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December 28, 2009

Dear Council Member,

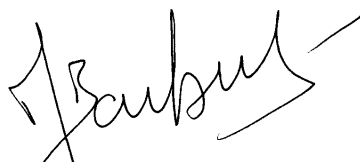
I am writing to notify you that we have today posted on the GEF's website at www.TheGEF.org, a medium-sized project proposal from UNDP entitled ***Serbia: Ensuring Financial Sustainability of the Protected Area System***, to be funded under the GEF Trust Fund (GEFTF).

This project aims to improve the financial sustainability of Serbia's protected areas system.

The project proposal is being posted for your review. We would welcome any comments you may wish to provide by January 13, 2010, in accordance with the new procedures approved by the Council. You may send your comments to gcoordination@TheGEF.org.

If you do not have access to the Web, you may request the local field office of the World Bank or UNDP to download the document for you. Alternatively, you may request a copy of the document from the Secretariat. If you make such a request, please confirm for us your current mailing address.

Sincerely,



cc: Country Operational Focal Point, GEF Agencies, STAP, Trustee



REQUEST FOR CEO ENDORSEMENT/APPROVAL

PROJECT TYPE: MEDIUM-SIZED PROJECT

THE GEF TRUST FUND

Submission Date: December 8, 2009

PART I: PROJECT INFORMATION

GEFSEC PROJECT ID: 3946

GEF AGENCY PROJECT ID: 4281

COUNTRY: Serbia

PROJECT TITLE: Ensuring financial sustainability of the protected area system of Serbia

GEF AGENCY: UNDP

OTHER EXECUTING PARTNER: Ministry of Environment and Spatial Planning

GEF FOCAL AREA: Biodiversity

GEF-4 STRATEGIC PROGRAM: BD-SP1-PA Financing

NAME OF PARENT PROGRAM/UMBRELLA PROJECT: N/A

Expected Calendar (mm/dd/yy)	
Milestones	Dates
Work Program (for FSP)	NA
GEF Agency Approval	Jan 2010
Implementation Start	Feb 2010
Mid-term Review (if planned)	Feb 2012
Implementation Completion	Mar 2014

A. PROJECT FRAMEWORK

Project Objective: To improve the financial sustainability of Serbia'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	Serbian PA system (> 550,000 ha) set for higher financial sustainability, ensuring long-term security for the threatened biodiversity of Balkan mountain and forest ecosystems, gorges and canyons, steppes and sands, wetlands and wet meadows covered by its PA estate. The overall success will be measured by the UNDP/GEF financial scorecard. The baseline rating is 28%. By the end of the project it increased to at least 55%. Stabilization of indicator populations: <i>Picea omorika</i> , <i>Pinus heldreichii</i> H.Christ, Griffon Vulture and Great Bustard	<p><u>1.1 A 7-year PA Funding Plan (PAFP)</u>: draft integrating lessons from Comp. II and III; donor and EU pre-accession funding options specified; options for site-level revenue generation assessed; PAFP discussed with stakeholders and adopted as annex to the <i>National Biodiversity Strategy and Action Plan</i>.</p> <p><u>1.2 Suite of specific regulations and by-laws to support increased cost-effectiveness of protected areas management and financing</u>:</p> <p>a. Revision of protected areas categorization to better coincide with IUCN categories and EU directives</p> <p>b. Evaluation of new regulations on returning land to previous owners and elaboration of collaborative management policies and procedures</p> <p>c. Standardizing policies and levels for entry fees, recreation fees, catering prices,</p> <p>d. Revision of policies on resource extraction at PAs to address ecological resilience; enforcement mechanism improved for reducing illegal resource extraction based on increased fines and extended rights of environmental inspectors.</p> <p>e. Tax subsidies to park public enterprises, NGOs and private sector to promote nature-based tourism,</p> <p>f. Amendments to the annual State-of-Environment report to require presentation of PA cost-effectiveness,</p> <p>g. Regulation streamlining roles and responsibilities of MESP vis-à-vis other sectoral ministries, park public enterprises, local communities and NGOs,</p> <p>h. Revision of the regulation on the proportion of revenues raised by PAs for re-investment;</p> <p>i. Format and process for site-level business planning adopted.</p>	156,060	8	1,832,000	92	1,988,060
2. Increasing revenue-streams for the PA system	TA	Total finances available to PAs increases from the baseline \$ 7.2 million to at least \$ 10.2 million, as measured by UNDP/GEF Financial Scorecard.	<p><u>2.1 Innovative revenue generation mechanisms piloted at the site level</u>:</p> <p>a. A pilot on nature-based tourism/agro-tourism at 2 national parks and 1 nature park: cost-and-revenue sharing agreements signed between park enterprises and local entrepreneurs; tracks marked and basic infrastructure delivered at key localities for the hiking, biking, and rafting circuits; charges established and a charge administration</p>	447,880	22	1,604,000	78	2,051,880



Country: Serbia

PROJECT DOCUMENT

Project Title Ensuring financial sustainability of the protected area system of Serbia

UNDAF Outcome(s)/Indicator(s): To promote sustainable development and increase capacity (Link to UNDAF outcome., If no UNDAF, leave blank) at municipal level

Expected Outcome(s)/Indicator(s): Sustainable development plans/policies effectively respond (CP outcomes linked to the SRF/MYFF goal and service line) to the need of stakeholders, as well as promote employment and environmental protection.

Expected Output(s)/Indicator(s): Legal and policy environment is conducive to sustainable (CP outputs) financing, revenue stream are increased and diversified, and institutional capacity increases improving cost effectiveness.

Implementing partner: Ministry of Environment and Spatial Planning
(designated institution/Executing agency)

Brief Description

The objective of the project is to improve the financial sustainability of Serbia’s protected area system. This objective will be realized through the following three components: Component 1. Enabling legal and policy environment for improved PA financial sustainability; Component 2. Increasing revenue-streams for the PA system; and Component 3. Institutional and individual capacity of PA institutions to raise PA management cost-effectiveness. The first component will provide the legal and policy groundwork for long-term gains in the sustainability of the PA system as well as produce a Protected Areas Financing Plan (PAFP) that will integrate the results of the entire project in a key guidance document. The second component is focused on expanding potential revenue streams from activities compatible with the conservation goals of the protected areas network to provide clear pilot projects that show financial sustainability is feasible without commercial logging activities. The third component builds on the various pilots and policy work to increase institutional capacity for cost-effective management and financial sustainability. One key activity of the third component is the development of a business planning process for the PAs of Serbia with 21 pilot sites included and the capacity to extend the process to all PAs of Serbia that require strategic planning. Together these activities and outcomes will greatly increase the financial sustainability and cost-effectiveness of Serbia’s protected areas. Taken together, the GEF investment in Components 1, 2 and 3 of approximately USD 1 million is projected to generate additional revenue of USD 3 million per year.

