project performance over the reporting period, including outputs produced and, where possible, information on the status of the outcome
- (ii) The constraints experienced in the progress towards results and the reasons for these
- (iii) The three (at most) major constraints to achievement of results
- (iv) AWP, CAE and other expenditure reports (ERP generated)
- (v) Lessons learned
- (vi) Clear recommendations for future orientation in addressing key problems in lack of progress

#### *Project Implementation Review (PIR)*

21. The PIR is an annual monitoring process mandated by the GEF. It has become an essential management and monitoring tool for project managers and offers the main vehicle for extracting lessons from ongoing projects. Once the project has been under implementation for a year, a Project Implementation Report must be completed by the CO together with the project. The PIR can be prepared any time during the year (July-June) and ideally prior to the TPR. The PIR should then be discussed in the TPR so that the result would be a PIR that has been agreed upon by the project, the executing agency, UNDP CO and the concerned RC.

22. The individual PIRs are collected, reviewed and analyzed by the RCs prior to sending them to the focal area clusters at the UNDP/GEF headquarters. The focal area clusters supported by the UNDP/GEF M&E Unit analyze the PIRs by focal area, theme and region for common issues/results and lessons. The TAs and PTAs play a key role in this consolidating analysis. The focal area PIRs are then discussed in the GEF Interagency Focal Area Task Forces in or around November each year and consolidated reports by focal area are collated by the GEF Independent M&E Unit based on the Task Force findings. The GEF M&E Unit provides the scope and content of the PIR. In light of the similarities of both APR and PIR, UNDP/GEF has prepared a harmonized format for reference.

#### *Quarterly Progress Reports*

23. Short reports outlining main updates in project progress will be provided quarterly to the local UNDP Country Office and the UNDP-GEF regional office by the project team, following UNDP-GEF guidelines for this type of report.

#### *Periodic Thematic Reports*

24. As and when called for by UNDP, UNDP-GEF or the Implementing Partner, the project team will prepare specific Thematic Reports, focusing on specific issues or areas of activity. The request for a Thematic

Report will be provided to the project team in written form by UNDP and will clearly state the issue or activities that need to be reported on. These reports can be used as a form of lessons learnt exercise, specific oversight in key areas, or as troubleshooting exercises to evaluate and overcome obstacles and difficulties encountered. UNDP is requested to minimize its requests for Thematic Reports, and when such are necessary will allow reasonable timeframes for their preparation by the project team.

#### *Project Terminal Report*

25. During the last three months of the project the project team will prepare the Project Terminal Report. This comprehensive report will summarize all activities, achievements and outputs of the Project, lessons learnt, objectives met, objectives not achieved, structures and systems implemented, etc. and will be the definitive statement of the Project's activities during its lifetime. It will also lay out recommendations for any further steps that may need to be taken to ensure sustainability and replicability of the Project's activities.

#### **Independent Evaluation**

26. The project will be subjected to at least two independent external evaluations as follows:

#### *Mid-term Evaluation*

27. An independent Mid-Term Evaluation will be undertaken at the end of the second year of implementation. The Mid-Term Evaluation will determine progress being made towards the achievement of outcomes and will identify course correction if needed. It will focus on the effectiveness, efficiency and timeliness of project implementation; will highlight issues requiring decisions and actions; and will present initial lessons learned about project design, implementation and management. Findings of this review will be incorporated as recommendations for enhanced implementation during the final half of the project's term. The organization, terms of reference and timing of the mid-term evaluation will be decided after consultation between the parties to the project document. The Terms of Reference for this Mid-term evaluation will be prepared by the UNDP CO based on guidance from the Regional Coordinating Unit and UNDP-GEF.

#### *Final Evaluation*

28. An independent Final Evaluation will take place three months prior to the terminal tripartite review meeting, and will focus on the same issues as the mid-term evaluation. The final evaluation will also look at impact and sustainability of results, including the contribution to capacity development and the achievement of global environmental goals. The Final Evaluation should also provide recommendations for follow-up activities. The Terms of Reference for this evaluation will be prepared by the UNDP CO based on guidance from the Regional Coordinating Unit and UNDP-GEF.

#### **Audit Clause**

29. The Government will provide the Resident Representative with certified periodic financial statements, and with an annual audit of the financial statements relating to the status of UNDP (including GEF) funds according to the established procedures set out in the Programming and Finance manuals. The Audit will be conducted by the legally recognized auditor of the Government, or by a commercial auditor engaged by the Government.

#### **Learning and Knowledge Sharing**

30. Results from the project will be disseminated within and beyond the project intervention zone through a number of existing information sharing networks and forums. In addition:

- (i) The project will participate, as relevant and appropriate, in UNDP/GEF sponsored networks, organized for Senior Personnel working on projects that share common characteristics. UNDP/GEF shall establish a number of networks, such as Integrated Ecosystem Management, eco-tourism, co-management, etc, that will largely function on the basis of an electronic platform.
- (ii) The project will identify and participate, as relevant and appropriate, in scientific, policy-based and/or any other networks, which may be of benefit to project implementation through lessons learned.

31. The project will identify, analyze, and share lessons learned that might be beneficial in the design and implementation of similar future projects. Identify and analyzing lessons learned is an on- going process, and the need to communicate such lessons as one of the project's central contributions is a requirement to be delivered not less frequently than once every 12 months. UNDP/GEF shall provide a format and assist the project team in categorizing, documenting and reporting on lessons learned. To this end a percentage of project resources will need to be allocated for these activities. Table 1 below summarizes the monitoring activities, responsible parties, budget and time frames for the project. Only activities to be funded directly by GEF sources are listed.

**Table 1: Monitoring and evaluation budget**

Type of M&E activity	Responsible Parties	Budget US\$	Time frame
Inception Workshop (IW)	Project Manager MSPE, UNDP, UNDP GEF	5,000	Within first two months of project start up
Inception Report	Project Team PSC, UNDP CO	None	Immediately following IW
Measurement of Means of Verification for Project Purpose Indicators	Project Manager will oversee the hiring of specific studies and institutions, and delegate responsibilities to relevant team members	To be finalized in Inception Phase and Workshop. Cost to be covered by targeted survey funds.	Start, mid and end of project
Measurement of Means of Verification for Project Progress and Performance (measured on an annual basis)	Oversight by Project GEF Technical Advisor and Project Manager Measurements by regional field officers and local IAs	TBD as part of the Annual Work Plan's preparation. Cost to be covered by field survey budget.	Annually prior to APR/PIR and to the definition of annual work plans
APR and PIR	Project Team PSC UNDP-GEF	None	Annually
TPR	Government Counterparts UNDP CO, Project team UNDP-GEF RCU	None	Every year, upon receipt of APR
Steering Committee Meetings	Project Manager	None	Following IW and annually thereafter.
Technical and periodic status reports	Project team Hired consultants as needed	6,000	TBD by Project team and UNDP-CO
Mid-term External Evaluation	Project team PSC UNDP-GEF RCU External Consultants (evaluation team)	24,000	At the mid-point of project implementation.
Final External Evaluation	Project team, PSC, UNDP-GEF RCU External Consultants (evaluation team)	30,000	At the end of project implementation
Terminal Report	Project team PSC External Consultant	None	At least one month before the end of the project
Audit	UNDP-CO Project team	5,000	Yearly
Visits to field sites (UNDP staff travel costs to be charged to IA fees)	UNDP-CO, UNDP-GEF RCU Government representatives	None	Yearly average one visit per year
<b>TOTAL indicative COST</b> Excluding project and UNDP staff time costs		<b>70,000</b>	

**PART II: PROJECT JUSTIFICATION:**



**A. STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT, AND THE EXPECTED GLOBAL ENVIRONMENTAL BENEFITS TO BE DELIVERED:**

**Background**

32. Montenegro became the 192<sup>nd</sup> member of the UN on 28 June 2006. It is a small (13,812km<sup>2</sup>) mountainous country located in south-eastern Europe and borders Bosnia & Herzegovina to the north-west, Kosovo to the north-east, Croatia and the Adriatic Sea to the south-west, and Albania to the south-east. The maritime zone of Montenegro extends up to 12 nautical miles out to sea and is some 2,500 km<sup>2</sup> in extent. In 2003 Montenegro's total permanent population was 620,145<sup>1</sup>. The country has a Human Development Index (HDI) of 0.834, well above the global average of 0.753 (UNDP Human Development Report, 2009). In 2006 and 2007, economic growth was 8.6% and 10.3% of GDP respectively, placing Montenegro among the group of the fastest growing economies in the world. Growth has slowed in the second half of 2008 as a result of negative global economic trends, and in 2009 the economy went into recession with a projected negative growth of 4–5% of GDP until the end of the year. The economy is oriented toward services (including tourism) - accounting for 72.4% of the GDP in 2007 - while the industry/manufacturing sector is concentrated on a few products, notably aluminium. Power generation, mining and metal processing account for around 70% of industrial output.

33. Montenegro is a mountainous country with a very wide array of ecosystems and habitat types, especially for a country of its size. The terrain of Montenegro ranges from *high mountains* along its borders with Serbia (Kosovo) and Albania, through a *segment of the Karst* of the western Balkan Peninsula, to a narrow (2-10 km wide) *coastal plain*. The coastal plain disappears completely towards the hinterland, where Mount Lovcen and other ranges plunge abruptly into the inlet of the Gulf of Kotor. The coastal region is noted for its seismic activity. Montenegro's section of the Karst lies generally at elevations of 1000 meters above sea level, although some areas rise to 1,900m such as Mount Orjen (1,894m) the highest massif among the coastal limestone ranges. The lowest part of the central inland area is in the Zeta River valley. The central lowland plain is a flat-floored, elongated depression typical of karstic regions. The underlying geology is predominantly limestone, which dissolves to form sinkholes and underground caves. The high mountains of the northern inland parts of Montenegro include some of the most rugged terrain in Europe, and act as a major watershed for several surrounding countries. They average more than 2000 meters in elevation (e.g. Bobotov Peak in the Durmitor Mountains reaches 2,523 meters). The mountains of Montenegro were the most ice-eroded section of the Balkan Peninsula during the last glacial period. Montenegro also includes the second longest canyon in the world (82km long and up to 1,300m depth), the Tara River canyon. Due to the sharp changes in relief, the climate changes rapidly from a Mediterranean climate at the coast to a sub-alpine climate on the highest mountains.

34. With 3,250 plant species, Montenegro is considered as one of the most floristically diverse areas of the Balkan Peninsula. It has a species-area index for its vascular flora of 0.837, the highest of all European countries (Stevanovic. *et al* 2000). Montenegro also forms part of the Mediterranean Basin 'biodiversity hotspot', one of 153 centers of globally significant floral diversity. The number of Balkan vascular floral endemics in Montenegro is very high, with 392 taxa (~7% of the total vascular flora) recorded, markedly in the high mountain areas of the country. Of particular global significance are the 46 locally endemic vascular plants, mostly comprising Tertiary relicts. The remaining flora of Montenegro includes around 1,093 species of freshwater algae, approximately 1,500 species of marine algae (300 of which are macro algae) and 589 species of bryophytes. In addition, some 284 species of lichens have been recorded, and some 2000 species of fungi are estimated.

35. Terrestrial invertebrates in Montenegro have been poorly studied. The best studied groups include Mollusks (323 species of which 136 land snail species are of international biodiversity significance, most of which are relictual endemics), Oligochaetes (27 species) and Arthropods (~16,000 – 20,000 species). About 295 fish species have been recorded in the waters of Montenegro, of which some 90 species are freshwater and more than 205 marine. There are 56 species of amphibians and reptiles. The coastal region of Montenegro and its hinterland – in particular the Skadar Lake, Lovćen and Prokletije - are considered the most significant centers of biodiversity of reptiles and amphibians on the Balkan Peninsula and in Europe. Of a total of 526 European bird species, 297 (or 57%) can be found regularly in Montenegro, with several additional species (~29 species) registered as occasional visitors. With 204 nesting bird species, Montenegro has a species-area index for nesting birds of 0.557, considerably higher than the figure for the entire Balkans (0.435). Lake Skadar, shared with

<sup>1</sup> Estimated at 630,000 in 2007 (NSSD, 2007)

Albania, is one of the most important wintering sites for waterfowl in Europe. Sixty five species of terrestrial mammals have been recorded within the territory of Montenegro.

### Pressures on biodiversity

36. The biodiversity of Montenegro is under ongoing pressure from: (i) continued urbanisation, notably along the narrow coastline, across the central lowland plain and around the natural lake systems; (ii) unsustainable levels of tourism development across the entire coastal zone, and more locally around mountain resorts; (iii) illegal construction and development in and around protected areas (PAs); (iv) pollution of the aquatic and marine habitats from untreated wastewater; (v) unsustainable levels of water usage for industrial and household purposes; (vi) illegal harvesting of forest products, fish, game and other natural resources, notably in the northern mountain regions; (vii) unsustainable fishing practices in the marine environment (e.g. use of dynamite); and (viii) the impact of global climate change, especially the effects of hot and dry periods on forest habitats. The most significant cumulative impact of these threats on the biodiversity of Montenegro is: (a) the increased fragmentation of the remaining natural areas in the coastal zone; (b) a reduction in the ecological functioning of many natural areas; (c) a reduction in the effectiveness of natural areas as a buffer against climate change impacts; (d) a reduction in the capacity of the environment to provide key ecosystem services; (e) the ongoing loss of threatened habitats and associated species; and (f) the incremental loss of the economic benefits accruing from biodiversity.

### Baseline

37. The Government of Montenegro adopted the *National Strategy for Sustainable Development* (NSSD) in 2007. The NSSD promotes the establishment of a national ‘network of protected areas’, and the expansion of this network to ensure that all ‘ecosystems (are represented under a formal) protection regime’ (NSSD 2007). The new Law on Nature Protection (No. 51/08), adopted in 2008, makes provision for six categories of protected areas: Strict/ Special Nature Reserves; National Parks; Regional Parks/ Nature Parks; Natural Monuments; Protected Habitats; and Landscapes with Outstanding Features. In addition to protected areas, the Law also prescribes protection regimes that apply to certain species and to geological and paleontological objects. National Parks are designated and managed in terms of the new Law on National Parks (No. 56 of 2009).

38. The national protected area system (PAS) currently covers 133,309 ha, or 9.7% of the territory (see Table 2 below). The largest portion (103,695ha or ~78%) of the PAS is represented by the 5 national parks – Durmitor, Skadar Lake, Lovćen, Biogradska gora and the recently proclaimed Prokletije - and their constituent nature reserves, some 500ha in extent<sup>2</sup>. The remaining protected areas, comprising a total of 28,964ha (~22% of the PAS), includes<sup>3</sup>: 41 Natural Monuments; four Landscapes with Outstanding Features; and one area protected by Municipal decision (equivalent to the Landscapes with Outstanding Features category).

**Table 2: Formal national protected areas of Montenegro**

Protected areas names (by national protection category)	Surface (ha)	Share of the total territory
<i>National parks</i>	103,695	7.5%
Skadarsko jezero	40,000	
Lovcen	6,400	
Durmitor	33,895	
Biogradska gora	5,400	
Prokletije	~18,000	
<i>Nature reserves</i>	650	0.044%
NP Skadar Lake: Manastirska tapija, Panceva oka, Crni zar, Grmozur, Omerova glavica	420	
NP Durmitor: Crna Poda	80	
Tivat Saltpans	150	
<i>Natural Monuments</i>	13,641.5	0.99%

<sup>2</sup> Except for Tivat Saltpans, all current nature reserves are located within the boundaries of two national parks - Skadar Lake and Durmitor – and are administered as an integral part of each NP.

<sup>3</sup> These categories of protected areas are still designated in terms of the previous Law on Nature Protection (No. 36/77 and 2/82).