Programme Period: 2005 - 2009
Atlas Award ID:00057303
Atlas Project ID:00073188
PIMS: 4281
Start date: January, 2010
End Date: January, 2014
LPAC Meeting Date: t.b.d.
Management Arrangements: National Implementation

Total budget: US\$ 5,531,420
Allocated resources:
 • GEF US\$ 950,000
 Parallel and in kind contributions:
 • Provincial Secretariat for Environmental Protection and Sustainable Development US\$ 2,071,005
 • Vojvodina Waters US\$ 649,670
 • UNDP US\$ 1,835,748
 • WWF US\$ 25,000

Agreed by (Government):

NAME SIGNATURE Date/Month/Year

Agreed by (Executing Entity/Implementing Partner):

NAME SIGNATURE Date/Month/Year

Agreed by (UNDP):

NAME SIGNATURE Date/Month/Year

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ACRONYMS

APR	Annual Project Report
AWP	Annual Work Plan
BAU	Business as Usual
BD	Biodiversity
BP	Business Plan
CBD	UN Convention on Biological Diversity
CCF	Country Cooperation Framework
COP	Conference of the Parties
CO	UNDP Country Office
CNPAs	Carpathian Network of Protected Areas
CPAP	Country Programme Action Plan
DI	Designated Institution
EA	Executing Agency
EU	European Union
EBRD	European Bank for Reconstruction and Development
GDP	Gross Domestic Product
GEF	Global Environment Facility
IA	Implementing Agency
IR	(Project) Inception Report
IUCN	International Union for the Conservation of Nature
IW	Inception Workshop
M&E	Monitoring and Evaluation
METT	Management Effectiveness Tracking Tool
NGO	Non-Government Organization
NP	National Park
PA	Protected Area
PAs	Protected Areas
PAS	Protected Area System
PIR	Project Implementation Review
PM	Project Manager
PMU	Project Management Unit
RCU	UNDP-GEF Regional Coordination Unit
SBAA	Standard Basic Assistance Agreement
SMP	Strategic Management Plan
SO	Strategic Objective
TBD	To be determined
TBWP	Total Budget and Work Plan
TOR	Terms of Reference
UN	United Nations
USD	United States Dollar
WWF	Worldwide Fund for Nature

PART I: SITUATION ANALYSIS

1.1. Context, global significance, environmental, institutional and policy background

1. Serbia covers 8,836,100 ha, divided into three major landscape complexes. The North of the country is composed of lowland areas (approximately 1/3 of the territory) comprising part of the South-Eastern Pannonian Plain. South of Belgrade the plains rise to hilly woodlands and low mountain ranges, interrupted by wide valleys created by the Morava and Sava rivers. Further South, as well as towards the East and West of Serbia, high mountain systems can be found; e.g. the Carpathian-Balkans, Rhodope and the Dinaric mountain systems, many of them exceeding 2000 meters in height above sea level. Particularly important is found in the North of Serbia – the largest in South Eastern Europe –which constitutes one of the most important European bird reserves. Serbia's status as a centre of biodiversity in Europe is to a high degree determined by its geological age, geomorphology, and climatic conditions and, in particular, by its role as refuge for a number of species during the glacial periods. Thus, the Balkan and Pannonian regions harbor numerous endemic-relict floral elements from previous geological ages. Serbia hosts 39% of Europe's vascular plant species, 51% of its fish fauna, 74% of its bird fauna and 67% of all mammal species. Furthermore the country offers a resting place for many migratory species, including endangered ones. The total number of all species that live in Serbia represents 43.3% of all existing species in Europe.

2. Serbia has recently started to reinforce its biodiversity conservation framework and is seeking to develop better ecological representation and a sustainably funded PA system. Currently, Serbia has five national parks, 98 nature reserves, 16 landscape protected areas, 296 nature monuments and 24 nature parks. In total there are 464 protected areas (and 797 protected plant and animal species). The protected areas covers 547,176 ha, or 6.19% of Serbia's area.

3. The governance of PAs occurs on multiple levels and with multiple organizations including: (i) the national government; (ii) local administrations (autonomous provinces and municipalities); (iii) public enterprises; (iv) non-governmental organizations (and local chambers); and (v) other entities including individual persons and private companies. Specific protected area managers can be public enterprises, companies, communal enterprises, museums, faculties, tourist organizations, ecological NGOs, foundations, etc. At the national level, the responsibility for PAs lies with the Ministry for the Environment and Spatial Planning (MESP) and the Ministry of Agriculture, Forestry and Water Management (MAFWM). The responsibility of the Ministry for Environment and Spatial Planning is the preparation of mid-term programs for protection and utilization of protected areas as well as the inspection and supervision in nature protection and biodiversity issues. The Ministry of Agriculture, Forestry and Water Management (especially the Directorate of Forests) supports the preparation of forest management plans which contain specific guidelines for particular protected areas as well as inspection and supervision in forestry issues. These institutions collaborate through the procedures regarding management plans and development documents. At the level of autonomous provinces, a secretariat for environmental protection and inspection service, responsible for protection against air pollution, noise, urban planning, permit issuing service, and nature conservation service exists in some cities (e.g. Belgrade, Novi Sad, Nis). Municipalities and cities also can and have designated protected areas within their territory. There is an increasing number of NGOs managing protected areas and the emergence of the private sector as a PA manager. At present, there are more than 300 registered NGOs working in the field of environment and nature conservation and this number is increasing.

4. The Institute for Nature Protection (INP) of the Republic of Serbia plays an important role at the level of the state and of the autonomous provinces. This state institution is responsible for professional control, support, protection and improvement of Serbia's natural heritage and its biological and geological diversity. The Institute for Nature Protection, has competences in the protection of protected areas such as parks, nature reserves, wild flora and fauna habitats, and is also responsible for overseeing the use of these natural resources. The Institute has two regional departments in Novi Sad and Niš. The INP assists the Ministry of Environment and Spatial Planning (MESP) in assessing new protected areas and making recommendations for the establishment, planning and management of PAs. With a recent law that gives increased autonomy to

Vojvodina Province the INP will become two separate entities: one for Vojvodina and the other for the rest of Serbia. The INP maintains significant technical and institutional capacity and currently goes beyond its basic mandate to provide some fundraising services for some of the smaller protected areas that lack the capacity to identify, apply for, and implement donor funding.

5. Biodiversity monitoring is among the responsibilities of the Institute for Nature Protection and is focused on protected areas and species. The INP delivers data on bio and geodiversity and the state of natural resources to the MESP and other relevant institutions. It produces a number of publications and a quarterly bulletin. In cooperation with European Environmental Agency, the INP operates as a national reference centre and has been the main implementation institution for the Emerald Network project for including Serbia in the Natura 2000 program. The Institute for Nature Protection has completed a GIS survey of protected nature areas. The Institute has 130 employees.

Table 2. Institutions responsible for PAs in Serbia

Institution	Responsibility
Ministry of Environment and Spatial Planning	Develops environmental strategy, policy and legislation, currently focused on the EU ascension process
Institute for Nature Protection	Performs research for nature protection, monitoring of the status of the natural resources, prepares reports on nature conservation, and assists with the implementation of protection regimes
Ministry of Agriculture, Forestry and Water Management	Develops strategy and policy for the agricultural and forestry industries.
Ministry of Infrastructure	Oversees roads and other large infrastructures
Ministry of Economy and Regional Development	Oversees economy and economical development
Ministry of Energy and Mining	Oversees energy and mining

6. The National Parks in Serbia there are managed by special State Enterprises: Public Enterprises of Fruska Gora, Tara, Kopaonik, Djerdap and Sara Mountain national parks. These public enterprises are established according to the Law on National Parks (1993) and are under the jurisdiction of the MESP Section for Natural Parks within the Sector for Natural Protected Areas. The five PE national parks manage cca. 30% of area under conservation in Serbia. All National Parks have two main functions: 1) protection of nature i.e. implementation of necessary measures for conservation of rare species and habitats and 2) utilization of forests. Each National Park is managed according to annual and five-year conservation plans that are developed by the Public Enterprise and must be accepted by the Ministry. The MESP reports annually to the Parliament on the state of the country's environment (including basic information on the PAs) through the production of State-of-the-Environment Reports. Logging is performed in accordance with annual logging plans that must respect the Law on Forestry and other relevant laws and have the approval of the relevant Government authorities: Ministry for Environmental Protection and Spatial Planning and Ministry for Agriculture, Forestry and Water management. However, in forest PAs, national park enterprises often undertake regular cutting of trees beyond what qualifies as "sanitary cutting".

7. Two public enterprises PE Srbijašume and PE Vojvodinašume are public utility forestry companies and manage 44% and 14% respectively of the protected area estate. These are the largest PA managers in the country. Both public enterprises integrate all forest functions. They perform technical services for state and private forests, managerial functions (on behalf of the state as the owner of state forests) and functions related to commercial forestry, hunting and other domains. Eleven (11) PAs are managed by PE "Srbijasume" and 7 PAs are managed by PE "Vojvodinasume". As managers of these protected areas the PEs perform tasks related to protection, sustainable development and use of PAs in accordance with relevant laws, acts on PA' designation, and programs and plans. They also delegate to different operational units (Forest Estates and Forest Units) ongoing monitoring for conservation, utilization and development objectives of the protected areas. The seven public enterprises are largely funded through the sale of wood from the areas under their management. These areas include the 5 national parks. As a result of limited government funding for

conservation activities, the public enterprises are in a conflicting situation where they exploit natural resources to fund the conservation of natural resources. This financial and programmatic tension leads to compromises that are not necessarily in the best interest of biodiversity conservation.

8. In addition to the Public Enterprises for forests and PE National Parks which represent an overwhelming majority of the Protected Area estate, there are a large number of other PA Managers – over 30. The significant diversity in the types of Managers (see Table below) poses challenges for coordination and communication.

Table 3. List of protected areas management authorities¹

Organization/Institution	Type of organization	Protected areas (No.)	Surface (ha)
PE NP "Tara"	state	1	19,175
PE NP "Djerdap"	state	1	63,500
PE NP "Kopaonik"	state	1	11,809
PE NP "Fruska Gora"	state	1	25,525
PE NP "Sara"	state	1	39,000
PE "Srbijasume"	state	12 PAs	231,429
PE "Vojvodinasume"	state	7 PAs	69,436
PE "Palic-Ludas"	state	4 PAs	4,491
Joint stock company "Planinka"	state	1	
PE "Vode Vojvodine"	state	1	1,145
PE "Resavska pecina"	state	2	11
Museum in Arandjelovac	state	1	
Fishing Estate "Ecka"	NGO	1	1,676
PE "Belosavac"	state	3	
Faculty of Biology – Botany Institute	state	1	
NATURA – Center for natural resources	NGO	1	896
Company with limited responsibility "Uvac"	state	1	
Orthodox diocese "Vranje"	church	1	
NGO "Green movement Sremska Mitrovica"	NGO	1	1,852
Military institution "Karadjordjevo"	state	1	
Hunting association "Perjanica"	NGO	1	
Directorate for construction of Nis municipality	state	1	
PE "Gradsko zelenilo" Novi Sad	state	1	
Tourist organization of Cacak Municipality	state	1	
Hunting association "Novi Becej"	NGO	1	976
Company with limited responsibility "Mokra Gora"	state	1	
Tourist organization Zlatibor	state	1	
Mountaineering association "Kamena Gora"	NGO	1	
Directorate for construction of Surdulica municipality	state	1	
Association of sport fishermen "Deliblatsko jezeo"	NGO	1	
Directorate for construction and urbanism of Surdulica municipality	state	1	
Fund for ecology of Prokuplje municipality	state	1	

Source: Institute for nature conservation of Serbia (www.zzps.rs)

9. The 2004 Law on Environmental Protection (LEP) and the 2006 National Environmental Strategy (NES) provide legal force to the "polluter pays" and "user pays" principles. The 2004 Law also explicitly recognizes the role of incentive-based measures, such as economic instruments, in achieving environmental policy objectives. The LEP distinguishes the following environmental taxes and charges: (i) pollution charges; (ii) emission taxes; (iii) industrial waste charges; (iv) product charges, (v) natural resource use charges, (vi)

¹ This list does not include a number of protected areas established 1945-1991 and which are not revised yet. For instance, PE Srbijasume manages 78 PAs (13,144 ha) while PE Vojvodinasume manage 9 PAs (5,405 ha) which are established in this period.

deposit refund schemes, (vii) subsidies, tax incentives and exemptions from charge payments, (viii) fines for non-compliance with environmental standards. The LEP also prescribes a special charge for the commercial use of collected wild flora and fauna, which is designed to ensure adequate biodiversity protection. The charge corresponds to 10 per cent of the established price of the wild flora or fauna. The prices of protected species are determined by the ministry in charge of environmental management in consultation with the ministry in charge of foreign trade.

10. The new Law on Nature Protection (Official Gazette of the Republic of Serbia No 36/2009) has been adopted in May 2009. This law is aligned with EU standards and defines seven basic types of protected areas (PAs): strict nature reserve, special nature reserve, national park, monument of nature, protected habitat, landscape of outstanding features and Nature Park. The Law on Nature Protection (LNP) introduces the concept of Protected Area “Manager” instead of curator/guardian as stipulated by the LEP and the Law on Nature Parks. The LNP also establishes the legal basis for numerous bylaws that should regulate this area in more detail. Some of those bylaws are planned, currently being developed or are in the process of public discussion. The bylaws in public discussion include: regulations on criteria for selection of PA managers; the decision on general taxes for use of protected areas; and regulation of official ID cards for PA Rangers. There are numerous additional bylaws that require technical support from this project to successfully address the current barriers to successful protected area management and financing.

1.2 Threats and root-causes

11. The biodiversity within (as well as outside of) the protected areas of Serbia are under significant threats. As an indicator of environmental degradation, 600 plant species and 270 animal species are listed as threatened. The historical decline in biodiversity is directly attributable to the following threats: (i) loss of natural habitat due to expanding agriculture and drainage of swamps and marshes, illegal construction, unregulated tourism, expanding transportation networks and water infrastructure (dams); (ii) excessive unregulated use and/or illegal poaching and hunting of animal species, particularly large mammals and birds; (iii) over-harvesting of timber and non-timber forest products from forests and meadows, including edible fungi and snails as well as overgrazing, particularly in mountain areas, and (iv) the impacts of global climate change, which is an imminent future threat if ecosystems continue to degrade through existing stresses. In addition to these threats, the protected areas managers consider the most important future threats to be water management (strongest), uncontrolled tourism and recreation and unsettled ownership-legal issues. A recent law on restitution of land is rapidly becoming a large concern of protected area managers because the change of ownership of parts of the protected areas is likely to lead to a decrease in financial opportunities for the PA manager.