Protected areas names (by national protection category)	Surface (ha)	Share of the total territory
Djalovica gorge	1,600	
Lipska cave	-	
Magara cave	-	
Globocica cave	-	
Spila cave at Trnov/ Virpazar	-	
Babatusa cave	-	
Novakovica cave at Tomasevo	-	
Duboki do pit at Njegusi	-	
Piva river canyon	1,700	
Komarnica river canyon	2,300	
Communities of <i>Pinetum mughi montenegrinum</i> at Ljubišnja (1,000 ha), Durmitor (5,200 ha) and Bjelasica (400 ha)	6,600	
Communities of <i>Pinus heldraichii</i> in Orjen (300 ha), Lovćen (300 ha) and Rumija (100 ha)	700	
Individual dendrological sites: <i>Quercus robur scuteriensis</i> at Curioč near Danilovgrad, <i>Quercus pubescens</i> in Orahovac near Kotor, olive trees at Mirovica, Old Bar and Ivanovići, Budva, etc.	-	
Beaches of the Skadar Lake	(<2)	
Long beach Ulcinj	600	
Little beach Ulcinj	1.5	
Beach Valdanos	3	
Beach Velji pijesak	0.5	
Beach Topolica, Bar	2	
Beach Sutomore	4	
Beach Lucica, Petrovac	0.9	
Beach Canj	3.5	
Beach Pecin	1.5	
Buljarica	4	
Beach Petrovac	1.5	
Beach Drobni pijesak	1	
Beach Sveti Stefan	4	
Beach Milocer	1	
Becici beach	5	
Slovenska plaza, Budva	4	
Beach Mogren	2	
Jaz	4	
Beach Przno	2	
Savinska Dubrava in Herceg Novi	35.46	
Botanical reserve of laurel and oleander, above Sopot spring near Risan	40	
Botanical garden of mountain flora in Kolasin	0.64	
Botanical garden of general Kovacevic in Grahovo	0.93	
Njegos and July 13 Parks in Cetinje	7.83	
Park of the hotel Boka in Herceg Novi	1.2	
City park in Tivat	5.9	
Park of the Castle at Topolica	2	
<i>Landscapes with Outstanding Features</i>	322.5	0.02%
Hill Spas, above Budva	131	
Semi-island Ratac with Zukotrljica	30	
Old Ulcinj island	2.5	
Hill Trebjesa, Nikšić	159	
<i>Areas protected by municipal decisions (equivalent to the PA category: Landscapes with Outstanding Features)</i>	15,000	1.08%
Kotor-Risan Bay, Kotor Municipality	15,000	
<b>TOTAL PAs</b>	<b>133,309</b>	<b>9.7%</b>

39. Montenegro also has a number of designated ‘international conservation areas’. These include: one RAMSAR site (Skadar Lake NP); one Biosphere Reserve (Tara River Basin – 182,899ha, including the entire extent of Durmitor NP and Biogradska gora NP); and two World Heritage Sites (WHS) – Durmitor (Durmitor NP with Tara River Canyon – 39,000ha) as a natural WHS and Boka Kotorska (the Kotor-Risan Bay protected by municipal decision) as a natural and cultural WHS. Some of these areas (i.e. those areas falling outside the five national parks) however are not formally recognized as national PAs and/or lack proper protection regimes, financing, and capacitated management structures.

40. Responsibilities for the establishment and administration of formal protected areas are split between national and local level administrations, depending on the PA category: strict and special nature reserve, national parks and protected habitats (including protected species) are proclaimed and managed at a national level; while the other categories (regional and nature parks, natural monuments and landscapes with outstanding characteristics) are proclaimed and managed by local government. Table 3 summarizes the roles and responsibilities of the various national and local government institutions in PA planning and administration.

**Table 3: Roles and responsibilities of national and municipal government institutions in PA management**

<b>Government institution</b>	<b>Institution</b>	<b>Functions linked to planning and management of the protected area system</b>
<b>Ministry of Spatial Planning and Environment (MSPE)</b>		Responsible for: development of national strategies, policies, laws and standards for nature protection; coordinating PA projects and programmes; and administrative supervision of Public Enterprise National Parks (PENP), Nature Protection Institute, Public Enterprise <i>Morsko dobro</i> and the Environmental Protection Agency (EPA).
	<i>Public Enterprise National Parks (PENP)</i>	Responsible for the management of the system of national parks.
	<i>Nature Protection Institute (NPI)</i>	Responsibilities are prescribed in specific Articles of the Law on Nature Protection. These include: identification of area and species that need special protection; proposing nature protection measures for PAs; preparing feasibility studies for proclamation of new PAs; maintaining a national register of PAs; and conducting research in PAs.
	<i>Public Enterprise ‘Morsko dobro’</i>	Responsible for the ‘protection and enhancement’ of designated beaches and coastal areas in the ‘public maritime domain’ - a narrow strip of coastal area and territorial sea as defined in the Law on the Coastal Zone (an area of approximately 60km <sup>2</sup> on land) <sup>4</sup>
	<i>Environmental Protection Agency (EPA)</i>	Responsible for: environmental permitting and environmental assessment procedures; environmental inspection and enforcement; environmental monitoring; environmental information systems; and environmental reporting.
<b>Ministry of Agriculture Forestry and Water Management (MAFWM)</b>		Responsible for the preparation of national laws, policies, strategies and plans that direct forest management, fishing, hunting and water resources management.
	<i>Water Administration</i>	Responsible for the implementation of water legislation, including: planning protection of water resources; administration of water management fees and charges; and monitoring of water resources
	<i>Forest Administration</i>	Responsible for the operational management of the forest zones of protected areas (excluding National Parks).  Also responsible for: forest planning; forest management; forest enforcement and compliance; forest concessioning; administration of sustainable forest resource use; afforestation programmes; forest rehabilitation; and forest inventory and monitoring.
<b>Ministry of</b>		Responsible for developing the policy framework for tourism development. Together with the

<sup>4</sup> Although a number of protected areas (e.g. Natural Monuments along beaches) fall within the public maritime domain, *Morsko dobro* have not yet been formally designated as their management authority.

Government institution	Institution	Functions linked to planning and management of the protected area system
<i>Tourism (MT)</i>	<i>National Tourist Organisation (NTO)</i> , also responsible for the implementation of tourism development strategy and the promotion of tourist products and destinations.	
<i>Ministry of Finance (MF)</i>	Responsible for planning and executing the national budget, including the annual allocation for nature protection.	
	<i>Real Estate Administration</i>	Responsible for maintaining cadastral data and property registers, including those of the PAs
<i>Local Governments<sup>5</sup></i>	Responsible for proclamation and management of regional/nature parks, natural monuments and landscapes with outstanding characteristics (excluding the forest zones of these PAs which are administered by Forest Administration)	

41. A number of national and international environmental *NGO*'s, including MOST, WWF, Centre for the Protection of Birds, Green Home, REC, SNV and Greens, are actively involved in research, planning and management projects in protected areas, as well as implementing broader environmental education and awareness programs linked to protected areas.

42. The Law on Environment (2008) prescribes that national and local government finance environmental protection. Funding sources for this financing may include: state budget grants; local government budget grants; environmental protection fund (EPF)<sup>6</sup>; environmental levies; international sources (loans, donations, assistance, investments, etc.); and any other sources prescribed by special regulations. The Law on Nature Protection (2008) adopts the principle that users of natural assets (including protected areas and their natural resources) are required to pay charges for their exploitation and bear the costs of any rehabilitation measures resulting from their use. Article 68 of the Law on Nature Protection provides the basis for the levying of charges for the use of protected areas. The Law on National Parks (2009) specifically provides for the PENP to collect fees for the use of national parks, including *inter alia*: entrance fees; a range of visitor services; marketing rights; filming and advertising; rentals; fishing; accommodation; and commercial harvesting. The specifications for the level and management of the fees for these uses are, in turn, contained in gazetted 'Decisions' passed by the Board of Directors of the PENP (i.e. Decision 53/06 and Decision 08/07, 73/08).

43. Besides the PENP, the institutions responsible for PA planning and management do not have dedicated budgets allocated for PA management. During the preparatory phase, the total budget allocation for the PAS in Montenegro was roughly estimated at €2.17m and €2.28m per annum in 2008 and 2009 respectively, of which nearly €1.76m (81%) and €1.68m (74%) respectively constituted the total budget of the PENP. Table 4 shows the breakdown of the income and expenditure for the PENP over the period 2007-2009. The national budget allocation to PENP accounted for 30% and 41% of income in 2007 and 2008, with the remaining income generated from park-based fees. In 2008, donor funding accounted for an additional €529,000 in income for PENP, most of which (~€349,000) was used for Skadar Lake NP. The main revenue generating instruments for national parks in 2008 included: entrance fees (€322,348); rafting (€169,912); leases (€138,830); fishing licenses and other annual fees (€116,949); sand and gravel extraction (€108,785); tourism services (€39,261); rental of bungalows (€18,060); souvenir sales (€9,883); and natural resource use (€7,972). Excluding donor-funding sources, the average operating cost per ha (including HR costs) for national parks are currently estimated at €20/ha (based on 2008 expenditure).

**Table 4: Income and expenditure of the Public Enterprise National Parks (PENP) 2007-2009**

PENP Management Unit/ Funding source	2007 (actual)		2008 (actual)		2009 (planned)	
	Income (€)	Expenditure (€)	Income (€)	Expenditure (€)	Income (€)	Expenditure (€)

<sup>5</sup> Although there are a few exceptions, the extent to which this function is being implemented by affected local governments is negligible to non-existent. Within most municipalities there is virtually no dedicated capacity, and extremely limited resources to undertake a protected area planning and management function

<sup>6</sup> The EPF has yet to be formally established. Its specific functioning will be detailed through a regulation still to be gazetted.

<i>Durmitor NP</i>	538,070	564,205	426,513	412,917	293,500	404,000
<i>Skadar Lake NP</i>	343,874	299,740	448,986	478,757	344,000	430,000
<i>Biogradska gora NP</i>	133,750	214,289	101,161	206,354	68,300	187,500
<i>Lovcen NP</i>	55,629	117,291	60,286	146,053	45,300	120,000
<i>PENP Support Services</i>	-	297,694	-	487,994	-	420,800
<i>National budget allocation</i>	452,500	-	720,000	-	930,000	-
<b>TOTAL</b>	<b>1,496,823</b>	<b>1,493,219</b>	<b>1,756,946</b>	<b>1,732,075</b>	<b>1,681,100</b>	<b>1,562,300</b>

44. The National Strategy of Sustainable Development of Montenegro (NSSD, 2007) envisages an ‘increase (of the protected area system) to 10% of the territory, and protect(ion) (of) at least 10% of the coastal zone by 2009’. The NSSD, National Spatial Plan (2008), Spatial Plan of the Special Purpose Area Public Maritime Domain’ (2007) and the draft National Biodiversity Strategy and Action Plan (2009) identify a number of priority areas that would enable the country to increase the area under conservation management to some 25% of the national territory. The recently approved (2009) GEF-funded MSP ‘Strengthening the sustainability of the protected area system of the Republic of Montenegro’ will support local and national government in realizing these targets – notably through assessing the feasibility of establishing an MPA at Platamuni cliffs and supporting the establishment processes for a regional park in Komovi- and strengthening the systemic, institutional and individual capacity of the PA institutions responsible for administering the expanded PAS.

#### **Long-term desired solution and barriers to it**

45. The **long-term solution** sought by the Government of Montenegro is the establishment of a sustainably funded representative system of protected areas, under an effective and adaptive management regime. This solution requires that protected area agencies have adequate capacities to identify and resource cost-effective management efforts across an expanded protected area system. Under this scenario, protected area institutions will have the ability to: (i) secure sufficient, stable and long-term financial resources for protected areas; (ii) allocate these resources in a timely manner and appropriate form to cover the full costs of protected areas; and (iii) ensure that the protected areas are managed effectively and efficiently with respect to conservation and other complementary objectives. To enhance this ability, protected area agencies will also need to: (a) seek closer alignment of their protected area management objectives with local, regional and national socio-economic development priorities; and (ii) improve inter-sectoral co-operation and collaboration to address the increasingly complex conservation and developmental challenges facing protected areas. A number of initiatives are currently underway, including a suite of complementary GEF-funded projects, to achieve this long term solution. These include programs to: improve the representation of the protected area system; strengthen the capacity of PA institutions to administer this expanded system; enhance cooperative governance; and mainstream protected areas into local and regional socio-economic development programmes. A critical gap however is support to the processes for, and institutions involved with, securing and managing funds to administer an expanded PAS. Funding baselines for PA management in Montenegro are currently well below the levels required to ensure that the protected area system properly serves its function as an important tool to protect biodiversity.

46. There are three **barriers** to improving the financial sustainability of an expanded PAS in Montenegro:

(i) Under-developed policy instruments and regulatory framework: While there is a modern national policy setting (National Environment Policy, 2008; National Forestry Policy, 2008), and the associated enabling legislation (Law on Environment, 2008; Law on Nature Protection, 2008; Law on National Parks, 2009), to support the diversification of the funding base for nature protection in Montenegro, this still remains a relatively new area of development for the country. There is an urgent need to now identify the applicability of the different financing instruments under different PA management regimes, and the preparation of specific regulations to facilitate and direct their implementation. A strong business case needs to be developed to motivate an increase in national and local government funding of the protected area estate, notably through investments in infrastructure and facilities that could contribute to improving the long-term financial sustainability of the PAS. Underpinning

this business case is a need to better understand the value of the goods and services provided by protected areas so that decisions about economic development are made with the full understanding of the costs and benefits involved. Credible and reliable estimates of economic values of protected areas are needed to support the case for further national and local government investment in protected area establishment and management. The national legislation (primarily the Law on Environment) provides for a number of innovative environmental financing mechanisms, including a set of national and local environmental levies such as air pollution, hazardous waste etc. charges and a national Environmental Protection Fund (EPF). However the policy and regulatory frameworks to ensure their effective implementation remains under-developed, notably the disbursement of income from these potential financing sources to support nature protection efforts. There continues to be a lack of legal clarity in the fiscal and operational responsibilities, for the different categories of PAs, across the responsible national and local public institutions. While the legislation in principle makes provision for public-private/NGO-partnerships in the provision of commercial services in protected areas, the strategic approach to these partnerships and the legal procedures and contractual documentation to underpin partnerships have yet to be developed. There are currently no mechanisms to enable cross-subsidization across the entire PAS, or more equitable distribution of government funding allocations, with the result that PA agencies could increasingly come to direct expansion efforts towards the income-generating 'honey-pot destinations' and avoid (or neglect) high biodiversity areas with little or no income-generation potential.

(ii) Insufficient revenue-streams: There is a critical need to increase, diversify and stabilize the financial flows to all categories of protected areas through the implementation of a more diverse portfolio of financing mechanisms. The annual funding gaps for the 'basic' and 'optimal' management scenario for the current protected area system have been conservatively estimated during the PPG phase at €820,000 and €1.9m respectively. A large proportion of current PA funds (~85%) are directed towards human resource costs and basic maintenance (e.g. path/road maintenance) and operational (e.g. functional enforcement) activities. Due to financial constraints, there remains a limited investment by PA agencies in 'pure' biodiversity conservation programmes (e.g. habitat restoration, wildlife management), environmental education initiatives and tourism and visitor infrastructural development. Assuming that protected area expansion efforts are moderately successful in the medium-term (i.e. PAS increases in size to at least 210,000ha by 2012), this funding gap is expected to rise to approximately €2.8m for the basic management scenario and €6m for the optimal management scenario. This may result in further cuts to the range of basic operational management activities that may be funded within the PAS. Indications are that the national and local government budget allocations are, in the light of other more pressing demands on the national fiscus, not likely to increase significantly from their current base level of less than €1m per annum to fill this financing gap. Local government already have limited to no capacity or resources to undertake PA management functions, with the result that PAs under municipal management control will remain virtually unfunded unless these PAs can become more financially self-sustainable in future. Other public institutions (*Morsko dobro*, Forest Administration, Marine Biology Institute, NPI and NTO) have made little or no provision for PA planning and management costs in the national governments medium-term expenditure framework. The primary source of income for the entire PAS is currently four of the five national parks (€1,071,323), of which only Durmitor NP generated a small surplus in 2008. These parks are rapidly reaching the limits of their income-generation potential using the current user-pays approaches. In some instances (e.g. fees from sand and gravel extraction: €108,785 in 2008) income streams may not even be ecologically sustainable in the medium- to long-term, and the resultant loss will have to be absorbed by increasing income revenue from other user fees. The remaining protected areas in the PAS, to date, generate no income from user fees or services and, without significant investment in appropriate infrastructure development; this situation will remain for the immediate future. Without ongoing donor funding to supplement existing government budget allocations, the legal reform, policy development, planning, expansion, research and monitoring support functions for the PAS will continue to remain under-resourced, in the absence of other funding options. Access to donor funding still remains opportunistic, and donor agencies tend to 'drive' the priorities for investment. There is currently limited capacity in the MSPE to secure funding from multilateral development agencies, international conservation organizations and private donors for the PAS in a coordinated and structured way.

(iii) Low cost-effectiveness of business and financial management systems: The determination of annual appropriations from national and local government treasuries for PA management is currently not based on objective criteria linked to the management objectives of the PAS. At both the protected area system level, as well as for individual protected areas, there is a limited use of business planning processes to optimally use limited financial resource allocations and source additional funds to fill financing gaps. Although PENP prepare

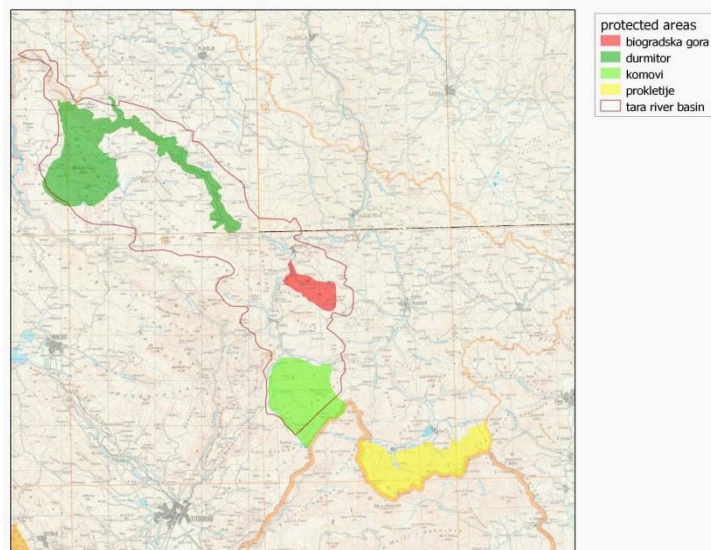
medium-term (5-year) management plans for national parks, these are largely premised on a utilitarian business-as-usual management approach, with little innovation adopted in improving revenue streams and improving cost-efficiencies. The links between management plans and budget allocations also remains somewhat tenuous, with the suite of activities undertaken in each park largely determined by the allocation constraints and not by a strategic prioritization process. The concept of business-oriented financial planning and performance based budgeting is still in the early stages of development in the PENP, and the requisite capacities/ skills at both the institutional and parks level are still in need of development. National Park managers are still not fully trained in the application of financial management systems and procedures at the park level. The PENP is still busy developing expertise in the provision of visitor facilities and services, the market-related (or cost recovery) pricing of these and the apportioning of income to improve their quality and administration. Management and business planning processes for PAs under competences of local governments and *Morsko dobro* are still virtually non-existent. This is further exacerbated by the lack of dedicated staffing capacity, notably in the municipalities, leading to operational inertia in many of the small PAs. With the designation of forest zones of PAs to the Forest Administration, the financial management capacity of staff responsible for these areas may still need to be developed. At the level of the PA system, the cost-effectiveness of the different institutional arrangements for PA planning and management, and the cost-effectiveness of different approaches to PA operations have not been critically assessed.