12. In recent decades, increasing natural resources exploitation pressure and greater emphasis on the need for nature conservation have resulted in numerous conflicts between local communities and the institutions responsible for nature conservation policy measures. For example conflicts are seen in interactions around hunting, tourism, and rural development.

1.3 Desired long-term vision and barriers to achieving it

13. The desired scenario for the PA System in Serbia is the one where the PA financing gap is restricted to minimum, allowing maximum coverage of the optimal costs of PAs. The long-term solution to the financial and managerial problems confronting protected areas in Serbia is lies with ensuring a steady stream of funding from diverse sources and effectively increasing the overall resource envelope. The 3 main barriers to ensuring financial sustainability of the Serbian PA system are regulatory and policy gaps, low diversity of funding sources, and inadequate cost-effectiveness of site management.

Barrier 1. Regulatory and policy deficiencies: Neither the recent laws (2004 LEP and 2006 NES), nor the *National biodiversity strategy and action plan* (currently under preparation) define a vision and a long-term plan for securing stable and long-term financial resources to cover the costs of PAs. The new Law on Nature Protection (2009) does include the first steps towards refining the financial framework for protected areas but most of the bylaws have not yet been written and the Ministry is seeking support to complete this crucial

work. Until the bylaws are well prepared, many of the mechanisms foreseen will not be implemented. The current roles and responsibilities of the MESP and State Environment Fund vis-à-vis other ministries involved in production activities at PAs and environmental financial decision-making (e.g. ministries of economy and finance, Ministry of forestry), as well as vis-à-vis park public enterprises, NGOs, local governments are delivered in an uncoordinated manner. As UNECE points out, the 2004 *Law on Environmental Protection* (OG RS No. 135/2004) gives most competencies to the “ministry responsible for environment” without further specifying its relations with other sectors. Conflicts quoted by UNECE are those between the forestry authority which is responsible for profit-making from timber and environment authorities empowered to conserve forests. On the one hand, this explains, for the most part, the non-existence of effective park co-management opportunities (e.g. setting public-private partnerships) and novel park-level revenue generation and sharing mechanisms. On the other hand, this cross-institutional ambiguity, combined with the very general clauses allowing parks to earn income from extraction, result in exaggeration and misuse of the nature resource extraction rights, skewed towards pure profit-making without account of ecosystem carrying capacity and its resilience, causing localized forest and wetland habitat degradation. Thus, in forest PAs, national park enterprises often undertake regular cutting of trees well beyond what qualifies as “sanitary cutting”; in a similar way, nature reserves with freshwater ecosystems obtain revenues from the operation of fish farms.

Although fines and charges have been introduced according to legal provisions, they are not high enough to be effective deterrents. Emerging provisions in the 2009 LNP for fees/charges for non-extractive ecosystem products and services offer an opportunity to standardize fees and charges across the country and the methods for establishing the fee levels requires care and appropriate economic analysis. Also, while nature-based tourism is declared a priority by the 2006 NES and the 2009 LNP, it lacks secondary legislation to take-off at protected areas; and apart from tourism and extraction of resources, few other ecosystem values have been envisaged for commercialization by park enterprises. Some PAs have trialed various charges to the power company (for power lines), fees for mobile phone towers, and even vehicle passage. As other Parks and PAs seek to implement similar mechanisms, there is growing local resistance to these one off approaches. A unified national level approach will result in the most appropriate methods and fees and will meet with the lowest local resistance. Tax deductions and/land charge exemptions are envisaged only for pollution-prevention activities and equipment, afforestation and flood-prevention activities. Next, the regulations on management plan preparation date back on 1990s, do not envisage business-planning, and fail to encourage diversification of site-level revenue generation options. The new LNP seeks to address these deficiencies but again requires clear regulations before any implementation is possible. Finally, on the macro-level, the Annual Report of the Ministry of Environment on the State of Environment does not present data on PA ecological status and expenditure. This makes it impossible for government decision makers to gauge PA effectiveness (including cost-effectiveness).

Barrier 2. Insufficient revenue-streams: Given the scarcity of data, by very rough estimates, annual allocations of the MESP, the Environment Fund and municipalities for protected areas was in the range of \$2-3 million (see Appendix H). An additional \$5-6 million is raised by PA’s from fees, concessions and tourism, hunting, fishing and other uses. For the National Parks the largest amount of funding – over \$8 million per year – is raised from wood exploitation. National Parks and the other Public Enterprises could not adequately function with only government and non-wood revenues. Optimal operating costs of the existing PA estate have been estimated to be at least \$32 million of which the current non timber revenues of \$7 - 10 million represent only 30% of what is ultimately needed. Even basic financing needs of \$16 million are covered only by about 50%. Project-based donor support is an insignificant compliment to the central and municipal budget funding of PAs. From 52 to 70% of current PA costs are raised by PAs on their own from natural resource use (excluding wood), tourism and other fees. This is primarily the PE National Parks who raise over 93% of the self raised revenue for the entire PA system. Excluding the PE National Parks from the financing picture, the total expenditure for all other protected areas (including the PE Srbijasume and Vojvodinasume) is about \$4 million and the total revenues are estimated at \$2.7 million indicating a current financing gap unless some revenues have not been counted. This results in a per ha protected area cost of \$13.50 per hectare. This figure is very low relative to average European countries which are approximately \$20 per hectare (1996 dollars).

With the planned expansion of the protected areas estate to cover up to 10% of the country (up from 6.2% including the National Parks), operating financing is largely deficient and necessary investments are very significant. Additionally, many protected areas are small in size – increasing expected costs per area.

Altogether, there is at least a 50% gap in covering the basic PA costs and a 75% gap with regard to covering optimal costs. The Government has a substantial foreign debt, yet opportunities for debt-for-nature swaps have not yet been thoroughly evaluated. The Fund for Environmental Protection could (legally, by its mandate) play a role in raising pre-accession funds, NATO Science and Peace Programme, and carbon finance sources. In fact, revenues from international bilateral and multilateral cooperation on activities to enhance environmental protection and energy efficiency are listed among the sources of revenues for the Fund. However, in practice there have been no revenues from this source since the Fund has been operational only since May 2005. The UNECE 2nd Environmental Performance Review for Serbia concludes “little is known about the environmental effectiveness of new economic instruments, but they appear to be a blunt weapon especially given the low level of charges, which do not create incentives for changing behaviour, and the weak monitoring and enforcement capacities”.

Barrier 3. Low cost-effectiveness of site management: Allocations of resources to Protected Areas from the Environmental Fund are not linked to actual operational and capital needs assessments of the Protected Areas that would normally be done through “business planning”. The annual and 5-year conservation programs of national parks and other protected areas are not based on optimal PA functions that include adequate policing and enforcement as well as monitoring, research and education costs. Even though key PAs have management plans, these have been either prepared externally by the Institute for Nature Protection or are primarily focused on forestry activities (PE NP and the two other PEs). There is insufficient knowledge and capacity within park administrations and local populations to consider revenue generation other than that derived from extractive resource use (such as logging). The technical capacity amongst non PE PA managers to perform basic PA budgeting functions: from strategic planning to book-keeping; and performance reporting to field surveys is extremely limited. There is a significant shortage of technical capacities for business plan development and cost-effective management of PAs at the site level, and knowledge is missing on PA budgeting functions: from strategic planning to book-keeping, performance reporting and field surveys. There is an apparent lack of trained human resources at both – site and central level. The lack of training and information is compounded by the lack of coordination and communication among the PA Managers and the varied types of organizations managing PAs.

1.4 Stakeholder analysis

14. Table 5 below describes the major categories of stakeholders and their involvement in the project.

Table 5: Key stakeholders and roles and responsibilities

Stakeholder	Roles and Responsibilities
Ministry of Environment and Spatial Planning	Develops environmental strategy, policy and legislation, currently focused on the EU ascension process. Overseas the PA network from a policy and legal standpoint.
Institute for Nature Protection	Performs research for nature protection, monitoring of the status of the natural resources, prepares reports on nature conservation, and assists with the implementation of protection regimes. There are soon to be two separate INPs (one for the autonomous province of Vojvodina) and both organizations will work closely with the project on most project components
Ministry of Agriculture, Forestry and Water Management	Develops strategy and policy for the agricultural and forestry industries.
Ministry of Economy and Regional Development	Oversees economy and economical development
Ministry of Energy and Mining	Oversees energy and mining
Ministry of Infrastructure	Oversees roads and other large infrastructures
Diverse Protected Areas “Managers”	There are over 40 different PA Managers throughout Serbia. These entities include Public Enterprises (see below), NGOs, faculties, private companies, churches and the military. The project has targeted these stakeholders as the main beneficiaries of

Stakeholder	Roles and Responsibilities
	most project activities.
Public Enterprise National Parks	5 PE NPs functioning as both forestry organisations and as protected areas managers. Seeking to increase non forestry revenues and improve management skills and effectiveness
Public Enterprise forestry companies	PE Srbijašume and PE Vojvodinašume manage a large number and surface of protected areas. They are partnering with the project to increase non forestry revenues and improve management effectiveness.
The Fund for Environmental Protection	A government mandated foundation gaining revenues from environmental taxes and with the objective to provide long-term financing to environmental projects including protected areas and biodiversity. The Environment Fund is partnering with the project providing co-financing and seeking technical support to more effectively raise funding and invest in PA projects.
WWF –	WWF will provide co-financing and support the implementation of the project through additional in-kind contributions. WWF will particularly support the capacity building component and will contribute to the process of sharing of experiences between different projects. WWF may also provide specific expertise on debt-for-nature swaps and business planning process and will be member of the Project Board.
NGOs	Some protected areas Managers are NGOs and these and other relevant national environmental NGO's will be involved in achieving the project outcomes and will play important role in public campaigns, accountant system transparency and PA volunteers support programmes.
Academic and research Institutes	Relevant national and regional academic and research institutes will contribute to the project as appropriate
Representatives of local communities	Representatives of local communities of the PA's will be invited to participate for developing the PA's business plans and for lobbying the compensation to forest land owners in the protected areas, and to elaborate a financial best practices guidelines for communities involved in PA business plans.
National and local press and media	The project will cooperate with the national and local media (TV, press, Internet and radio) on public awareness and legal reform issues.
Land owners	Will be involved in all the actions designed to improve compensation payment, for economical losses, to landowners in the PA's.
Private sector	The project will promote the engagement of as many as possible private partners in PA financing. For instance, professional tourism national associations and other potential donors and/or PA co-management partners. At least one representative from the private sector will be member of the Project Board.
UNDP-Serbia	The roles and responsibilities of UNDP-Serbia will include: Ensuring professional and timely implementation of the activities and delivery of the reports and other outputs identified in the project document; Coordination and supervision of the activities; Assisting and supporting the MESP in organizing coordinating and where necessary hosting all project meetings; Coordinate of all financial administration to realize the targets envisioned in consultation with MESP; supporting the establishing of an effective network between project stakeholders, specialized international organizations and the donor community. The UNDP will also be a member of the Project Board.

1.5 Baseline analysis

15. The Financial Scorecard (pls. refer to Annexes) provides an overview of the current baseline with regard to PA financing in Serbia. To summarize, protected area financing is generated from the government, resource use, tourism, other fees and payments for service, and donations. Funding from the government is provided through various sources. The general state budget is allocated annually to the different state institutions and is approved by the Parliament. Most of the activities are regular costs of financing the institution (salaries, material, cost of representation, different taxes etc.). The Ministry for Environmental and Spatial Planning (MESP), as it is responsible for all protected areas established at the national level, funds protected areas

activities mostly through different projects. The project approach encourages specific activities focused on key objectives of protection and development of protected areas. Such activities include limit and trail marking and maintenance, rehabilitation of degraded areas, development of informative systems, managing visitors-construction of visitors' centers, monitoring, reintroduction, reclamation and improvement of conditions in protected areas, sustainable use of natural resources and rectifying legal property issues. Under these diverse activity categories, PA's write proposals to acquire these financial resources. The average percentage of PA funding that comes from the central government in the above described manor is about 25%.

16. The Fund for Environmental Protection has been established as a general fund for the environment but has a mandate to include protected areas in its financing objectives. The Fund was established under the MESP by the 2004 Law on Environmental Protection. The fund generates revenues from different environmental taxes and some fees. Additionally, revenue can also come from the resources collected from privatization, bilateral and multilateral cooperation and different donations. Almost 90% of the fund resources are collected from taxes while the rest is transferred from the general government budget. Currently, the Fund has 12 employees. The fund distributes its financing based on a specific standard that prescribes both the uses and reporting criteria. Protected areas funding would come from one of the funds objectives that targets "protection and preservation of biodiversity and sustainable use of protected areas". During 2008, only 320,000 USD (20 million RSD) were planned to be used for PA (protection and sustainable use of biodiversity) from a total expenditure of 24 million USD (1.5 billion RSD). This is only 1.3% of the total assigned funds. For 2009, the budget for all fund disbursements is about 30 million USD (~2 billion RSD). Given the increasing budget, there could be increasingly more available for PA financing in the future. The management of the Fund is eager to work with the project to improve its financing strategy.