**Project strategy: objective, components, outputs**

47. To address the above barriers, the project has the **objective** of improving the financial sustainability of Montenegro’s protected area system. The project has three **components** – along with their associated outcomes, outputs and activities - which will contribute towards achieving the project objective. These are: Component 1 Enabling legal and policy environment for improved financial sustainability; Component 2 Securing revenue streams for the protected area system; and Component 3 Development of institutional and individual capacity of protected area institutions to raise PA management cost-effectiveness.

48. The project will focus outputs and activities at two levels of intervention: (i) the national PA system level, through working with different public institutions and agencies in order to develop and strengthen their capacity to effectively secure and administer funds for the protected area system; and (ii) the level of individual protected areas in northern Montenegro (see map 1 below)<sup>7</sup>, through working with a range of stakeholder groups to diversify and increase the available funding to, and develop more cost-efficient systems for management and administration of funds for, those protected areas.

**Map 1: Spatial distribution of the National Parks (Biogradska gora, Durmitor and Prokletije), Biosphere Reserve (Tara River Basin) and proposed Regional Park (Komovi Regional Park) in northern Montenegro**



<sup>7</sup> Although the spatial focus of the project is the individual PAs of northern Montenegro, some Outputs (Output 1.1 and Output 3.1) will also support activities in Tivat Saltpan Nature Reserve (coastal region) and Skadar Lake National Park (central region).



## **Component 1 Enabling legal and policy environment for improved financial sustainability**

### **Output 1.1: An economic valuation of the PAS supports the case for sustained public investment in protected area establishment and management**

This output will seek to develop a rough estimate of the lower limit of the total economic value (TEV) of the protected area system. Because of a paucity of reliable financial data on the ecosystem goods and services for many of the protected areas in Montenegro, the project has adopted the approach of implementing detailed valuation studies for five protected areas representing a range of different use values (i.e. direct-use and indirect use) across the PAS. During the PPG phase an initial assessment of the importance of the primary values of four existing protected areas (Durmitor National Park, Biogradska gora National Park, Skadar Lake National Park and Tivat Saltpan Nature Reserve) and one protected area currently under establishment (Komovi Regional Park), was undertaken. Based on this initial assessment, the values to be determined during the full project for each of these five protected areas, and the most appropriate methods that could be adopted for each value, were identified. These are summarized in Table 5 below (refer to the original technical report, *Improving the financial sustainability of the protected area system of the Republic of Montenegro*, for a more detailed description).

**Table 5: Summary of the proposed methodologies for TEV studies**

<i>Values</i>	<i>Methods<sup>8</sup></i>	<i>Approach</i>
<b><i>Durmitor National Park</i></b>		
Recreation Value: hiking, biking, rafting, skiing, sports fishing, accommodation and food services	Market prices Travel Cost Method (TCM) Contingent Valuation Method (CVM) Expert Opinion	Collection of secondary data Interviews with tourists, tour operators, guides, etc.
Extractive Value: production of useful plant species for human use and enjoyment including NTFP, timber for household needs	Market prices Shadow prices	Collection of secondary data Interviews – see Serbia Forestry study
Habitat for important animal species	CVM Expert opinion	Interviews with general population Interviews with experts
Hydrological Services: Water collection, storage, and purification	Market prices Damage avoided	Collection of secondary data, interviews with scientists and engineers
Biodiversity	CVM	Interviews with general population, tourists, experts
Potential pharmaceutical values	Expert opinion	Interviews with experts
<b><i>Biogradska gora NP</i></b>		
Habitat for important species	CVM	Interviews with experts, tourists, general population
Recreation	Market Price TCM	Secondary data
Watershed Protection / flood protection / erosion control	Damage cost avoided Change in productivity	Secondary data Interviews with experts Research
Carbon storage	Shadow price	Secondary data including forestry inventory data
<b><i>Komovi</i></b>		
Wood extraction	Market price Shadow price (local fuel wood)	Secondary data Interviews with local population
Habitat for important plant (and fungus) species	Market prices Shadow prices CVM	Secondary data Interviews with local population, experts, tourists
Habitat for important animal species	CVM	Interviews with local population,

<sup>8</sup> Criteria for the identification of methodologies include: i) using best available practices; ii) comparability with other economic valuation studies conducted in the Balkans or in similar ecosystems; iii) ease of extrapolation of results to the entire PAS; iv) focus on use, and to a lesser extent, non-use values; and v) cost-effectiveness.

<i>Values</i>	<i>Methods<sup>8</sup></i>	<i>Approach</i>
	Expert opinion	experts, tourists
Recreation	Market price TCM	Interviews with tourists, tour operators, service providers, guides
Watershed Protection / flood protection / erosion control	Damage cost avoided Change in productivity	Secondary data Interviews with experts Research
Carbon storage	Shadow price	Secondary data
<b><i>Skadar Lake NP</i></b>		
Commercial Fishing	Market price	Secondary data Interviews with fisherman, buyers, local population
Habitat for important bird species (and other wildlife)	Donor funding Expert opinion CVM	Secondary data Interviews with donors, experts, tourists, tour operators, guides, other stakeholder groups
Recreation (including sports fishing)	Market price TCM	Secondary data Interviews with tourists
Watershed purification and storage	Damage cost avoided Change in productivity	Secondary data Interviews with experts Research
Cultural Value	CVM	Interviews with tourists, general population
<b><i>Tivat Saltpan</i></b>		
Fish Breeding Habitat	Expert opinion Market pricing	Interviews with experts Secondary data
Recreation	TCM	Interviews with tourists, tour operators
Important Bird habitat	Expert opinion CVM	Interviews with experts, tourists, general population

Once the valuations have been completed for these five sites, a per hectare value to determine the **lower limit** of the TEV of the entire protected area system will be determined and extrapolated (with strong consideration of the severe limitations of extrapolation)<sup>9</sup> to the entire PAS. Using the lower limit TEV for the PAS, the project will then develop and implement a communications strategy that demonstrates to key decision-makers the benefits and costs of adequately investing in the management and expansion of the PAS.

The activities under this output are specifically directed at:

- (i) Validating the primary economic values of each of the five targeted protected areas identified during the preparatory phase;
- (ii) Designing, testing and implementing valuation studies for each economic value within each of the protected areas to determine a monetary quantification of the ecosystem products and services in each PA;
- (iii) Collating and extrapolating the results of these valuation studies to the entire protected area system;
- (iv) Preparing a Benefit-Cost Analysis (BCA) that assesses the public benefits and costs of establishing and managing protected areas as an economically viable form of land use;
- (v) Formulating a focused communication and marketing strategy, targeted at high-level government decision-makers, that presents a succinct overview of the contribution of the PAS to the socio-economic well-being of Montenegro and its citizens;
- (vi) Developing the requisite briefing media for, and implementing the communication program to, targeted government decision-makers; and
- (vii) Documenting the lessons learnt and detailing the methodologies used in economic valuations.

<sup>9</sup> Because various valuation techniques only determine the marginal value of a product or service, broader extrapolation of results is limited.

Work under this output will be done under the guidance of a small reference group comprising management staff of the five targeted PAs, MSPE and the Project Manager. This may be supplemented by representatives from different PA institutions (including MSPE, PENP, *Morsko dobro*, Forest Administration and affected Municipalities) as required. The Project Manager will contract an academic program or institute to design and implement all the valuation studies, extrapolate the results of the valuation studies to the wider PAS and prepare the benefit-cost analysis. It is envisaged that staff from the PA institutions may participate in selected valuation studies to ensure continuity in future repeat valuation exercises. The Project Manager will contract a marketing and communications specialist - with specific expertise in financial media and communications – to design and implement the focused marketing and communications program. The MSPE will oversee and direct the work of the marketing and communications specialist. Information from this output will, in turn, support the preparation of the National Protected Area Financial Plan (see Output 1.2).

Output 1.2: A National Protected Area Financial Plan (NPAFP) is adopted

Based on the preliminary financial assessments undertaken during the preparatory phase, work under this output will focus on preparing a Financial Plan that is based on the realistic needs of the PAS, and the adoption of viable and diversified financial mechanisms to fund it. This business-oriented Financial Plan will be organized around three key aspects of the financial planning process: a) a detailed financial analysis that identifies funding needs and gaps, b) a pre-selection and analysis of different financial mechanisms, and an understanding of the legislative and regulatory framework for their implementation, and c) a formulation of the Financial Plan to guide the implementation of a sustainable financing strategy for the PAS.

The results of the valuation studies and benefit-cost analysis undertaken in Output 1.2 will be used to guide and direct the development of this financial plan. The lessons learnt in the implementation of Outputs 2.1 – 2.3 will also be integrated into the Financial Plan, wherever practicable. The outcomes of this assessment will, in turn, direct the implementation of Outputs 3.1 - 3.3.

The specific activities to be undertaken will include:

- (i) Accurately updating the current financial baseline prepared for the PAS during the PPG, including analyzing the protected area costs, reviewing different income sources and identifying specific cost-reduction opportunities;
- (ii) Using financial planning tools (e.g. scenario logic) to: a) qualify and quantify the projected financial needs for the PAS under different management scenarios; and b) determine the ‘financial gap’ between the current financial scenario and the optimal (or desired) scenario;
- (iii) Assessing the functionality of the financial management system of the protected area institutions, including accounting (income and expenditure), salaries and benefits, classification of expenses (standardization), cash flow, transparency (availability of and access to information), and auditing (internal and external);
- (iv) Selecting the most appropriate financial mechanisms to ensure the diversification of financing sources for the PAS. The focus of this activity is on ensuring the maintenance, and increase in income, from conventional financial sources (governments, donors, and trust funds), as well as developing innovative alternatives (e.g. payments for environmental services, market mechanisms, etc.) to supplement the current income streams;
- (v) Defining the legal and institutional framework that is required to mobilize financial resources, adopt business management principles, establish innovative financial mechanisms, and ensure the autonomy of financial management based on principles of modern governance;
- (vi) Identifying opportunities for cost-saving to achieve economies of scale, eliminate duplication and improve service delivery;
- (vii) Using a ‘market-based approach’, preparing a ‘National Protected Area Financial Plan’ (NPAFP)<sup>10</sup> that establishes lines of strategic action to mobilize financial resources and build financial capacity to support a system of protected areas in Montenegro. The financial plan would include: a) a summary of financial needs and gaps (identified in point (ii) above); b) the investment priorities; c) a market analysis; d) financial mechanisms; e) economic impacts; f) a detailed implementation programme (detailed activities, staffing requirements and budget); and g) the means of measuring progress; and
- (viii) Documenting lessons learnt in the design and development of the NPAFP.

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<sup>10</sup> The approach to the preparation of NPAFP will broadly follow the guidelines contained in ‘*Business-oriented financial planning for national systems of protected areas*’ (Flores, Rivero *et al*, 2008)

A national working group representing all the public agencies and institutions responsible for the planning, administration and monitoring of the PAS will be constituted to oversee the design and development of the NPAFP. This working group will be supplemented by the requisite expertise from the Ministry of Finance and NGO's. The working group will, based on regional and global best practice, define the format and content of the NPAFP. The technical work in developing the Financial Plan will be undertaken by an international financial planning service provider. They will be required to work in close collaboration with the relevant departments and public institutions of the affected Ministries and Local Governments. The NPAFP will be reviewed by the national working group and approved by the Project Steering Committee. Once approved, the NPAFP will be annexed to the *National Biodiversity Strategy and Action Plan*. The regulatory reform recommendations contained in the Financial Plan will specifically guide the implementation of Output 1.3.

**Output 1.3: A suite of regulatory instruments are in place to support implementation of the NPAFP**

Work under this output is focused on supporting the implementation of the recommended actions for regulatory and policy reform that are to be identified in the NPAFP (see Output 1.2). The NPAFP will thus direct the prioritized activities to be supported under this output. During the preparatory phase of the project however, a review of the enabling policy and legislation was undertaken to develop an initial idea of the strengths and weaknesses of the legal-regulatory framework for PA financing, and identify potential areas for project support. It was evident from this review that, although the national policies and legislation do establish a modern and favorable policy and legislative context for the financing of the PAS, the secondary legislation and complementary tools and mechanisms to facilitate their *in situ* implementation remains poorly developed. A number of recommendations for the development of regulatory instruments, that could assist the operationalization of national policies and legislation, were thus preliminarily identified. These included the following:

- (i) Development of regulations (or by-laws)<sup>11</sup> that prescribe the rules, procedures and administration for each of the different funding mechanisms provided for in national legislation and/or recommended by the NPAFP;
- (ii) Contribute to the preparation of enabling legislation that would provide for the establishment and administration of the Environmental Protection Fund (EPF);
- (iii) Contribute to the development of administrative procedures or provisions for earmarking disbursement of income from the EPF and/or local (municipal) environmental levies to support the planning and management of protected areas;
- (iv) Development of an incentives framework to retain skilled and competent protected area planning and management staff in the conservation sector;
- (v) Evaluation, and strengthening, of the regulatory framework for PPP tourism concession agreements;
- (vi) Development of formal procurement procedures and contractual templates for the outsourcing of PA planning and operational functions; and
- (vii) Assessment of legal options for the integration of biodiversity offsets (that are linked to protected areas) into formal EIA decision-making and approval processes for large-scale development with significant environmental impact.

The national working group constituted to oversee the design and development of the NPAFP (see Output 1.2 above) will also coordinate the implementation of the activities under this output. It is envisaged that a national legal firm, with considerable experience in Montenegrin environmental law, be appointed on a retainer contract to the project to provide ongoing support to legal specialists employed within (or contracted to) the relevant national and local government institutions. They will report formally to the Project Manager but, depending on the nature of the support provided, the legal firm will work directly with the staff of the affected institution/s in preparing the necessary legal opinions, draft regulations, draft by-laws, contractual templates or formal procedures.

**Component 2 Secure revenue-streams for the protected area system**

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<sup>11</sup> Primarily in terms of Article 68 (especially paragraph 2) of the Law on Nature Protection and Article 20, paragraph 4 of the Law on National Parks.

Work undertaken in this component will seek to develop, implement and assess a suite of funding sources that could: (a) diversify the revenue streams for individual protected areas (see Outputs 2.1 and 2.2); and (b) improve the income-generation potential of existing user fees in PAs in northern Montenegro (see Output 2.3).

Output 2.1: A payment for ecosystem services (PES) scheme is piloted in the Durmitor World Heritage Site and National Park

The topography of the Durmitor World Heritage Site and National Park (see Map 2), situated in the northwest of Montenegro, is characterized by a 1500m plateau which is incised by the deep canyon valleys of the Tara, Draga, Komarnica and Susica rivers, and from which high mountain peaks rise up to 2525m. The Park thus serves as a watershed for the Municipality of Zabljak (resident population of 4,521) which obtains its entire supply of potable water from the park and surrounds. The town of Zabljak (resident population = 1,956) receives its water supply from springs around 'Crvena greda' and the wells of 'Mlinski potok'. Beside the resident population the town also has 5 hotels, three motels, numerous private lodging facilities and a small ski resort with the capacity to host an additional 2,000 visitors. The Public Water Company (PWC) supplies water to 57% of the town users (at €0.26/m<sup>3</sup> for households and €0.84/m<sup>3</sup> for businesses) through gravitational pipelines from 'Crvena greda', while the remainder of the population collect water from local wells or ponds. The ski resort gets its water from the 'Sopot' spring, but does not have a purchasing relationship with the PWC. The total annual consumption value of the water supply to the town of Zabljak is roughly estimated at €81,136.

This output is designed to test the feasibility of capturing a revenue stream for an ecosystem service - clean water - provided by the park to a very specific group of beneficiaries – the town of Zabljak. Establishing this fiduciary relationship also has the potential to enhance the perceived value of the park with local residents and businesses, and may encourage a more responsible relationship between the park and its neighbouring communities. This pilot, if successful, could then provide an example of what could be possible elsewhere in Montenegro where ecosystem services are neither recognized by the marketplace nor by many decision-makers, and are thus undervalued and their management underfunded.