17. The Ministry for Agriculture, Forestry and Water Management (MAFWM) also provides financial support for some activities in the PAs. The Directorate of Forests approves project funding based on proposed projects from institutions in the forest sector. Fees for this project funding are derived from fees for cutting wood, renting of forest land and using forests and forest land for pasture. The funds generated are used for afforestation, stand improvement, production of tree seed and seedlings, nurseries, building of forest roads for afforestation and protection from fire, and for scientific purposes. For 2009, a budget of over \$ 7 million (450 million RSD) has been established. The Serbian Government budget allocates funds to the Autonomous Province of Vojvodina from which resource are transferred to Provincial Secretariat for Environmental Protection and Sustainable Development. Funds for PAs with this mechanism amounted to around \$500,000 (30 million RSD) during this past year. Municipalities also dedicate part of their budget to biodiversity and landscape conservation.

18. The MESP provides grants for protected areas of national interest (national parks and PAs declared by the act of the national government) for yearly co-financing program management. This financing from the state budget in recent years was the following (rough estimations):

- in year 2007 – 2.500.000 Eur
- in year 2008 – 1.000.000 Eur
- in year 2009 – 1.300.000 Eur

19. These funds were for used for:

- Care, maintenance and visual improvement of the protected areas including the establishment, equipping and training of guard services, marking trails and limits, surveillance, media and other public display of values, rehabilitation of degraded areas, waste management, development of information systems and others;
- Visitor management including construction of entrance stations, educational and visitation centers, printed materials;

- Regulation of property issues and legal claims including the purchase or replacement of land, compensation to owners and users of real estate for limiting use rights, harm done, or other costs that are related to the protection;
- Monitoring and improving the status of protected areas;
- Sustainable use of natural resources including programs, plans and projects for ecotourism development, organic agriculture and others.

20. Within the baseline context described above, the Financial Scorecard estimated the annual gap in PA financing to be around 8.7 million USD for the basic costs, and 24.7 million USD for optimal expenditure. The current “health” of the PA system in Serbia is assessed at 27.6% of the maximum possible score on the UNDP/GEF PA Financial Scorecard.

Table 4 Financial Scorecard Results Summary

Assessment of the Financing System	Total possible score	Actual Score	As percentage of total score
Component 1: Legal regulatory and institutional frameworks	78	25	29.5%
Component 2: Business planning and tools for cost effectiveness	61	9	14.8%
Component 3: Tools (mechanisms) for revenue generation	57	19	33.0%
TOTAL	196	54	27.6%

21. In addition to the UNDP Financial Sustainability Scorecard, the METT Scorecard (See Annex G) was also applied to 21 Serbian PAs. The average score is 60% and is illustrated in the next table.

22. The project is consistent and will coordinate with current related projects and programs (listed in Section 2.2, Coordination with other related initiatives). This constitutes a solid baseline upon which the project is built, since such initiatives are strengthening the foundations for improved PA management in Serbia. Overall, the baseline is characterized by the availability of a general framework setting laws permitting the use of economic incentives and continuous efforts to expand the representativeness of the PA estate. Serbia has set the objective of expanding its PA system from 6.5 to 10% of the country. It is taking steps to improve its overall environmental legislation, finalize the National Biodiversity Strategy and Action Plan, and raise the capacity of the protected area institution and its staff. However, without the project, even though the Government of Serbia has committed to expand its PA system to achieve 10% coverage, this will likely remain an ambitious goal with fundamental PA financing needs remaining unaddressed. The funding gap of approximately 60% is likely to persist or grow, with the government, the State Environmental Fund and municipalities being the only institutions covering PA costs, with limited ad-hoc support from donor projects. The country’s NBSAP will not be based on a long-term financial vision for the protected areas system. Opportunities for diversifying revenue generation (both at macro-level, through e.g. debt-for-nature swaps), as well as at the site level (e.g. through nature-based tourism and regulated collection of non-timber forest resources) will remain nascent. The philosophy of park planning and management will remain conservative and not based on business-thinking, while the resource extraction violations (such as excessive logging) are likely to grow in scale and number, because park public enterprises will be driven by the need to earn at least some additional profit for their subsistence. There is very limited use of donor funding from EU pre-accession funding and the Environment Fund has little knowledge or experience financing protected area. The Institute for Nature Protection has been assisting some of the smaller PAs with grant applications but this goes beyond their mandate and they do not have adequate funding or staff to fulfill this role on a more widespread basis. Outside support to the PA network is limited to the WWF projects mentioned above and specific EU programs such as the IPA Twinning project that aims at Strengthening Administrative Capacities for Protected Areas in Serbia (Natura 2000). Without this project, there will be no pre-conditions set for the long-term financial sustainability of the PA estate, which the Government is seeking to expand.

PART II: STRATEGY

2.1 Project Rationale and Conformity to GEF Policies and Strategic Objectives

23. The project is aligned with the GEF's SO-1 SP-1 (Catalyzing Sustainability of Protected Area Systems/ Sustainable Financing of PA systems). Component I of the project removes legal and policy barriers to sustainable PA financing. Component II identifies targeted interventions to help increase revenue streams for PAs at the site and macro-levels. Finally, Component III increases the capacities of site managers, central government officers, and key PA institutions to increase the cost-effectiveness of PA planning and operations. The project will pilot generation of additional sources of sustainable funding including non-timber forest resources and nature-based tourism, and conduct training for PA managers and partners on these elements. The enlarged protected areas system of Serbia will be left with an expanded and more representative network of protected areas that is closer to adequate sustainable financing and improved cost effective management capacity.

24. The project will contribute to achieving global environmental benefits by securing conservation of 547,000 ha of globally significant biodiversity in the protected areas of Serbia. These protected areas are home to numerous threatened and endemic species such as Serbian spruce (*Picea omorika*), Bosnian Pine (*Pinus heldreichii*) and Macedonian Pine (*Pinus peuce*); Griffon Vulture (*Gyps fulvus*), Great Bustard (*Otis tarda*), European Roller (*Coracias garrulous*), Saker Falcon (*Falco cherrug*), Imperial Eagle (*Aquila heliaca*), Pygmy Cormorant (*Phalacrocorax pygmaeus*), European beaver (*Castor fiber*). Because Serbia contains 39% of Europe's vascular plant species, 51% of its fish fauna, 74% of its bird fauna and 67% of all mammal species, maintaining the existing biodiversity is of global importance. The country offers a resting place for many migratory birds including endangered species. In fact, the total number of all species that live in Serbia represents 43.3% of all existing species in Europe; an extremely large number given Serbia's small area relative to Europe in general.

25. Except for the flat parts of the Pannonian plain in the North, Serbia is situated mostly in the Balkan Peninsula which is one of the centers of biodiversity in Europe. This is reflected through the 3,662 vascular species and subspecies (287 Balkan endemic species in Serbia, local endemics make up 1.5% (59 species). Despite the great diversity of different species, the process of biodiversity loss is occurring in Serbia. Many species have disappeared and some rare species are becoming alarmingly endangered. About 600 flora and 500 fauna species are endangered. The project seeks to reverse these trends though strengthening the effectiveness and sustainable financing of the protected areas.

26. Component II will provide concrete examples of alternative revenue generation activities that should decrease the need for protected areas managers to use logging as a means of financial viability. This will create a more balanced management approach. Component III will increase the cost-effectiveness of PA management and conservation, contributing to better control of illegal activities such as logging and poaching.

2.2 Country Ownership: Country Eligibility and Country Drivenness

27. The project addresses priorities set forward in the 2006 National Environmental Strategy (NES) and the National Environment Action Plan (NEAP). These aim inter alia at "addressing environmental liabilities" and introduction of the "polluter pays" and "user pays" principles, thus promoting income generation from ecosystem products and services. The NES focuses in part on the development of legislation regulating nature protection and the development of a sustainable tourism act in harmony with EU regulations and international initiatives. Furthermore, Action 5.10.6 refers to development of a program on sustainable tourism in protected areas. Short-term goals (2005-2009) have been focused on: (i) the development of a national strategy for biodiversity; (ii) biodiversity inventories with special attention to endangered ecosystems and habitats as well as rare and endemic species; (iii) establishing a biodiversity monitoring system; and (iv) the introduction of effective measures for controlling GMOs.

28. Serbia is a party to a number of Multilateral Environmental Agreements (MEAs) related to biodiversity and nature conservation: the Ramsar Convention on Wetlands of International Importance; the Convention on the Protection of the World Cultural and Natural Heritage; the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES); the Convention on Biological Diversity (CBD); and its Cartagena Protocol. Serbia has adopted the UN Millennium Development Goals, where environmental sustainability is an important goal that should be achieved through the integration of sustainable development principles into national policies and strategies and the prevention of environmental resources loss.

29. The national strategic and policy framework related to nature conservation includes several key strategies and policy documents:

- The Poverty Reduction Strategy for Serbia pays attention to environmental aspects of poverty reduction through the concept of income generation through improving environmental conditions and by obtaining higher support for environmental management on local level.
- The Spatial Plan of the Republic of Serbia was adopted in 1996 and was later replaced with the Spatial Development Strategy. The most recent plan defines some basic goals in the field of nature conservation and environmental protection. One large goal is that, by 2010, 11% of Serbian territory should be under some type of conservation measures.

30. Thus, to achieve these objectives it is imperative to improve the capacities of PA managers and to increase the effectiveness of state bodies responsible for controlling unwanted or unregulated activities in protected and ecologically important areas. The process of preparation of National Strategy for Sustainable Use of Natural Resources and goods is on going and one should expect that this strategy is going to be adopted near the end of the 2009.

2.3 Design principles and strategic considerations

31. The project will ensure active coordination and exchange of experience with other related initiatives in Serbia, in particular with the following GEF funded projects: (i) UNDP/GEF “National Biodiversity Strategy and Action Plan - NBSAP” – the project will ensure its interventions are in line with strategic biodiversity conservation priorities defined in the Strategy; (ii) WB/GEF “Transitional Agriculture Reform” that aims to conserve ecosystems, agrobiodiversity and wild biodiversity in the production areas of the Stara Planina Nature Park by promoting traditional sustainable and biodiversity-sensitive agricultural practices and will use experiences from developing rural development payment system for designing a sustainable financing plan for PAs; (iii) UNDP/GEF “Enabling Activities for the Preparation of Serbia’s Initial National Communication to the UNFCCC”- with taking into consideration the assessment of vulnerability of biodiversity to climate change and incorporating proposed adaptation measures into project interventions. The project will also coordinate its activities with environmental education activities coordinated through various national and international NGOs.

32. The WWF Danube-Carpathian Programme is implementing a program entitled 2010 Protected Areas Programme – The Carpathian Mountains Ecoregion – Phase 1. This program seeks to promote and support the implementation of the Convention of Biological Diversity Program of Work for Protected Areas. The program runs for five years between January 2007 and December 2011. The overall goal for the project is to enable parties to the CBD from the ecoregion to achieve the 2012/2012 targets of the Program of Work on Protected Areas, in particular the establishment of a scientifically based and representative regional network of well-managed protected areas that are sustainably financed, ensure effective participation of local communities and provide social and economic benefits. To achieve this goal, five key objectives are developed, including: establishing a mechanism to support and coordinate the implementation of the PoWPAs across the different countries; building skills and capacity of professional protected area practitioners; enhancing support of stakeholders for protected areas through their participation in PA design, management and benefit sharing; addressing critical gaps in the protected area network, with a particular focus on the creation of large intact blocks, freshwater ecosystems, wilderness and transboundary PAs; and enhancing support for biodiversity and Protected Areas by building capacity for the valuation of PA goods and services,

cross-sectoral planning for effective PA management, and public awareness of PA benefits. This project will work in partnership with this initiative and will benefit from co-financing.

33. WWF has another related project which is “Strengthening the capacity of governments and civil sector in Serbia and in Montenegro to adapt to EU nature protection aquis.” The goal of that project is to build up skills and competencies for government authorities and the civil sector in Serbia and Montenegro to successfully adapt to the EU's legal biodiversity protection standards, as one important step in securing Euro-Atlantic integration. More specifically, the WWF project will (i) support the State Institute for Nature Protection of Montenegro in establishing a functional Natura 2000 database with mapped, updated and field-verified data, (ii) provide support to the non-governmental sector in Serbia and in Montenegro in carrying out its role in nature-related EU accession processes, (ii) work with key government sectors in Montenegro and in Serbia so they understand EU conservation policy, establish communication and begin integrating EU nature conservation requirements into policy making , and (iv) improve national legislative and international funding frameworks in order to support sustainable development and nature conservation in Serbia and in Montenegro. This MSP will work closely with WWF and benefit from co-financing as well.

34. The UNDP is implementing a project on MDG Sustainable Tourism for Rural Development (STRD) that has strong added value with this project. The UNDP will be providing co-financing from this project through the activities: (i) Development of Rural Tourism Master Plan and establishment of UN Fund for Sustainable Rural Tourism; (ii) Promotion of public private partnerships and developing related guidelines; (iii) support for branding of products and regions, including support and capacity building for local action groups.

35. The long-term solution sought by the project is based on: (i) a strategic planning approach and regulatory environment that incorporates targeted regulations allowing for flexible revenue generation by parks; (ii) the identification and implementation of pilot projects to generate sustainable financing for the protected areas and the surrounding communities via nature based tourism, agro-tourism and sustainable use of resources; and (iii) a more complete integration of economics, financial and business planning, and increased efficiency in protected areas management. This will be the first initiative of its kind in Serbia to look at the PA financing from a systemic perspective. By the end of the project, the funding gap (basic needs) is expected to be reduced from 8.7 to app.5.5 million USD annually; the share of non-government funding of the PAs will increase by app.20% from the current proportion. The total finances available to PAs will increase from the baseline \$ 7.2 million to at least \$ 10.2 million, as measured by UNDP/GEF Financial Scorecard. The trends to pin up the project achievements will be fixed through a 7-year PA Funding Plan approved as part of the National Biodiversity Strategy and Action Plan and supported by a suite of regulations allowing for an extended application of entry fees, recreation fees, better catering prices for PA services. By the end of the project, PAs in Serbia will receive tested examples of workable PA business plans; these will be in place for at least 21 PAs, and at 2 PAs innovative PA revenue generation mechanisms (through a system for collection of non-timber forest resources, and nature based and agro-tourism) will be tested. At the macro-level, the Government will be better prepared to negotiate for external funding (including for mechanisms such as debt-for-nature swaps) that would allow to fuel up the external funding for the National Environmental Fund. 10 staff of the MESP, Environment Fund, Institute for Nature Protection, and linked institutions will be trained in external fund-raising. The External Fund-raising Strategy will be developed and integrated in the PA Finance Plan. The project will leave behind it a permanent “help desk” – an on-line facility to consult PA managers in business planning and effective PA management. The incremental value of the project will ultimately be evidenced through the achievement of the global environmental benefits – stabilization of populations of threatened species such as *Picea omorika*, *Pinus heldreichii* H.Christ, Griffon Vulture and Great Bustard.