The activities for this output are then specifically directed at:

- (i) Reviewing regional and global practice in equivalent local PES schemes and documenting best practice and lessons learnt;
- (ii) Establishing a working group - comprising representatives of the Municipality of Zabljak, Durmitor NP, PWC, residents and business (including hotels and the ski resort) - to discuss the modalities of contributing to park management costs for assuring the ongoing supply of clean water to the town of Zabljak;
- (iii) Accurately determining the current annual consumption value of water supply to Zabljak;
- (iv) Securing an in principle agreement from all stakeholders to review and decide on mechanisms for a payment to the park for protection of the watershed;
- (v) Undertaking a detailed cost-benefit analysis of alternative payment (pricing of charges, administration of the charges, disbursement of the income) mechanisms for watershed protection (e.g. PWC and/or ski resort agrees to pay the park a fixed annually agreed fee; PWC agrees to pay the park a fixed percentage of its income from water supply to Zabljak; an additional watershed protection surcharge is added onto the current household and business water charges, and administered by the PWC; a cubic meter surcharge is levied on the ski resort);
- (vi) Securing an agreement on the preferred payment mechanism;
- (vii) Developing the administrative procedures for the efficient collection and disbursement of income for watershed protection;
- (viii) Designing and implementing an extensive communications and awareness campaign in Zabljak about the administrative arrangements to be put in place to collect money to pay for watershed protection;
- (ix) Preparing, as required, municipal by-laws that would ensure legal enforcement of the preferred payment mechanism;
- (x) Advertising the effective date, and administrative arrangements, for the implementation of the watershed protection surcharge; and
- (xi) Reviewing the efficacy of the implementation arrangements and documenting the lessons learnt.

Work under this output will be done under the overall guidance of the local working group (see point (ii) above) that will be constituted to represent the interests of all affected stakeholders in the town of Zabljak. The Project Manager will appoint an independent service provider (public consultation specialist) to constitute, organise, host,

facilitate, mediate and record the activities of this working group. The public consultation specialist will also facilitate bilateral or multilateral meetings between parties to address any specific financial or technical issues or resolve any conflicts that may arise from time to time. The outcomes of these meetings shall, unless otherwise agreed, be made publicly available. The public consultation specialist shall also support the municipality, national park and PWC in implementing an effective joint communication and awareness campaign and in documenting the lessons learnt for wider dissemination. A financial specialist in the water sector will be contracted by the Project Manager to provide technical support to the local working group and will work in close collaboration with the public consultation specialist. They will specifically be tasked to: (i) review regional and national best practice in equivalent PES schemes; (ii) determine the current annual consumption value of water supply to Zabljak; (iii) define alternative payment mechanisms for watershed protection; (iii) undertake a cost-benefit analysis of each of these mechanisms; (iv) develop the administrative procedures for the collection and disbursement of income from a watershed protection surcharge; and (v) providing the technical inputs into the preparation of the requisite municipal by-laws. The Zabljak Municipality and the PWC shall, with support from the project, provide the lead in developing the most appropriate administrative and regulatory framework for implementation of the watershed protection surcharges. If required, the legal firm contracted under Output 1.3 may provide legal support services as and where required.

Output 2.2: A nature-based tourism concessioning process is piloted in Komovi Regional Park

Abutting the Albanian border, the mountainous region of Komovi is located in the south-eastern corner of the Tara River Basin Biosphere Reserve). An area of at least 21,000 ha in this region has been targeted for the establishment of the first Regional Park in Montenegro (see Map 2). The recently approved GEF Medium-Sized Project ‘*Strengthening the sustainability of the PA system of Montenegro*’ will support the establishment of the Komovi Regional Park. GEF and co-financing resources have been leveraged to, *inter alia*,: (i) undertake a feasibility assessment for the park; (ii) implement stakeholder consultation and negotiation processes; (iii) proclaim the regional park; (iv) demarcate the park boundaries; (v) appoint a management authority; (vi) upgrade basic park infrastructure; (vii) establish a co-management structure for the park; (viii) and establish a green business support program for SMEs.

Work under this output is designed to improve the financial sustainability of the regional park – once established - by piloting a nature-based tourism concessioning process that could allow a private commercial operator to construct and operate tourism facilities within the proclaimed regional park on the basis of a medium to long-term contract (~15-20 years on a ‘build-operate-transfer’ agreement), in return for payment of concession fees to the designated park management authority. If successful, this means of generating income would then enable the managing authority for the regional park to focus its resources and capacity on the core business of managing biodiversity. The provisions contained in the Law on Concessions (Official Gazette of Montenegro, No. 8/09) will provide the regulatory guide in the identification of the concession opportunity; procurement process; selection of a preferred bidder; concession period; negotiated legal agreement; concession management; and concessioning fee to be concluded in this output.

Work under this output will include the following elements:

- (i) *Global review* – this will include an analysis of national<sup>12</sup>, regional and international best practice in PA concessioning processes, and lessons learnt. Concessioning operating manuals, contractual templates for concessions, bidding memoranda and social and environmental guidelines would be collated to support and guide the concessioning process for the park.
- (ii) *Identification of the concession opportunity* - this will include the selection of the concession opportunity, mapping the concession area and establishing the scale and carrying capacities for the concession.
- (iii) *Design of the concessioning process* – this will include performing a legal review, designing the contract, developing the environmental guidelines, determining how to approach the social and empowerment issues, and modelling the operations to establish financial viability and minimum rentals.
- (iv) Inviting an expression of interest – this would involve the issuing of an Information Memorandum to potential investors providing basic details of the concession opportunity, its location and size, and a synopsis of how the process would be run. Interested investors will be requested to provide basic bidder

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<sup>12</sup> This may include experiences associated with the leasing of commercial tourism operations in parks to private operators: e.g. restaurants and other facilities at Durmitor and Biogradska Gora.

information. This prequalification phase would ensure that the companies that emerge from the prequalification process all have the financial strength and proven experience in nature-based tourism development and management.

- (v) *Due-diligence and ground-truthing* – this will involve giving all the prequalified bidders the opportunity to ascertain all the information they need to present informed and competitive bids, including physical facilities and ecological information; and to ensure that such access to information is equal for all prequalified bidders. The concession contract is finalised during this phase so that bidders have full knowledge of the contract before bidding.
- (vi) *Bidding memorandum* - the bidding memorandum will describe in detail the manner in which the actual bidding process is to be conducted, including what information is required, the opening of bids, how the technical components are to be evaluated, how the financial bids will be evaluated, the procedure for the announcement of winning bidders, closure of the concession contract, requirements in terms of the bid and development bond, payment of execution fees and the timetable;
- (vii) Appointment of the preferred bidder, contractual negotiation and contract management<sup>13</sup>; and
- (viii) Documenting of lessons learnt, and collating tools developed, for further replication.

The Park Establishment Working Group (constituted under the counterpart medium-sized GEF project to oversee the regional park establishment process) will guide the initial planning stages of the concessioning process until the management authority for the park is formally designated. Thereafter the designated regional park management authority will take overall responsibility for implementing the concessioning process, finalising the contract and administering the concession agreement. The Project Manager will contract an international transaction adviser<sup>14</sup> to provide technical support to the concessioning process, including: (i) best practice reviews; (ii) identification of concession opportunity; (iii) modelling economic feasibility of concession opportunity; (iv) preparing all legal and procedural documentation; (v) preparing information materials and responding to informational requests; (vi) overseeing compliance with selection criteria; (vii) due diligence of prequalified companies; (viii) contractual negotiations; and (ix) documentation of lessons learnt, best practice, templates and opportunities for replication. The Project Manager may also appoint the national nature-based tourism specialist contracted under Output 2.3 to work with the RTO Bjelasica and Komovi and the three affected local municipalities (Andrijevica, Kolasin and Podgorica) to preliminarily identify, assess and select the most appropriate concessioning opportunity in the Komovi RP.

**Output 2.3:** *The income from user fees for adventure-based tourism in the protected areas of northern Montenegro is improved*

During project preparation, adventure tourism was identified as one of the most promising means to generate additional revenue streams for the protected areas of northern Montenegro. Work under this output is directed at testing the feasibility of increasing park revenues by improving and strengthening the development, administration and promotion of adventure tourism services in Biogradska gora and Durmitor National Parks (when park management capacity is developed in the newly proclaimed Prokletije NP and the proposed Komovi RP, these areas will also be included under this output). Table 6 provides an overview of the different adventure tourism services on offer in the protected areas of northern Montenegro, and the options for improvement and mechanisms for additional revenue capture.

**Table 5: Menu of options to improve the revenue streams from adventure tourism in the PAs of northern Montenegro**

Adventure tourism service	Opportunities for improvement of adventure tourism services	Options for revenue capture
Rafting, canoeing and kayaking	Improve facilities (e.g. launch sites) for rafting, canoeing and kayaking Evaluate rafting fee structure	Increased entrance fees Increased rafting fees Rental fees

<sup>13</sup> During the first twelve months, the concessionaire will be held to a Bid and Development Bond which will be designed to ensure that the concessionaire actually goes ahead with its proposals. If the concessionaire fails to implement the project within a specified period, it forfeits the bond.

<sup>14</sup> The International Finance Corporation (IFC), the private sector arm of the World Bank, may be approached to act as a financing partner institution and lead transaction advisor. Montenegro became a member of the IFC in 2007 and currently has 3 advisory projects in Montenegro.

	Rental of canoes and kayaks	
Biking	Develop new, and maintain existing, biking trail network Prepare and distribute maps of biking trails Improve facilities Rentals of bikes	Increased (summer) entrance fees Bike rentals
Hiking	Develop new, and maintain existing trail network Prepare and distribute maps of hiking trails Multi-day trails	Increased entrance fees Hiking trail fees
Rock climbing	Formalize and map climbing areas Provide first aid and emergency services Prepare and distribute maps of climbing routes	Increased entrance fees Climbing fees
Caving	Identify caves that can be developed for recreational and scientific use and those that should be closed to visitors Develop visitor facilities and services in high volume use caves	Increased entrance fees Selected cave visit fees
Sport (fly) fishing	Promote sport fishing Rent fishing equipment Designate sport fishing areas Host fishing competitions	Increased entrance fees Fishing permits Competition fees Fishing equipment rental fees
Skiing and snowboarding	Improve licensing agreements with ski companies Improve facilities and services for cross-country skiers and snowboarders Rental of skiing and snowboarding equipment	Increase entrance fees License fees Rental fees
Accommodation for adventure tourism users	Establish multiple day hiking/cross-country skiing trails with overnight huts Improve tent camping sites Establish camper van sites	Camping and camper van fees Overnight hut fees Multiple day trail fees
Food outlets	Development of new food outlets/restaurants	Sales income

Activities in this output will be specifically directed at:

- (i) Preparing an overarching ‘adventure-based recreation and tourism strategy’ for the protected areas of northern Montenegro. This may include: a) needs analyses; b) feasibility assessments of different adventure products; c) identification of strategic priorities for adventure tourism development; d) defining the spatial distribution of adventure tourism products; and e) development of a framework plan of action;
- (ii) Supporting the establishment and implementation of market-based user fees for adventure tourism products. This would include: determining the willingness to pay; evaluating existing pricing structures; assessing expected revenue generation from increases in fees; developing fee collection methods; developing compliance systems; and monitoring the income from (and costs of) providing and maintaining the adventure tourism product;
- (iii) Assessing the conservation, management and use options for a number of caves (e.g. *Jama u Malom Lomnom dolu*, *Jamski sistem u Obrucinama*, *Malo Lomno*, *Vjetrena brda* and *Ledena Pecina*). This would include preparing a detailed management and business plan for a cave that could be considered for development as a nature-based tourism destination;
- (iv) Preparing and implementing an infrastructural and services development plan to support boating (commercial rafting, canoeing and kayaking) operations in the parks and improve revenues. This may include the: development of facilities at boat launch sites and exit points; commercial rental of boats and equipment; provision of emergency safety equipment and services; etc;
- (v) Improving the network of cross-country skiing, hiking, biking and horse riding trails This may include the: development of minimum trail standards (environmental, construction, maintenance, etc.); assessment of the ‘state of trails’ in the NPs; upgrading of the trails as required (e.g. improving the drainage system, re-surfacing, re-alignment, step or bridge construction/repair, soil rehabilitation/ restoration, etc.) to meet minimum trail standards; development and installation of signage for trails; upgrading/construction of overnight huts; and developing mechanisms to address areas of potential user conflict;
- (vi) Formalising the park-approved sport climbing routes. This would include: identification of existing climbing routes; assessing the environmental impacts on these climbing routes; defining the ‘footprint’ of park-approved climbing routes, and guidelines for their use; identifying access routes to approved climbing



- routes; rehabilitating climbing routes that are not approved (e.g. removal of bolts, rehabilitation of informal paths, etc); and development and installation of park signage;
- (vii) Preparing information brochures, maps, signage and branding of all national park-approved tourism products and services;
  - (viii) Developing working forums with the different adventure tourism user groups to facilitate collaboration and cooperation in the ongoing development of adventure tourism facilities and services; and
  - (ix) Recording lessons learnt in implementation, and collation of planning tools and materials developed.

The Project Manager will, in close collaboration with PENP, contract an international nature-based tourism specialist to develop an ‘adventure tourism strategy’ for the protected areas of northern Montenegro. The tourism specialist will also provide technical and advisory support to the PA institutions in: the development of its fee structures (and their administration) for the adventure tourism products provided by PA’s; business planning processes for cave tourism development; identification of the infrastructure and services needed to support boat-based recreational and commercial use; recreational planning associated with skiing, biking, hiking and horse trails; and planning of climbing routes. The PA management will be directly responsible for the *in situ* development and maintenance of all infrastructure and services associated with the adventure tourism products. They will also be responsible for establishing and maintaining collaborative working forums with the recreational user groups and commercial operators. A tourism marketing agency will be contracted by the Project Manager to support PA institutions in designing, developing and producing adventure tourism maps and other promotional and marketing media.

### **Component 3 Developing institutional and individual capacity of PA institutions to raise cost-effectiveness of PA management**

#### Output 3.1: Business planning processes are introduced to different categories of PAs

Work under this output will focus on supporting business planning processes in one national park (Biogradska Gora) and one nature reserve (Tivat Saltpan Nature Reserve). These PAs will serve as test sites for the future replication of business planning processes across other national parks (managed by PENP) and regional parks/nature reserves/natural monuments (managed by local municipalities). The product of the business planning processes undertaken under this output is the development of a **business plan** that will describe the financial opportunities offered by the park/reserve, provide recommendations on those opportunities that are most cost-effective and viable, and outline a strategy for pursuing them.

The process of development of the business plans for Biogradska gora National Park and Tivat Saltpan Nature Reserve will include:

- (i) Preparing a management plan for Tivat Saltpan Nature Reserve;
- (ii) Reviewing the management plan for Biogradska gora, and updating as necessary;
- (iii) A review of the financial baseline of the park/reserve, and the financial needs of the park/reserve under different operational management scenarios.
- (iv) An overview of the “goods and services” that the park/reserve provides and the markets and competition that may exist for those goods and services now and in the future;
- (v) A detailed assessment of the costs of pursuing the most viable sources of revenue for the park/reserve;
- (vi) A detailed assessment of the assumed benefits and income from those revenue streams, along with an assessment of risk;
- (vii) An assessment of the legal and political framework as it relates to pursuing those revenue streams (e.g. whether tourism revenues will be ‘ring-fenced’ or whether they must be submitted to the local/central government budget, whether the protected area has the legal authority to sell biodiversity or other ecosystem service credits);
- (viii) A medium-term projection of the anticipated annual national/local government grant allocation to the park/reserve;
- (ix) An assessment of potential income from existing Montenegrin environmental financing mechanisms (e.g. environmental levies) and a medium-term projection of income from these sources;
- (x) An assessment of opportunities to reduce park/reserve planning, administration and management costs (e.g. outsourcing of functions; concessioning visitor facilities and services; improving fee collection

mechanisms; deployment of staff and equipment; leasing of large infrastructure and equipment; introducing more efficient financial systems, etc.);

- (xi) Detailed strategies, next steps, activities and investments required to capitalize on the most viable opportunities. This may also include a short-term fundraising strategy to raise the needed capital to pursue a particular strategy; and
- (xii) Documenting lessons learnt, preparing a generic PA business plan template and describing a set of standard business planning procedures.

The Project Manager will appoint an international business planning consultancy to provide professional and technical support to the park management of Biogradska gora NP and the Municipality of Tivat in preparing and updating their park/reserve management and business plans. The business planning consultancy will take overall responsibility for drafting the respective business plans. The park/reserve management authority will constitute a local stakeholder reference group to make structured inputs into the different stages of the business planning process. At each stage of the business planning process, the business planning consultancy will be responsible for hosting a business planning training and information sharing session for PENP staff from other national parks (in the case of Biogradska gora NP) and local government staff responsible for management of regional parks/nature reserves/natural monuments in other regions of Montenegro (in the case of Tivat Saltpan NR). The business planning consultancy shall also document lessons learnt from these test sites and, based on the lessons learnt, prepare a generic PA business plan template and describe a set of standard business planning procedures for integration into the NPAFP.

Output 3.2: The fund-raising capacity of PA institutions is improved

Work under this output will be focused on developing the capacity of the PA institutions to develop and implement a fund-raising strategy that could supplement current investments in the planning and management of the PAS. Targeted sources of funding under this output would include accessing grants and loans for PA development from: multilateral development agencies; regional development banks; bilateral aid agencies; international conservation organizations; and private donors (including individual donors, foundations and corporations). It will also facilitate the strengthening of partnerships with the private and NGO sector in the implantation of donor-funded projects.

The activities under this output are specifically directed at:

- (i) Fund-raising and project management training for at least 10 targeted staff from different PA institutions. Training courses would include: knowledge of donor/lender profiles; loan/donor application procedures; project design; donor/bank agency liaison; project budgeting; project monitoring and loan repayments mechanisms;
- (ii) Developing a fund-raising strategy for the PAS. This could include *inter alia*: a) profiling potential donors and banks; b) identification and prioritization of partnership opportunities with potential donors or banks; c) strategic approaches to fund-raising; d) strategic approaches to maintaining funder relationships; d) exit strategies for funded projects; f) institutional capacity needs; g) information management; and h) monitoring and evaluation of funding strategies and approaches;
- (iii) Developing cost-efficient procedures for the management and administration of donor funds and/or loans;
- (iv) Developing marketing and communication materials for key projects targeted for donor funding or loans;
- (v) Preparing, on a prioritized basis, detailed project proposals to potential donors and/or banks;
- (vi) Build, develop and formalise working relationship with NGOs, volunteers and academic institutions to support fund-raising efforts, and implement donor-funded projects;
- (vii) Establishing and maintaining a consolidated information database on prospective donors and banks, and funded projects; and
- (viii) Documenting lessons learnt, profiling training and skills development completed and collating fund-raising materials developed.

The Project Manager will, in close collaboration with the MSPE, appoint a specialist fund-raiser/project developer on an 18 month retainer contract. The contractor shall be placed within the MSPE offices. This contracted individual will then support the development of the strategic framework, tools and mechanisms for fund-raising across the PAS. The fund-raiser/project developer will also focus on improving the skills base of a core of selected staff from different PA institutions in order to build the institutional sustainability of fund-raising

efforts. The skills development, facilitated by the contractor, will include short-course training, mentoring, experiential training and regional study trips. The MSPE shall provide logistical support to the appointed contractor and will, in cooperation with the PA institutions, identify the staff who will receive skills development support.

**Output 3.3: A business support ‘help desk’ assists in improving the cost-effectiveness of PA institutions**

Work under this output will involve the establishment of a help desk function to provide ongoing technical and professional support in improving the efficiencies of the financial, business and operational functions of the PAS. It is envisaged that the specific recommendations for implementing these cost-effectiveness measures will be developed and described in more detail in the plan of action contained in the NPAFP (see Output 1.2). It is anticipated that activities under this output would then be programmed to follow on directly after adoption of the NPAFP.

Based on the preliminary assessment undertaken during the preparatory phase, it is envisaged that this ‘help desk’ may include the following support activities:

- (i) Facilitating the implementation of recommendations for the improvement of existing financial management systems for PAs;
- (ii) Strengthening internal financial controls;
- (iii) Ensuring compliance with national financial management systems, accounting guidelines and standards and auditing requirements;
- (iv) Strengthening financial information flows to individual PAs;
- (v) Providing advocacy support in motivating for an incremental increase of national budget allocations for the PAS
- (vi) Providing technical support in setting market-related pricing of PA products
- (vii) Providing support in developing more efficient user fee collection mechanisms;
- (viii) Facilitating the review of the organisational structure of, and staffing deployment in, PENP to improve efficiencies;
- (ix) Facilitate the implementation of incentives mechanisms for PA staff and ‘profitable’ PAs (i.e. those generating a surplus);
- (x) Assisting outsourcing, concessioning, leasing and co-management processes that could improve cost-effectiveness of PA operations;
- (xi) Training and mentoring of key staff of PA institutions; and
- (xii) Documenting lessons learnt and collating information on institutional support provided.

Work under this output would be guided by the national working group constituted to oversee the design and development of the NPAFP (see Output 1.2). The international financial planning service provider contracted to prepare the NPAFP will be tasked by the Project Manager with the establishment and staffing of this ‘help desk’ facility. They will be required to work in close collaboration with the relevant departments and public institutions of the affected Ministries and Local Governments. It is foreseen that PA departments and institutions use the ‘help desk’ facility as a mechanism to improve staff skills. PA institutions will thus designate appropriate staff to work with, and be trained by, the contracted service provider.

### **Global benefits**

49. The project will contribute to securing the financing necessary for the establishment and effective management of a system of marine and terrestrial protected areas in Montenegro. This system of protected areas, once established, will be fully representative of the biodiversity of one of the most floristically diverse countries in the Balkan Peninsula (i.e. 7% of the total vascular flora in Montenegro are floral endemics, many of which are relictual). It will include representation of: (a) samples of all ecosystems, at the appropriate scale; (b) areas which are refugia or centers of species richness or endemism; (c) the ecological requirements of rare or threatened species (*Entiana levicealix*, *Edraianthus sutjeskae*), Alpine flower Edelweiss (*Leontopodium alpinum*), Montenegrin blue-bell (*Edraianthus montenegrinus*, *E. glisichi*, *E. Pulevici*); Stabilization of Golden eagle (*Aquila chrysaetos*), and Griffon vulture (*Gyps fulvus*), communities or habitats; and (d) special groups of organisms (e.g. ranging or migratory species). The project will complement the GEF MSP counterpart project ‘Strengthening the sustainability of the Protected Area System’ by increasing, diversifying and stabilizing the

financial flows to an expanded and more representative system of protected areas (> 165,000ha) through the implementation of a diverse range of financing mechanisms and cost-effective management approaches.

## **Sustainability**

50. The project has been carefully designed to optimize prospects for improving the sustainability of the protected area network in the following areas:

51. Financial and institutional sustainability is an integral part of project design. The project will develop the systemic capacity of protected area institutions to more effectively secure and administer funds for protected area management. It will do this by: (i) developing a national strategic planning framework for the sustainable financing of the protected area system (Output 1.2); and (ii) strengthening the legal-regulatory framework to support the implementation of this strategic planning framework (Output 1.3). The project will also develop the institutional and individual capacity of two protected areas (Tivat Saltpan Nature Reserve and Biogradska Gora National Park) and protected area institutions by facilitating the adoption of modern business and financial management techniques in sourcing funding and improving cost-effectiveness. It will do this by: (i) introducing the business planning processes to protected areas administered by PENP and Local Government respectively (Output 3.1); (ii) developing and communicating a cost-benefit argument for increasing annual government funding to the PAS (Output 1.1); (iii) strengthening the fund-raising skills and expertise in the MSPE (Output 3.2); and (ii) establishing a help desk to support PA institutions to improve the cost-effectiveness of their financial, business and operational systems (Output 3.3). Finally the project will also provide support to individual protected areas in northern Montenegro to diversify and sustain a range of user pay mechanisms - payment for ecological services (Output 2.1), tourism concessions (Output 2.2) and adventure tourism product development (Output 2.3). If successfully implemented, these user-pay systems will contribute to diversifying and improving the long-term revenue streams for protected area management in the northern mountainous region of Montenegro. They will also provide lessons and tools for replication and scaling up in other protected areas across the country. It is thus envisaged that the GEF investment will catalyze a significant long-term improvement in the financial sustainability of the PAS of Montenegro.

52. Environmental sustainability will be directly enhanced by the project through increasing the financial resources available for conservation. These funds will, in part, be used by PA institutions to implement mitigation measures to reduce the threats to the native biodiversity contained within the protected area system. Environmental sustainability will also be indirectly promoted in the project through a quantification of the contribution that the establishment and management of a representative protected area system makes (or could make) to the socio-economic well-being of Montenegro (Output 1.1). Project activities will seek to demonstrate that a number of protected areas could, over time, become an economically viable form of use and actively contribute to local economic development, particularly in rural areas (Output 1.2). The 'mainstreaming' of protected areas and an incremental reduction on the dependence of protected areas on the fiscus will provide a powerful rationale for overcoming a government reticence to invest in, and increase the extent of, the protected area estate in order to effectively protect threatened ecosystems, habitats and species.

53. Social sustainability will be enhanced through the implementation of a number of individual stakeholder engagement processes developed for each of the project activities. Robust stakeholder engagement plans for the respective project activities will be prepared to ensure direct stakeholder involvement in all aspects of business and financial planning, and in the implementation of revenue generation mechanisms, at both the national (PAS) and local (individual PAs) levels. These stakeholder engagement plans will also make strong provision for conflict management with different categories of user groups. The project will further identify approaches to, and mechanisms for, the direct involvement of the private sector, local user groups and NGOs in revenue generation, notably through partnerships, co-management and co-operative governance. By example, the feasibility of concessioning nature-based tourism enterprises to the private sector in return for payment of concession fees will be tested (Output 2.2). The project will invest in improving the quality of adventure tourism services to park visitors (Output 2.3) and raise income from donors and financiers for capital investments in park user facilities and services (Output 3.2).

## Replicability

54. Replication will be achieved in the project through the direct replication of selected project elements and practices and methods, as well as the scaling up of experiences.

55. The project will support the Government of Montenegro in: (i) developing a long-term sustainable financing plan for the terrestrial and marine PAS; (ii) adopting business planning processes in PAs; and (iii) strengthening the enabling legal-regulatory framework and institutional capacity for implementation of the financing plan. GEF funding will then be used to test the efficacy of a suite of different financing mechanisms (advocacy for improved government budget allocation, fund-raising from donors and financiers, PES, tourism concessioning, adventure-based tourism product development) and cost-effective management approaches as a means towards increasing, diversifying and stabilizing financial flows to the PAS. It is envisaged that the lessons learnt from the implementation of these mechanisms and approaches will be used by the project to then guide the replication and/or scaling up across the PAS. Each project output will include the documentation of lessons learnt from implementation of activities under the output, and a collation of the tools and templates (and any other materials) developed during implementation. The Project Manager will use the knowledge management system, developed under the current GEF Medium-Sized Project '*Strengthening the sustainability of the PA system of Montenegro*', to ensure the collation of all the experiences and information. This knowledge database will then be made accessible to different PA stakeholder groups in order to support better decision-making processes. Information contained in the knowledge management system will also be used for the iterative refinement and updating of the NPAPF and PA business plans.

56. By year 3, it is anticipated that all the protected areas in northern Montenegro will be implementing business planning processes that are geared to strengthening their financial sustainability.

## **B. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH NATIONAL AND / OR REGIONAL PRIORITIES/ PLANS:**

57. This project is a response to a number of policy documents that frame the government policies and strategies for biodiversity conservation and the establishment and management of protected areas in Montenegro.

58. The project responds to recommendations 5.1, 5.2 and 6.6 of the *Second Environmental Performance Review of the Republic of Montenegro* (2007) and a number of recommendations contained in the *National Capacity Self-Assessment Report* (2007). The project is consistent with the financing principles of the *National Strategy of Sustainable Development of Montenegro* (NSSD) and the General Goals 1 and 3. It aligns directly with the following measures of the NSSD: (i) diversification of the tourism offer, and subsequent increase in revenue opportunities, in the northern region; (ii) establishing an efficient system for the management of protected areas; (iii) strengthening the human resource capacity for the protection of biodiversity; and (iv) strengthening regulatory and market instruments for environmental protection. The project complements the sustainable financing and nature-based tourism development objectives contained in the *National Biodiversity Strategy and Action Plan* (NBSAP, 2009). The project aligns with a number of priority activities identified in the *National Report on Status, Problems and Preservation of Marine and Coastal Diversity in Montenegro* (2004), the *National Forestry Policy of Montenegro* (2008) and the *National Integrated Coastal Zone Management Strategy* (2008).

59. The project is assisting the country in the implementation of the CBD Programme of Work on Protected Areas (PoWPA), notably Goal 3.2 (capacities) and Goal 3.4 (financial sustainability).

## **C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH GEF STRATEGIES AND STRATEGIC PROGRAMS:**

60. The project is aligned with GEF's Strategic Objective (SO) 1 of the Biodiversity focal area, 'Catalyzing Sustainability of Protected Areas Systems'. The project is consistent with Strategic Programme's (SP) 1 of SO 1; 'Sustainable financing of PA systems at the national level'.

61. The project will contribute to achieve the aims of SP 1 by investing GEF resources in the implementation of a suite of activities that could collectively catalyse a significant improvement in the ability of the Montenegrin PAS to secure sufficient, and more reliable, funds. The project will support the development of a system-level financing plan for the PAS that provides the strategic framework for a range of project interventions at the

institutional and site (PA) level. It will improve the knowledge base to support the preparation of this system-level financial planning, and strengthen the enabling legal-regulatory framework to facilitate its implementation. The project will also support the roll-out of business planning processes at the local protected area level by facilitating the development of PA business plans for different categories of PAs. Finally, it will test a diverse range of tools and revenue mechanisms to increase funding streams to PAs and improve the cost-effectiveness of PA management systems.

62. The project will contribute to the achievement of GEF’s expected outcomes and main indicators under this priority programming area as follows:

GEF-4 BD Strategic objective and programmes	Expected outcomes	GEF-4 BD Indicators	Project contribution to indicators <sup>15</sup>
SO-1: Catalyzing Sustainability of Protected Area Systems	Biodiversity conserved and sustainably used in protected area system	Extent of habitat cover (hectares) by biome type maintained as measured by cover and fragmentation in protected area system  Protected area management effectiveness as measured by protected area scorecards that assess site management, financial sustainability and capacity	165,000 ha of marine, mountain, freshwater, forest, karst and coastal habitats maintained in the protected area system  Capacity development scorecard increasing from 37%, 49% and 33% (systemic, institutional and individual capacity) to >57%, 60% and 62% respectively
SP-1 Sustainable financing of protected area (PA) systems at the national level	PA systems secure increased revenue and diversification of revenue streams to meet total expenditures required to meet management objectives  Reduction in financing gap to meet PA management objectives	Total revenue and diversification in revenue streams	Financial sustainability scorecard improves to a score of >55% from the current level of 26%  Total annual budget available for management of PAS increased from a baseline of US\$3,946,611 to >US\$5,100,000

**D. JUSTIFY THE TYPE OF FINANCING SUPPORT PROVIDED WITH THE GEF RESOURCES.**

63. The project activities are focused on knowledge management, regulatory reform, institutional capacity building and the *in situ* testing of financial planning technologies and systems. The project objective will thus be achieved primarily through the provision of technical assistance. No loan or revolving fund mechanisms are considered appropriate, and therefore grant-type funding is considered adequate to enable successful delivery of project outcomes.

**E. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:**

64. The project will be implemented as a complementary partner project with the GEF-funded UNDP project ‘*Strengthening the sustainability of the PA system of Montenegro*’. Project resources, capacity and knowledge will be pooled wherever possible to achieve economies of scale.

65. The project will liaise with the counterpart project managers of: (a) *Development of a Mediterranean Marine and Coastal Protected Areas (MPAs) Network through the boosting of Mediterranean MPAs creation and management in areas within national jurisdiction of third countries* project being implemented by RAC/SPA as part of UNEP’s *Mediterranean Action Plan*; and (b) GEF funded UNEP-World Bank project *Strategic Partnership for the Mediterranean Sea Large Marine Ecosystem – Regional Component: Implementation of*

<sup>15</sup> The contribution to the indicators for SO-1 will be delivered by the counterpart project *Strengthening the sustainability of the PA system of Montenegro*

agreed actions for the protection of the environmental resources of the Mediterranean Sea and its coastal areas to explore opportunities to share resources and lessons learnt in the marine protected area domain.

66. The project will participate in bilateral and multilateral working groups to exchange lessons learnt between complementary PA establishment projects currently underway, including: (a) Delta Bojana River/Buna River as part of the World Bank *Montenegro Sustainable Development Project*; (b) a cross-border protected area between Bosnia-Herzegovina and Montenegro in the region of Maglic-Bioc-Volujak as part of the UNEP/ENVSEC *Enhancing Transboundary Biodiversity Management in South East Europe* project; (c) the ADA-GTZ-SNV *Prokletije / Bjeshkët e Namuna Cross-border Mountain Range Development Programme*; and (d) the preparation of a *Management Plan for the Pilot Marine Protected Area of Katic Island*, currently being undertaken by DFS Engineering as part of the Italian Ministry of Environment, Land and Sea support for implementation of the NSSD.

67. The project will seek representation on technical working groups established by the WWF's Mediterranean Programme Office's *Dinaric Arc Initiative* (sub-project *Preservation of the biodiversity of southwest Balkan: protection of nature and areas in cross-border area Durmitor-Tara River-Prokletije*) to ensure the alignment with project activities implemented in northern Montenegro.

68. The project will participate in the *spatial planning processes for the Komovi region* being led by the Ministry for Economic Development. The project will align the project's nature-based tourism development activities planned for Komovi Regional Park with the *Master Plan for Sustainable Tourism Development and Bjelasica and Komovi Region* undertaken by DFS Engineering as part of the Italian Ministry of Environment, Land and Sea support for implementation of the NSSD. It will also seek representation on steering committees established to oversee: (a) sustainable tourism and regional development initiatives being implemented in the five municipalities around Komovi, as part of the *Austrian-Montenegrin Partnership Project*, funded by the Austrian Development Cooperation; and (b) sustainable land use and natural resource management activities implemented in the mountain ecosystems of northern Montenegro by the World Bank GEF-funded project *Montenegro Institutional Development and Agriculture Strengthening*.

69. The project manager will liaise closely with counterpart project managers of: (i) the WWF *Dinaric Arc Ecoregion* project, (ii) the GEF-funded World Bank project *Lake Skadar-Shkoder Integrated Ecosystem Management Project*; (iii) GTZ in the institutional and individual capacity building support to the protected area agencies; (iv) the GEF-funded World Bank project *Montenegro Sustainable Tourism Development Project* and (v) the *Functional Analysis of the Forestry Administration* project financed by Lux-Development to avoid duplication of effort, and identify opportunities for collaboration.

## **F. DISCUSS THE VALUE-ADDED OF GEF INVOLVEMENT IN THE PROJECT DEMONSTRATED THROUGH INCREMENTAL REASONING :**

### **Business-as-usual**

70. While the Government of Montenegro continues to implement legislative and policy reform, commit modest financial resources and deploy technical and professional capacity, to support the planning, management and expansion of protected areas, this will remain inadequate to significantly improve the financial sustainability and management effectiveness of the protected area system.

71. Under the '**business-as-usual**' scenario, the total costs of planning and managing the PAS (US\$10,214,172) will remain at a level of at least 50% below what is required for their optimal management. With the incremental expansion of the PAS (in part, as a result of the activities undertaken in the counterpart project *Strengthening the sustainability of the PA system of Montenegro*), this funding gap is expected to increase even further. Despite a strong political commitment to and enabling broad legislative framework for, the financing of protected areas the government will continue to perceive protected areas as a 'financial drain' on the national fiscus, and a restrictive and unproductive form of land use. Government allocations to public institutions for PA-related planning and management will thus remain at their current levels (US\$6,859,896), in the absence of a strong business case for increased government investment. Government allocations (US\$3,998,070) to PENP, supplemented by own income from national park user fees (US\$4,299,000), will continue to be focused on the five national parks, while other categories of protected areas will receive limited or no government support for reserve operations. Because of escalating financial constraints within the management authorities for the other

categories of protected areas, the ecological integrity of these smaller PAs will continue to degrade, and illegal use will continue. Due to a lack of capacity and a range of other priorities in public institutions responsible for PA management, the regulatory framework to support the implementation of a range of the different financing instruments currently provided for in national legislation will largely be developed on an *ad hoc* basis. A number of innovative mechanisms to increase revenue streams and improve cost effectiveness of operations will remain untested.

72. Ongoing research and inventory efforts in and around protected areas will ensure that an important repository of knowledge is maintained on the state of the biodiversity of Montenegro, and the identification of priority areas and species for conservation action. Information management work undertaken by the NPI (US\$660,000) will be supplemented by data collected by a forestry inventory (US\$785,640), the ongoing development of the national environmental geospatial database (US\$400,000), and technical support to data collection efforts to implement NATURA 2000 (US\$23,357).

73. Institutional and individual capacities will continue to be developed in the MSPE, PENP and the NPI through direct donor agency funding support (WWF, GEF, ADC, Italian Government, and Norwegian Government – US\$1,175,000). Donor support will also be deployed to strengthen the planning and operational management systems and capacities of Skadar Lake NP (GEF and GTZ – US\$150,000).

74. The MSPE will maintain the development processes in the new Prokletije National Park, with ongoing technical support from the NPI (US\$17,000) and funding support from donor agencies (US\$112,000). Progress on the establishment processes for the Delta Bojana/Buna River as a protected area (US\$400,000) may be protracted until outstanding issues on the proposed boundaries, zoning and institutional arrangements are satisfactorily addressed. Feasibility assessments being undertaken by different donor-funded projects for trans-boundary conservation areas between Montenegro and Albania and Bosnia-Herzegovina (US\$160,000) will be constrained by the current capacity and resource constraints of the MSPE and NPI, and the absence of an existing institution to effectively administer and manage the Montenegrin component of a trans-boundary conservation area. The donor funded feasibility assessment of, and management planning processes for, an MPA at Katic islands (US\$196,410) will test the efficacy of the establishment of an MPA in Montenegro and identify the legal, institutional and capacity constraints for this category of PA. The spatial planning of the Bjelasica-Komovi region (US\$1,000,000) would provide the enabling planning framework for the establishment of the Komovi Regional Park. Tourism development initiatives in the Bjelasica-Komovi region (US\$3,143,760) will achieve varying levels of sustainability depending on the institutional support (infrastructure, training, regulatory, policy, etc.) provided by the responsible local public institutions.

75. The partner UNDP GEF-funded project *Strengthening the sustainability of the PA system of Montenegro* (US\$1,000,000) will support: (i) the design and development of a scientifically-based ecological network and protected area system; (ii) the identification and design of a new marine PA for Montenegro; (iii) the establishment of the Komovi Regional Park; (iv) the restructuring and strengthening of protected area institutions; (v) the development of protected area management skills within these institutions; and (v) the support of the development of local SMEs in Komovi Regional Park.

### **Alternative scenario and GEF Increment**

76. Under the **alternative scenario** promoted by the project, Montenegro will have by 2013: (i) a national strategic planning framework for the sustainable financing of the protected area system; (ii) an enabling legal-regulatory framework for PA financing mechanisms; (iii) an increase in funding for the PAS from government grant allocations and environmental levies; (iv) completed business planning processes in two protected areas (v) an increase in donor funding and loans for the PAS; (vi) a demonstrable improvement in the cost-effectiveness of the financial, business and operational systems of PAs; and (vii) an increase in revenue from a range of user pay mechanisms across four PAs in northern Montenegro.

77. The administrative boundary of the project is the entire network of marine and terrestrial protected areas. The duration of the project will be three years. Thematically, the project will deal with strengthening the capacity to: a) prepare system-wide and site level financial plans; b) improve the enabling policy and legal framework; c) increase funding streams; and; c) improve cost-effectiveness of management systems. The increment of the project in terms of **global environmental benefits** is represented by an expected increase in: management effectiveness at the PA level (from a METT baseline of 46-52% to a METT target of >65% for the IUCN



category I-III PAs); overall PA institutional capacity (from an average capacity assessment scorecard baseline of 40% to >51%); and financial sustainability of the PAS (from financial sustainability scorecard baseline of 26% to >40%). In the long-term (by 2015 and beyond) threats such as unsustainable tourism development; illegal construction; drainage and pollution of wetlands; unsustainable water usage; and illegal harvesting of forest products, fish, game and other natural resources, will be contained at the level of the entire expanded PA system of the country, covering 165,000 ha. Implementation of the CBD PoWPA by Montenegro will be facilitated, especially in response to Goals 3.2 and 3.4.

78. The GEF financing for the project totals US\$ 950,000. Total co-financing for the project totals US\$ 7,265,000 broken down into a) US\$ 1,170,000 for Outcome 1; b) US\$ 3,445,000 for Outcome 2; c) US\$ 1,885,000 for Outcome 3; and d) US\$ 765,000 for project management. Co-financing is provided by the Government, GTZ and UNDP.

**G. INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS, THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED AND OUTLINE RISK MANAGEMENT MEASURES:**

Risk	Rating	Mitigation Measures
Government is slow in allocating sufficient funds to finance an expanded PAS, resulting in increasing pressures on the PA institutions to ‘exploit’ protected areas to offset costs of management	<b>Moderate</b>	The project will specifically seek to quantify the public good benefits, intrinsic values and non-use values of the PAS. On the basis of this valuation, the project will then prepare communications media to present the benefits and values of the PAS to key decision-makers in government. The project will then seek to negotiate an increase in government financial allocations to administer the expanded PAS. The project will also test financing mechanisms and cost-effective management approaches that could, over the long-term, incrementally reduce the ongoing dependency of the PAS on substantial annual government grant allocations.
Resistance to increasing (or introducing new) entrance fees, recreational user fees and PES surcharges. These conflicts cannot be timeously addressed and resolved.	<b>Moderate</b>	The project will: 1. Strengthen the capacity in PA institutions to: identify the equitable ‘market rate’ for PA products and services; evaluate consumer ‘willingness to pay’ (WTP); and measure the elasticity in demand 2. Facilitate the establishment of cooperative forums with different user groups to (amongst others): discuss any new fees and surcharges proposed; and comment on recommendations for increases to existing fees and surcharges. 3. Improve and diversify the facilities and services offered by the affected PAs in order to justify any increase in existing fees, or introduction of new fees 4. Strengthen the capacity of PA’s to improve the effectiveness of their fee collection methods 5. Identify mechanisms for the introduction of discounted rates for selected user groups (e.g. school groups, local communities, volunteers) to facilitate access to PA products and services
Local government (municipalities), <i>Morsko dobro</i> and Forest Administration do not fully participate in project activities	<b>Moderate</b>	The project will collaborate closely with the GEF-funded project ‘ <i>Strengthening the sustainability of the protected area system of Montenegro</i> ’ in: (i) ensuring the formal designation of management authority for the different categories of PAs (excluding national parks), as required by the new Law on Nature Protection; (ii) defining the anticipated human resource capacity needs (staffing, skills, competence levels, knowledge) of local government/ <i>Morsko dobro</i> and Forest Administration and the requisite resources, training and development requirements needed to address these capacity gaps; and (iii) contributing to the implementation of focused training programs for the responsible staff. The project will ensure that these institutions are properly consulted and adequately represented in the relevant working forums and the Project Steering Committee. The project will collaborate directly with, and strengthen the capacities of, the Municipality of Tivat (Tivat Saltpan Nature Reserve), the Andrijevica, Kolasin and Podgorica Municipalities (Komovi Regional Park) and the

Risk	Rating	Mitigation Measures
		Forest Administration unit in Komovi. Lessons learnt will be documented for replication.
Income from environmental levies is not made available for use by PA institutions for conservation purposes	<b>Low</b>	The project will contribute to strengthening the regulatory framework for the Environmental Protection Fund (EPF). It will specifically help to develop administrative procedures for earmarking disbursement of income from the EPF, in close collaboration with the Ministry of Finance and the MESP. It will also support negotiations to ‘ring-fence’ income (on a <i>pro rata</i> basis) from other national and local (municipal) environmental levies to support the ongoing planning and management of protected areas.
Legal conflicts delay nature-based tourism concessioning processes in Komovi	<b>Low</b>	The project will conform to the legal framework of the Law on Concessions (Official Gazette of Montenegro, No. 8/09) in piloting the concessioning process in Komovi.

#### H. EXPLAIN HOW COST-EFFECTIVENESS IS REFLECTED IN THE PROJECT DESIGN:

79. The project will seek to achieve a catalytic investment in securing the long-term financial sustainability of the national protected area system. Costs incurred in project implementation will focus only on those additional actions required to provide key incremental assistance to the government in undertaking strategically critical reforms to improving the financial viability of the PAS. To accomplish this, the project will seek to complement and build upon the extensive baseline activities already underway in the sector, and the existing capacities of national and local government institutions, international agencies and NGO’s. Wherever possible, the project will use the competencies and logistical skills within the mandated national institutions to implement project activities. Where applicable, project resources will also be deployed to strengthen and expand existing PA funding initiatives and programmes to avoid duplication of effort. Increased co-financing commitments will continue to be targeted by the project during the implementation phase. Project implementation arrangements will be merged with those of the counterpart GEF-funded project ‘*Strengthening the sustainability of the protected area system of Montenegro*’ to reduce duplication of effort and reduce overhead and operating costs.

80. The project is considered cost-effective for the following primary reasons:

- (i) A comparatively small investment by the project in the valuation of the goods and services provided by protected areas will improve PA decision-making, and enable better communication of protected area benefits to communities, governments and donors. It is envisaged that the analysis of the economic benefits of the PAS could convince the government, communities and the private sector of the importance of increasing its investment in protected areas.
- (ii) A modest expenditure in the preparation of a medium-term national financial plan for the PAS will result in a national strategic framework that will guide and direct the future mobilisation of financial resources, and the development of financial capacities, to fund the administration of an expanded system of PAs in Montenegro.
- (iii) Project funding for the piloting of a PES scheme in Zabljak could, if successfully implemented, directly yield an annual income to Durmitor NP of €5-10,000 per annum. The real value of the GEF investment may however be more fully realised if the payment for water services could be replicated for other catchment areas located (in part, or in whole) within PAs. The return on investment is then conservatively estimated at €100,000 -200,000 per annum.
- (iv) A relatively small project investment in supporting the piloting of a nature-based concession in Komovi Regional Park is expected to generate a financial return to park management of at least €20m over a 25-year concession (no adjustment for inflation) for re-investment in conservation management activities. Assuming a Build-Operate-Transfer concession agreement, the park will also take full ownership of the commercial venture (including capital assets) at the end of the concession agreement term. The lessons learnt in the concessioning process in Komovi will then provide the knowledge framework for PAs administered by local government to release and develop similar concession opportunities in other PAs as a means of generating income for their conservation management.
- (v) Project investments in improving the adventure-based tourism enterprises in the PAs of northern Montenegro is expected to allow the affected PA institutions to increase current fee structures, and introduce new fees

where relevant, for the provision of these facilities and services. Project resources will also be used to coordinate the marketing of the different adventure tourism products and facilitate collaboration in revenue capture mechanisms thus contributing to economies of scale. It is anticipated that adventure-based recreation and tourism in northern Montenegro would, over time, become the primary revenue generator for PAs in the region.

- (vi) Project support in improving the fund-raising capacity of the PA institutions is expected to yield a three-fold increase in the income raised per annum from different donor and grant funding sources for the PAS (from a baseline of ~€530,000 in 2008).
- (vii) Modest project investments in the introduction of business planning tools at the local PA level and the establishment of a central ‘help-desk’ function is expected to improve the cost-effectiveness of PA institutions by: (a) strengthening internal financial controls and financial systems; (b) ensuring effective flows of financial information; (c) optimising product-pricing; and (d) introducing incentive mechanisms for PAs and PA staff to improve income streams and reduce costs.

81. The overall project is expected to generate significant new revenues to the PAS. Taken together, the GEF investment in Components 1, 2 and 3 of approximately US\$ 1 million - disbursed over three years - is projected to generate additional revenue streams of at least US\$2 million per year after completion of the project<sup>16</sup>. The project’s cost effectiveness therefore, is based on substantial returns from increased central transfers and revenue generated through new financial mechanisms, optimized operational costs and new financial management capacity established in the Montenegrin PAS. Alternative approaches could include financing large-scale investment in PA infrastructure and equipment, through loans of the World Bank or EBRD. That scenario would presumably also achieve a similarly lasting effect in terms of PA financial health, but with much larger initial investment required and with the additional burden on the Government to repay loans during the uneasy times of the global financial crisis. The per-dollar value of achievements of the loan-based scenarios would therefore considerably exceed those of the proposed project.

### **PART III: INSTITUTIONAL COORDINATION AND SUPPORT**

#### **A. INSTITUTIONAL ARRANGEMENT: N/A**

#### **B. PROJECT IMPLEMENTATION ARRANGEMENT:**

82. The project will be implemented over a period of three years. UNDP will be responsible for the implementation of the project. The project will be directly executed (DEX), in line with the Standard Basic Assistance Agreement (SBAA, 2006)<sup>17</sup> and the Country Programme Action Plan 2007-2011 (CPAP, 2007)<sup>18</sup> signed between the UNDP and the Government of Montenegro.

83. The UNDP, in close cooperation with Ministry of Spatial Planning and Environment (MSPE), will take overall responsibility for the project implementation, and the timely and verifiable attainment of project objectives and outcomes. The GEF Operational Focal point will represent MSPE at the Project Steering Committee (PSC), while a MSPE high level official who has been nominated as an UNDP Focal Point will provide the government oversight and guidance to the project implementation. The MSPE UNDP Focal Point will not be paid from the project funds, but will represent a Government in-kind contribution to the Project.

84. Working closely with the MSPE, the UNDP Country Office (CO) will also be responsible for: (i) providing financial and audit services to the project; (ii) recruitment of project staff and contracting of consultants and service providers; (iii) overseeing financial expenditures against project budgets approved by PSC; (iv) appointment of independent financial auditors and evaluators; and (v) ensuring that all activities including procurement and financial services are carried out in strict compliance with UNDP/GEF procedures. A UNDP staff member will be assigned with the responsibility for the day-to-day management and control over project finances.

85. The Project Steering Committee (PSC) constituted by the counterpart GEF-funded ‘*Strengthening the sustainability of the protected area system of Montenegro*’ will also serve as this project’s coordination and

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<sup>16</sup> During project implementation a more thorough feasibility analysis of different revenue options will be undertaken and more accurate return rates determined

<sup>17</sup> SBAA, Article II Form Of Assistance, article 3 (<http://www.undp.org/me/about/SBAA.pdf>)

<sup>18</sup> CPAP, Part VI, article 6.3(<http://www.undp.org/me/about/CPAP%20signed%20Sep%202008.pdf>)

decision-making body. It will meet according to the necessity, but not less than once in 6 months, to review project progress, approve project work plans and approve major project deliverables. The PSC is responsible for ensuring that the project remains on course to deliver products of the required quality to meet the outcomes defined in the project document. The PSC's role will include: (i) overseeing project implementation; (ii) approving all project work plans and budgets, at the proposal of the Project Manager (PM), for submission to UNDP Regional Center in Bratislava and GEF Unit in New York; (iii) approving any major changes in project plans or programs; (iv) providing technical input and advice; (v) approving major project deliverables; (vi) ensuring commitment of resources to support project implementation; (vii) arbitrating any conflicts within the project and/or negotiating solutions between the project and any parties beyond the scope of the project; and (ix) overall project evaluation. The PSC may include in its composition representation of the following stakeholders: MSPE (Dept. Nature Protection, NPI, PENP, *Morsko dobro* and EPA); Ministry of Agriculture, Forestry and Water Resources (Forest Administration); Ministry of Finance; Real Estate Administration; Local Municipalities (Andrijevića, Kolasin, Tivat and Podgorica) and civil society (e.g. REC, Green Home, Greens of Montenegro, MOST, WWF).

86. The day-to-day administration of the project will be carried out by a Project Manager (PM) and Project Assistant (PA), located within UNDP office. The project staff will be recruited using standard UNDP recruitment procedures. The PM will, with the support of the PA, manage the implementation of all project activities, including: preparation/updates of project work and budget plans, record keeping, accounting and reporting; drafting of terms of reference, technical specifications and other documents as necessary; identification, proposal of project consultants to be approved by the PSC, coordination and supervision of consultants and suppliers; organization of duty travel, seminars, public outreach activities and other project events; and maintaining working contacts with project partners at the central and local levels. The Project Manager will liaise and work closely with all partner institutions to link the project with complementary national programs and initiatives. The PM is accountable primarily to UNDP and the MSPE, and then to PSC for the quality, timeliness and effectiveness of the activities carried out, as well as for the use of funds.

87. The PM will produce Annual Work and Budget Plans (AWP&ABP) to be approved by the PSC at the beginning of each year. These plans will provide the basis for allocating resources to planned activities. Once the PSC approves the Annual Work Plan this will be sent to the UNDP Regional Technical Advisor for Biodiversity at UNDP Regional Centre for Europe and Commonwealth of Independent States in Bratislava for revision and approval. Once the Annual Working Plan and Budget is approved by the Regional Centre it will be sent to the UNDP/GEF Unit in New York for final approval and release of the funding. The PM will further produce quarterly operational reports and Annual Progress Reports (APR) to the PSC, or any other reports at the request of the PSC. Like in the case for the Annual Work Plan these reports are sent for approval and clearance to the UNDP Regional Centre in Bratislava. These reports will summarize the progress made by the project versus the expected results, explain any significant variances, detail the necessary adjustments and be the main reporting mechanism for monitoring project activities. The PM will be technically supported by contracted national and international service providers, by other public institutions, by contracted NGO's and by other linked donor funded project units. Recruitment of all specialist services for the project will be done by the PM, in consultation with the UNDP and MSPE.

#### **PART IV: EXPLAIN THE ALIGNMENT OF PROJECT DESIGN WITH THE ORIGINAL PIF:**

88. The overall project design is fully aligned with the original PIF. No substantive changes have been made to the Request for CEO Endorsement that would affect the project design. Based on additional reports commissioned, and stakeholder consultation undertaken, during the project preparation phase, some additional information has been added.

**PART V: AGENCY(IES) CERTIFICATION**

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for CEO Endorsement.

<b>Agency Coordinator, Agency name</b>	<b>Signature</b>	<b>Date (Month, day, year)</b>	<b>Project Contact Person</b>	<b>Telephone</b>	<b>Email Address</b>
Yannick Glemarec UNDP/GEF Executive Coordinator	<i>Y. Glemarec</i>	February 2, 2010	Maxim Vergeichik	+421-905- 42-8152	Maxim.vergeichik@undp.org

## ANNEX A: PROJECT RESULTS FRAMEWORK

Project Strategy and purpose	Objectively verifiable indicators				
	Indicator	Baseline	Target by EOP	Sources of verification	Assumptions and risks
<b>Project Objective:</b> To improve the financial sustainability of Montenegro's protected area system	Financial sustainability scorecard for national system of protected areas	PAS project target: 45%	>55%	Annual review of Financial Sustainability Scorecard	<b>Assumptions:</b> <ul style="list-style-type: none"> <li>The government commits to actively supporting implementation of the enabling legislation for the PAS</li> <li>Existing staff skills and competencies are retained in the PA institutions</li> <li>Current revenue streams to the PAS are maintained and reinvested back into PA management</li> </ul> <b>Risks:</b> <ul style="list-style-type: none"> <li>Government fails to allocate sufficient funds to finance the management of an expanded PAS</li> <li>Local government, <i>Morsko dobro</i> and Forest Administration do not fully participate in project activities</li> </ul>
	Capacity development indicator score for protected area system	PAS project targets: Systemic: 47% Institutional: 56% Individual: 57%	Systemic: 57% Institutional: 60% Individual: 62%	Annual review of Capacity Development Indicator Scorecard	
	Total budget (including operational, HR and capital budget) (US\$) for protected area management <sup>19</sup>	Current: US\$3,946,611 PAS Project target: US\$5,060,000	This project target: >6.5m	Annual financial report of the MSPE	
<b>Outcome 1:</b> Enabling legal and policy environment for improved PA financial sustainability	<b>Outputs:</b> 1.1 An economic valuation of the PAS support the case for sustained public investment in protected area establishment and management 1.2 A National Protected Area Financial Plan (NPAFP) is adopted 1.3 A suite of regulatory instruments are in place to support implementation of the NPAFP				
	Decision-making on government budget allocation is based on economic valuation	No	Yes	Annual financial report of the MSPE	<b>Assumptions:</b> <ul style="list-style-type: none"> <li>Data to derive the economic valuations of the five selected PAs is readily available</li> <li>The NPAFP is adopted as an integral part of the NBSAP</li> <li>There is political support for the establishment of the EPF</li> <li>Regulations are an appropriate legal vehicle to support the operationalization of financing mechanisms provided for in national legislation</li> </ul> <b>Risks:</b> <ul style="list-style-type: none"> <li>Income from environmental levies is not earmarked for use by PAs</li> </ul>
	National PA Financing plan operational	-	Yes	Annual financial report of the MSPE	
	Number of enabling regulations that support implementation of financial mechanisms provided for in legislation	3	>6	Regulations adopted by national and/or local government	
<b>Outcome 2:</b> Securing revenue streams for the PA system					
<b>Outputs:</b> 2.1 A payment for ecological services scheme is piloted in the Durmitor World Heritage Site 2.2 A nature-based tourism concessioning process is piloted in Komovi Regional Park 2.3 The income from user fees for adventure-based tourism in the protected areas of northern Montenegro is improved					
Total annual central government budget allocation (US\$) per annum for PA management <sup>20</sup>	US\$1,627,109	>US\$2,400,000	Annual financial report of the MSPE	<b>Assumptions:</b> <ul style="list-style-type: none"> <li>The establishment processes for Komovi Regional Park are successfully concluded</li> </ul>	

<sup>19</sup> No adjustment for CPI

<sup>20</sup> No adjustment for CPI

Project Strategy and purpose	Objectively verifiable indicators				
	Indicator	Baseline	Target by EOP	Sources of verification	Assumptions and risks
	Total local government budget allocation (US\$) per annum for PA management	~US\$40,000	>US\$200,000	Annual financial reports of affected municipalities	<ul style="list-style-type: none"> <li>Prospective bidders express an interest in a concession opportunity for Komovi RP</li> <li>Zabljak Municipality sustain support for the introduction of a water levy</li> <li>Recreational and nature-based adventure tourism products will be developed without compromising the ecological integrity of the protected areas</li> </ul> <b>Risks:</b> <ul style="list-style-type: none"> <li>Resistance to increasing, or introducing, entrance fees, recreational user fees and PES surcharges</li> <li>Income from environmental levies is not earmarked for use by PAs</li> <li>Legal conflicts delay nature-based tourism concessioning processes</li> </ul>
	Earmarked income (US\$) for PA management per annum sourced from different environmental levies and surcharges	US\$0	>US\$100,000	Annual financial reports of environmental funds	
	Income (US\$) to PENP per annum from a PES scheme for water	US\$0	>US\$11,250	Annual financial report of the PENP	
	Number of nature-based concessions in PAs administered by local government	0	1	Legal concession agreements	
	Income (US\$) from recreation and nature-based tourism activities in the four PA's (Durmitor NP, Biogradska Gora NP, Komovi RP and Prokletije NP) in northern Montenegro	US\$677,964	>US\$1,200,000	Annual financial report of PENP and the Komovi RP management authority	
<b>Outcome 3:</b> Development of institutional and individual capacity of PA institutions to raise PA management cost-effectiveness	<b>Outputs:</b> 3.1 Business planning processes are introduced to different categories of PAs 3.2 The fund raising capacity of the MSPE is improved 3.3 A business support 'help desk' assists in improving the cost effectiveness of PA institutions				
	Number of protected areas with business plans that enables the implementation of the approved management plan	1	4 (comprising two national parks, one regional park and one nature reserve)	Approved PA management plans and business plans	<b>Assumptions:</b> <ul style="list-style-type: none"> <li>PA institutions adopt a business planning approach in the planning of protected areas</li> <li>MSPE provide political, technical and logistical support to the project-funded fund-raiser/project developer</li> <li>Protected area institutions designate staff to undergo mentoring, training and skills development</li> <li>A range of donor institutions remain invested in Montenegro</li> </ul> <b>Risks:</b> <ul style="list-style-type: none"> <li>Local government, <i>Morsko dobro</i> and Forest Administration do not fully participate in project activities</li> </ul>
	Annual financial support (US\$) for the planning and management of PAs from donor funding sources or loans	US\$795,000	US2,200,000	Annual financial report of PA institutions	
	Ratio of human resource to operational costs	~80:20	60:40	Annual financial report of PA institutions	
	Average % improvement per annum of PA staff salaries	0	>10%	Annual HR reports of PA institutions	

## ANNEX B: RESPONSES TO PROJECT REVIEWS

NA at this stage.

## ANNEX C: KEY CONSULTANTS TO BE HIRED FOR THE PROJECT USING GEF RESOURCES

<i>Position Titles</i>	<i>\$/person week</i>	<i>Estimated person weeks</i>	<i>Tasks to be performed</i>
<b>For Project Management</b>			
<i>Local</i>			
Project Manager	500	120	Deliver results and manage funds in line with the work plan approved by PSC; Analyze and evaluate results regularly to ensure that the project is meeting the target beneficiaries' needs, and communicating them to all PSC members; Record and resolve project issues occurring during implementation; Discuss and deal with local and national authorities on matters pertaining to activities described in the project document; Ensure timely preparation and submission of yearly/quarterly project work plans and reports; Lead the recruitment process of the necessary experts in the areas identified in the project document in accordance with UNDP rules and regulations; Collect, register and maintain information on project activities by reviewing reports and through firsthand sources; and Advise all project counterparts on applicable administrative procedures and ensure their proper implementation.
Project Assistant	400	75	Collect, register and maintain all information on project activities; Contribute to the preparation and implementation of progress reports; Monitor project activities, budgets and financial expenditures; Advise all project counterparts on applicable administrative procedures and ensure their proper implementation; Maintain project correspondence and communication; Support the preparations of project work-plans and operational and financial planning processes; Assist in procurement and recruitment processes; Assist in the preparation of payment requests for operational expenses, salaries, insurance, etc. against project budgets and work plans; Follow-up on timely disbursements by UNDP CO; Receive, screen and distribute correspondence and attach necessary background information; Prepare routine correspondence and memoranda for signature; Assist in logistical organization of meetings, training and workshops; Prepare agendas and arrange field visits, appointments and meetings both internal and external related to the project activities and write minutes from the meetings; Maintain project filing system; Maintain records over project equipment inventory; and Perform other duties as required.
<b>For Technical Assistance</b>			
<i>Local</i>			
Economic valuation consultancy service	1,000	50	<u>Output 1.1</u> – validating the primary economic values of each of the five targeted protected areas identified during the preparatory phase; designing, testing and implementing valuation studies for each economic value within each of the five protected areas to determine a monetary quantification of the ecosystem products and services in each PA; collating and extrapolating the results of these five valuation studies to the entire protected area system; preparing a Benefit-Cost Analysis (BCA) that assesses the public benefits and costs of establishing and managing protected areas as an economically viable form of land use; and documenting the lessons learnt and detailing the methodologies used in economic valuations.
Communications service consultant	1,000	10	<u>Output 1.1</u> – preparing a focused communication strategy that describes the public benefits, and costs, of establishing and managing protected areas in Montenegro, and presents an argument for an increased public investment in the PAS; developing the requisite briefing media for, and implementing the communication program to, targeted government decision-makers
Legal adviser	1,000	40	<u>Output 1.3</u> – contributing to the reform of PA regulations (specifically relating to the funding, and financial management, of PAs). This may include providing technical support to the local and national government institutions in: development of regulations (or by-laws) that prescribe the rules, procedures and administration for each of the different funding mechanisms provided for in national legislation and/or recommended by the NPAFP; preparation of enabling legislation that would provide



<i>Position Titles</i>	<i>\$/person week</i>	<i>Estimated person weeks</i>	<i>Tasks to be performed</i>
			for the establishment and administration of the Environmental Protection Fund (EPF); development of administrative procedures or provisions for earmarking disbursement of income from the EPF and/or local (municipal) environmental levies to support the planning and management of protected areas; development of an incentives framework to retain skilled and competent protected area planning and management staff in the conservation sector; evaluation, and strengthening, of the regulatory framework for PPP tourism concession agreements; development of formal procurement procedures and contractual templates for the outsourcing of PA planning and operational functions; and assessment of legal options for the integration of biodiversity offsets (that are linked to protected areas) into formal EIA decision-making and approval processes for large-scale development with significant environmental impact. <u>Output 2.1</u> – providing legal support services to Durmitor NP and Zabljak Municipality in the levying of a watershed protection surcharge on water supply in Zabljak
Public consultation specialist	1,000	14	<u>Output 2.1</u> - constituting, organising, hosting, facilitating, mediating and recording the activities of a working group to discuss the levying of a watershed protection surcharge on water supply in Zabljak; facilitating bilateral or multilateral meetings between parties represented in the working group to address any specific financial or technical issues or resolve any conflicts that may arise from time to time; making publicly available the outcomes of any consultation meetings (unless otherwise agreed with the affected parties); supporting the Zabljak municipality, Durmitor national park and Public Water Company in implementing an effective joint communication and awareness campaign; and documenting the lessons learnt in consultation processes
Nature-based tourism advisor	1,000	12	<u>Output 2.2</u> – supporting the identification of alternative options for a tourism concession opportunity in Komovi RP; supporting the objective assessment of each tourism concession option; supporting the selection of a preferred option; and supporting the preparation of a detailed description of the concession opportunity
Tourism marketing agency	1,000	25	<u>Output 2.3</u> – providing support to the PENP, other PA management agencies and Local/Regional Tourism Organizations’ in the design, development and production of adventure tourism maps and other promotional and marketing media for adventure-based recreation and tourism in the PAs of northern Montenegro
Fund raiser/project developer	1,000	107	<u>Output 3.2</u> – developing fund-raising and project management skills of at least 10 targeted staff from different PA institutions; developing a fund-raising strategy for the PAS; developing cost-efficient procedures for the management and administration of donor funds and/or loans; developing marketing and communication materials for key projects targeted for donor funding or loans; preparing on a prioritized basis, detailed project proposals to potential donors and/or banks; build, develop and formalise working relationship with NGOs, volunteers and academic institutions to support fund-raising efforts, and implement donor-funded projects; establishing and maintaining a consolidated information database on prospective donors and banks, and funded projects; and documenting lessons learnt, profiling training and skills development completed and collating fund-raising materials developed.
Monitoring and evaluation review consultant	1,000	20	Participate in drafting mid-term and final evaluation report/s; Local liaison with project team, government and UNDP during project evaluation; Liaison with the counterpart international monitoring and evaluation expert; Participate in discussions to realign the project time-table/log frame at the mid-term stage
Evaluation expert	1,000	10	The standard UNDP/GEF project evaluation TOR will be used. This will include: participating, alongside the international consultants, in the mid-term and final evaluation of the project, in order to assess the project progress, achievement of results and impacts; developing draft evaluation report and discuss it with the project team, government and UNDP; and as necessary, participating in discussions to realign the project time-table/logframe at the mid-term stage
Auditor	1,000	10	Med-term and final independent audit of project expenditure as per UNDP/GEF standard ToR

<i>Position Titles</i>	<i>\$/person week</i>	<i>Estimated person weeks</i>	<i>Tasks to be performed</i>
<i>International</i>			
Financial planning company	3000	30	<p><u>Output 1.2</u> – accurately updating the current financial baseline prepared for the PAS during the PPG, including analyzing the protected area costs, reviewing different income sources and identifying specific cost-reduction opportunities; using financial planning tools (e.g. scenario logic) to qualify and quantify the projected financial needs for the PAS under different management scenarios and determine the ‘financial gap’ between the current financial scenario and the optimal (or desired) scenario; assessing the functionality of the financial management system of the protected area institutions, including accounting (income and expenditure), salaries and benefits, classification of expenses (standardization), cash flow, transparency (availability of and access to information), and auditing (internal and external); selecting the most appropriate financial mechanisms to ensure the diversification of financing sources for the PAS; defining the legal and institutional framework that is required to mobilize financial resources, adopt business management principles, establish innovative financial mechanisms, and ensure the autonomy of financial management based on principles of modern governance; identifying opportunities for cost-saving to achieve economies of scale, eliminate duplication and improve service delivery; using a ‘market-based approach’, preparing a ‘<i>National Protected Area Financial Plan</i>’ (NPAFP)<sup>21</sup> that establishes lines of strategic action to mobilize financial resources and build financial capacity to support a system of protected areas in Montenegro; and documenting lessons learnt in the design and development of the NPAFP.</p> <p><u>Output 3.3</u> – Staffing a ‘help desk’ facility for PA institutions that will <i>inter alia</i> support these institutions in: the implementation of recommendations for the improvement of existing financial management systems for PAs; strengthening internal financial controls; ensuring compliance with national financial management systems, accounting guidelines and standards and auditing requirements; strengthening financial information flows to individual PAs; setting market-related pricing of PA products; developing more efficient user fee collection mechanisms; reviewing the organisational structure of, and staffing deployment in, PENP to improve efficiencies; implementation of incentives mechanisms for PA staff and ‘profitable’ PAs (i.e. those generating a surplus); outsourcing, concessioning, leasing and co-management processes that could improve cost-effectiveness of PA operations; and training and mentoring of key staff. They will also document lessons learnt and collate information on institutional support provided.</p>
Financial specialist (PES – water supply)	3000	8	<p><u>Output 2.1</u> –reviewing regional and national best practice in equivalent PES schemes; determining the current annual consumption value of water supply to Zabljak; defining alternative payment mechanisms for watershed protection in Zabljak; undertaking a cost-benefit analysis of each of these mechanisms; developing the administrative procedures for the collection and disbursement of income from a watershed protection surcharge in Zabljak; and providing the technical inputs into the preparation of the requisite Zabljak municipal by-laws.</p>
Transaction adviser (concessioning)	3000	14	<p><u>Output 2.2</u> – undertaking best practice reviews in PA concessioning in regional parks; identification of concession opportunity for Komovi RP; modelling economic feasibility of concession opportunity in Komovi RP; preparing all legal and procedural documentation for concessioning process in Komovi RP; preparing information materials and responding to informational requests from prospective bidders for concession in Komovi RP; overseeing compliance with selection criteria for concession opportunity; due diligence of prequalified companies for concession opportunity; contractual negotiations with preferred bidder; and documentation of lessons learnt, best practice, templates and opportunities for replication in other regional parks</p>
Nature-based adventure	3000	8	<p><u>Output 2.3</u> – developing an ‘adventure tourism strategy’ for the protected areas of northern Montenegro. Also providing technical and advisory support to the PA</p>

<sup>21</sup> The approach to the preparation of NPAFP will broadly follow the guidelines contained in ‘*Business-oriented financial planning for national systems of protected areas*’ (Flores, Rivero *et al*, 2008)

<i>Position Titles</i>	<i>\$/person week</i>	<i>Estimated person weeks</i>	<i>Tasks to be performed</i>
recreation and tourism planning specialist			institutions in: the development of its fee structures (and their administration) for the adventure tourism products provided by PA's of northern Montenegro; business planning processes for cave tourism development in northern Montenegro; identification of the infrastructure and services needed to support boat-based recreational and commercial use in the PAs of northern Montenegro; recreational planning associated with skiing, biking, hiking and horse trails in the PAs of northern Montenegro; and planning of climbing routes in the PAs of northern Montenegro.
Business and management planning consultant (protected areas)	3000	20	<u>Output 3.1</u> - preparing a management plan for Tivat Saltpan Nature Reserve ('reserve'); reviewing the management plan for Biogradska gora National Park ('park'), and updating as necessary; reviewing the financial baseline of the park/reserve, and the financial needs of the park/reserve under different operational management scenarios; determining the "goods and services" that the park/reserve provides and the markets and competition that may exist for those goods and services now and in the future; Assessing the costs of pursuing the most viable sources of revenue for the park/reserve; assessing the assumed benefits and income from those revenue streams, along with an assessment of risk; assessing the legal and political framework as it relates to pursuing those revenue streams; preparing a medium-term projection of the anticipated annual national/local government grant allocation to the park/reserve; assessing potential income from existing environmental financing mechanisms and a medium-term projection of income from these sources; assessing opportunities to reduce park/reserve planning, administration and management costs; developing detailed strategies, next steps, activities and investments required to capitalize on the most viable opportunities; documenting lessons learnt; and preparing a generic PA business plan template and describing a set of standard business planning procedures.
Evaluation experts for mid-term and final evaluation	3000	6	The standard UNDP/GEF project evaluation TOR will be used. This will include: leading the mid-term and the final evaluations; working with the local evaluation consultant in order to assess the project progress, achievement of results and impacts; developing draft evaluation report and discuss it with the project team, government and UNDP; and as necessary, participating in discussions to extract lessons for UNDP and GEF
Justification for Travel, if any: Travel to Montenegro for country/site visits			

## **ANNEX D: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS**

### **A. EXPLAIN IF THE PPG OBJECTIVE HAS BEEN ACHIEVED THROUGH THE PPG ACTIVITIES UNDERTAKEN.**

The objectives of the PPG have been fully realized. Two international, and two counterpart national, consultants were recruited in the second half of 2009 to implement the PPG under the guidance of the UNDP CO. A work plan was collaboratively developed by the UNDP, the consultants and a focal team from the MSPE to direct the work to be undertaken during the preparatory phase. A stakeholder workshop was constituted in the last quarter of 2009 to approve the project design. The PPG delivered all studies which made it possible to finalize the MSP request.

### **B. DESCRIBE FINDINGS THAT MIGHT AFFECT THE PROJECT DESIGN OR ANY CONCERNS ON PROJECT IMPLEMENTATION, IF ANY:**

There are no findings that would fundamentally affect the project design. With the proclamation of the new laws on Environment, Nature Protection, National Parks and Concessions in 2008 and 2009, all activities were amended to align with the requirements of these Acts. The project implementation arrangements have also been modified to align with the structural changes made in the establishment of the Ministry of Spatial Planning and Environment.

### **C. PROVIDE DETAILED FUNDING AMOUNT OF THE PPG ACTIVITIES AND THEIR IMPLEMENTATION STATUS IN THE TABLE BELOW:**

<i>Project Preparation Activities Approved</i>	<i>Implementation Status</i>	<i>GEF Amount (\$)</i>				<i>Co-financing (\$)</i>
		<i>Amount Approved</i>	<i>Amount Spent To date</i>	<i>Amount Committed</i>	<i>Uncommitted Amount*</i>	
Local consultants	Completed	25,000	9,700	6,200	0	20,000
International consultants	Completed	13,500	21,500	8,625	0	2,000
Miscellaneous	Completed	8,000	870	1,145	0	12,000
Travel	Completed	3,500	1,340	620	0	12,000
<b>Total</b>		<b>50,000</b>	<b>33,410</b>	<b>16,590</b>	<b>0</b>	<b>46,000</b>

**ANNEX E: TOTAL BUDGET AND WORK PLAN**

<b>Award Title:</b>			PIMS 4279BD MSP: Catalyzing financial sustainability of the protected area system in Montenegro							
<b>Award ID:</b>			00059194							
<b>Atlas project ID</b>			00073967							
<b>PIMS Number</b>			4279							
<b>Business Unit:</b>			MNE10							
<b>Project Title:</b>			PIMS 4279BD MSP: Catalyzing financial sustainability of the protected area system in Montenegro							
<b>Implementing Partner (Executing Agency)</b>			UNDP (Ministry of Spatial Planning and Environment)							
GEF Outcome/Atlas Activity	Responsible Party/Implementing Agent	Fund ID	Donor Name	Atlas Budgetary Account Code	ATLAS Budget Description	Amount Year 1 2010/11 (USD)	Amount Year 2 2011/12 (USD)	Amount Year 3 2012/13 (USD)	Total (USD)	Budget note
<b>COMPONENT 1:</b> Enabling legal and policy environment for improved PA financial sustainability	<b>Ministry of Spatial Planning and Environment (MSPE)</b>	<b>62000</b>	<b>GEF</b>	71200	International Consultants	0	8,000	0	8,000	1
				71300	Local Consultants	57,000	24,000	12,000	93,000	2
				71600	Travel	2,000	3,000	1,000	6,000	3
				72100	Contractual services - companies	18,000	51,000	0	69,000	4
				74100	Professional services	4,000	5,000	3,000	12,000	5
				74200	Audio visual and printing costs	2,000	4,000	2,000	8,000	6
				74500	Miscellaneous	1,000	2,000	1,000	4,000	7
				<b>Total Outcome 1</b>						<b>84,000</b>
<b>COMPONENT 2:</b> Securing revenue streams for the PA system	<b>MSPE</b>	<b>62000</b>	<b>GEF</b>	71200	International Consultants	15,000	66,000	28,000	109,000	8
				71300	Local Consultants	9,000	39,000	27,000	75,000	9
				71600	Travel	4,000	5,000	3,000	12,000	10
				72200	Equipment and furniture	8,000	16,000	14,000	38,000	11
				72300	Materials and goods	16,000	34,000	14,000	64,000	12
				74100	Professional services	25,000	52,000	22,000	99,000	13
				74200	Audio visual and printing costs	4,000	8,000	15,000	27,000	14
				74500	Miscellaneous	3,000	2,000	1,000	6,000	15
<b>Total Outcome 2</b>						<b>84,000</b>	<b>222,000</b>	<b>124,000</b>	<b>430,000</b>	
<b>COMPONENT 3:</b> Development of institutional and individual capacity of PA institutions to raise PA management cost-	<b>MSPE</b>	<b>62000</b>	<b>GEF</b>	71200	International Consultants	0	6,000	6,000	12,000	16
				71300	Local Consultants	25,000	40,000	10,000	75,000	17
				71400	Contract services - individuals	10,000	35,000	10,000	55,000	18
				71600	Travel	2,000	8,000	4,000	14,000	19
				72100	Contractual services - companies	20,000	35,000	5,000	60,000	20

effectiveness				72800	Information and Technology Equipment	5,000	1,000	1,000	7,000	21
				74500	Miscellaneous	1,000	1,000	0	2,000	22
				<b>Total Outcome 3</b>		<b>63,000</b>	<b>126,000</b>	<b>36,000</b>	<b>225,000</b>	
<b>PROJECT MANAGEMENT</b>	<b>MSPE</b>	<b>62000</b>	<b>GEF</b>	71300	Local Consultants	30,000	30,000	30,000	90,000	23
				72800	Information and technology equipment	5,000	0	0	5,000	24
				<b>Total Project Management</b>		<b>35,000</b>	<b>30,000</b>	<b>30,000</b>	<b>95,000</b>	
<b>TOTAL</b>						<b>266,000</b>	<b>475,000</b>	<b>209,000</b>	<b>950,000</b>	

**Budget notes:**

1. *Pro rata* costs of contractual appointment of monitoring and evaluation expert for mid-term and final evaluation.
2. Costs of contractual appointment of: economic valuation consultancy service; marketing and communications service provider; and legal advisory service<sup>22</sup>. *Pro rata* costs of contractual appointment of monitoring and evaluation review consultant, auditor and evaluation expert.
3. In country travel costs for project stakeholder institutions to attend local reference group meetings (economic valuations) and national working group meetings (preparation of national protected area financial plan). *Pro rata* in-country travel costs associated with mid-term and end of project evaluation. In-country travel costs estimated at US\$0.35/km.
4. Costs of contractual appointment of financial planning service provider.
5. Service level agreements with the MSPE (and its PEs) to recover *pro rata* costs associated with data support services (economic valuation of targeted PAs/ financial baseline data), advocacy support (communication of economic benefits of PAS) and legal services (development of regulatory instruments).
6. Costs associated with producing various communication media and resource materials (e.g. presentations, ‘road shows’, information brochures, fact sheets) in support of focused advocacy activities.
7. Logistical costs associated with organizing reference group meetings (economic valuations) and national working group meetings (preparation of national protected area financial plan) -venue, catering, facilitation, printing, translation, etc.
8. Costs of contractual appointment of: financial specialist (PES – water supply); transaction adviser (nature-based tourism concessions); and nature-based adventure recreation and tourism planning specialist. *Pro rata* costs of contractual appointment of monitoring and evaluation expert for mid-term and final evaluation.
9. Costs of contractual appointment of: public consultation specialist; legal adviser; nature-based adventure tourism specialist; and tourism marketing agency. *Pro rata* costs of contractual appointment of monitoring and evaluation experts for mid-term and final evaluation.
10. In country travel costs for project stakeholder institutions to attend local and regional working group meetings (Zabljak PES working group, Komovi RP establishment working group/liaison forum and adventure recreation/tourism collaborative forums for PAs of northern Montenegro). *Pro rata* flight (Bratislava-Podgorica return) and in-country travel costs associated with mid-term and end of project evaluation. In-country travel costs estimated at US\$0.35/km.
11. Co-financing of the design, production and installation of informational and directional signage associated with adventure-based recreational and tourism services in the PAs of northern Montenegro. Co-financing the procurement of emergency and safety equipment for mountain rescue services in Durmitor NP, Biogradska Gora NP, Prokletije NP and Komovi RP. This may include acquisition of the following emergency and safety equipment to support park-approved adventure tourism

<sup>22</sup> Contractual value for national and international consultants/companies will include all regular expenses and disbursements incurred in implementing the respective ToRs

- services (boat-based activities, trail-based services, caving services and mountain climbing activities)<sup>23</sup>: radio and telephone communications; protective wear; portable stretchers; medical equipment and supplies; rope rescue and rigging systems; headlamps; helmets; casualty bags; breathing apparatus; and lifejackets.
12. Co-financing the procurement of materials and goods needed to develop, improve and upgrade the adventure tourism facilities and infrastructure (i.e. upgrading entry and pay points, improving boat launch sites and exit points, trails construction and maintenance, upgrading of overnight huts, rehabilitation of degraded areas) in Durmitor NP, Biogradska Gora NP, Prokletije NP and Komovi RP<sup>24</sup>. Materials and goods to be acquired may include: geo-textiles, concrete; stone; paint, wood, poles, stones, booms, gates, gravel, fencing, climbing bolts, reinforcing rods, gabions, etc.
  13. Service level agreements with Zabljak Municipality, the Komovi RP management authority and PENP to recover the *pro rata* costs associated with: development and implementation of a PES water surcharge in Zabljak; nature-based tourism concessioning process in Komovi RP; the development and maintenance of park infrastructure and services associated with adventure tourism; and the provision of outsourced specialist staff training, as needed.
  14. Costs associated with the preparation and printing of adventure-tourism maps and other promotional materials (website information, brochures, CDs, etc.) for the PAs of northern Montenegro. Costs associated with the printing of bid documentation for the Komovi Regional Park concession. Costs associated with advertising the intent of the Zabljak Municipality, the PWC and Durmitor NP to introduce a water surcharge in Zabljak.
  15. Logistical costs associated with organizing local and regional working group meetings (see note 10 above) - venue, catering, facilitation, printing, translation, etc.
  16. *Pro rata* costs of contractual appointment of monitoring and evaluation expert for mid-term and final evaluation.
  17. Costs of contractual appointment of the business and management planning consultant.
  18. Service level employment agreement for the dedicated fund raiser/project developer
  19. In country travel costs for project stakeholder institutions to attend local working group meetings (local stakeholder reference groups for business planning in Tivat Saltpan NR and Biogradska Gora NP). Local and regional (Balkan region) travel costs for fund-raiser/project developer. *Pro rata* flight (Bratislava-Podgorica return) and in-country travel costs associated with mid-term and end of project evaluation. In-country travel costs estimated at US\$0.35/km.
  20. Costs of contractual appointment of financial planning service provider.
  21. Acquisition of 1 Laptop (1@US\$2000), software licenses (1@US\$800), portable hard drive (1@US\$200), printer (1@US\$300), data projector (1@US\$800) and mobile phone contracts (1@US\$2000) and other peripherals and incidentals (@US900) for the fund-raiser/project developer<sup>25</sup>.
  22. Logistical costs associated with organizing local working group meetings (see note 19 above) - venue, catering, facilitation, printing, translation, etc.
  23. Full costs of contractual appointment of Project Manager, and 65% of the costs of the contractual appointment of the Project Assistant (35% of costs of PA to be co-financed by UNDP CO).
  24. Acquisition of 2 Laptop (2@US\$2,000), 1 portable hard drive (1@US\$200) and 1 printer (1@US\$300)

**Summary of Funds:**<sup>26</sup>

	Year 1	Year 2	Year 3	TOTAL
<b>GEF</b>	266,000	475,000	209,000	950,000
Ministry of Spatial Planning and Environment	2,225,000	3,475,000	1,225,000	6,925,000
German Technical Cooperation (GTZ)	110,000	150,000	40,000	300,000
UNDP CO Montenegro	18,000	12,000	10,000	40,000
<b>TOTAL</b>	<b>2,619,000</b>	<b>4,112,000</b>	<b>1,484,000</b>	<b>8,215,000</b>

<sup>23</sup> The explicit procurement requirements for equipment will be determined during the preparation of the overarching *Adventure tourism and recreation strategy for the protected areas of northern Montenegro*

<sup>24</sup> The detailed requirements for the improvement of adventure tourism facilities and infrastructure in the respective parks will be developed during the preparation of the *Adventure tourism and recreation strategy for the protected areas of northern Montenegro*

<sup>25</sup> All hardware, software and communications equipment procured by the project will be transferred to the MSPE at project completion for dedicated use in fund-raising/project development activities.

<sup>26</sup> All co-financing (cash and in-kind) that is not passing through UNDP.