2.4 Project Objective, Outcomes and Outputs/Activities

36. The **objective** of the project is to improve the financial sustainability of Serbia’s protected area system. This objective will be realized through the following three components: Component 1. Enabling legal and policy environment for improved PA financial sustainability; Component 2. Increasing revenue-streams for the PA system; and Component 3. Institutional and individual capacity of PA institutions to raise PA

management cost-effectiveness. The first component will provide the legal and policy groundwork for long-term gains in the sustainability of the PA system as well as produce a Protected Areas Financing Plan (PAFP) that will integrate the results of the entire project in a key guidance document. The second component is focused on expanding potential revenue streams from activities compatible with the conservation goals of the protected areas network to provide clear pilot projects that show financial sustainability is feasible without commercial logging activities. The third component builds on the various pilots and policy work to increase institutional capacity for cost-effective management and financial sustainability. One key activity of the third component is the development of a business planning process for the PAs of Serbia with 21 pilot sites included and the capacity to extend the process to all PAs of Serbia that require strategic planning. Together these activities and outcomes will greatly increase the financial sustainability and cost-effectiveness of Serbia's protected areas.

Component 1. Enabling legal and policy environment for improved PA financial sustainability.

Output 1.1. A 7-year Protected Areas Funding Plan (PAFP). The Protected Areas Funding Plan (PAFP) will be prepared by the financial and business planning specialists (both national and international) as both a strategic and practical seven (7) year funding plan for the protected areas of Serbia. In preparation of the PAFP, the project will work with the diverse protected areas managers to establish a shared analytical accounting system that is capable of tracking expenditures relative to specific PA management activities and impacts. This system is described further in Component 3. This accounting system will complement the business planning process and the cost effectiveness analyses to determine specific financing needs for the 21 pilot protected areas and provide guidelines for the remaining key PAs in the country. The policy and legal work in Component 1.2 will formalize the approaches to increasing revenue streams (Component 2) and planning and cost effectiveness (Component 3) such that the PAFP is a document grounded in a clear policy framework with legal support. The PAFP will in effect be a overarching "business plan" for the protected areas that will identify financing needs, describe strategies to close the financing gaps, propose concrete steps to successfully raising the required capital, and proscribe specific financial and technical indicators to show cost effectiveness in implementation. The PAFP will provide practical guidance to government, protected areas management authorities, and other stakeholders that are part of the PA system in Serbia. It will include an analysis of selected revenue mechanisms (incl. revenue-sharing mechanisms to expand benefits to population in and around PAs such as private forest owners and family-owned tourism lodges), and propose cost-saving strategies that will be used to reduce funding gaps. The PAFP will include but is not limited to the following sections:

- Background on Serbia's Protected Areas;
- Protected Areas goals and objectives;
- Summary of legal and policy issues;
- Current and historical financing of PAs
- Projected financing needs and investment priorities
- Summary of financing gaps
- Summary of financing strategies
- Review of feasibility studies for new financing opportunities
- Review of proposed cost cutting mechanisms
- Revenue projections with financing implementation plan;
- Financial management systems, monitoring and evaluation; and
- Implementation plan, including all activities, responsibilities, and costs.

Some potential funding sources include various multilateral and unilateral donors, Foundations, EU pre-accession funding options as well as options for site-level revenue generation. The PAFP will be developed in collaboration with a wide range of stakeholders and adopted as annex to the National Biodiversity Strategy and Action Plan.

Output 1.2. Suite of specific regulations and by-laws to support increased cost-effectiveness of protected areas management and financing. The current structure of forestry organizations managing protected areas will be reviewed and legal and policy changes will be suggested to increase the focus of protected areas management on clearly stated conservation objectives. New management approaches – such as private sector management – will be expanded through adaptation of existing legislation and the creation of specific bylaws that will increase the financial viability of non-consumptive uses of the protected areas (especially nature based tourism) as a means of improved financial sustainability. The role of the Institute for Nature Protection will be examined and if appropriate, expanded to include additional areas of support for improved financial management and cost-effectiveness through bylaws and other legal and policy tools. Some specific areas of focus will include:

- Revision of protected areas categorization to better coincide with IUCN categories and EU directives
- Evaluation of new regulations on returning land to previous owners and elaboration of collaborative management policies and procedures
- Standardizing policies and levels for entry fees, recreation fees, catering prices,
- Revision of policies on resource extraction at PAs to address ecological resilience; enforcement mechanism improved for reducing illegal resource extraction based on increased fines and extended rights of environmental inspectors.
- Tax subsidies to park public enterprises, NGOs and private sector to promote nature-based tourism,
- Amendments to the annual State-of-Environment report to require presentation of PA cost-effectiveness,
- Regulation streamlining roles and responsibilities of MESP vis-à-vis other sectoral ministries, park public enterprises, local communities and NGOs,
- Revision of the regulation on the proportion of revenues raised by PAs for re-investment;
- Format and process for site-level business planning adopted.

Component 2. Increasing revenue-streams for the PA system

Output 2.1. Innovative revenue generation mechanisms piloted at the site level. The current primary revenue generation sources for Serbia's national parks and other protected areas are a combination of revenues from forestry activities (the Public Enterprises) and support from the government (most other PAs). As has been discussed in the section on barriers above, financing to the protected areas network outside of the 5 National Parks is severely limited. The project will produce concrete impacts to increase funding from non-forestry sources in 4 pilot projects. The goal of these pilot projects is to provide clear examples and methodologies that can be replicated by the other protected areas for increased revenue generation from the protected areas' own resources. Three pilot projects will focus on increasing revenues from nature based tourism and one will be focused on the collection of Non-Timber Forest Products (NTFP.) The nature-based tourism development projects will occur at Fruska Gora National Park, Nature Park Golija, and Landscape of extraordinary characteristics Pcinja River Valley. These pilot projects will develop cost-and-revenue sharing agreements that will be signed between park enterprises and local entrepreneurs, will assure that new tracks are marked and basic infrastructure is delivered at key localities for hiking, biking, and rafting circuits (where appropriate) and will help the government and parks to establish and enforce the entrance fee systems. Existing tourism operations are not coherently organized, not promoted, generate solid waste problem that decrease the interest of high quality tourists, and are poorly (if at all) promoted. Reversing these trends will require full engagement by the protected areas management and examples of well executed tourism operations. The nature based tourism expert will prepare tourism master plans for each pilot PA in collaboration with the PA

staff and representatives from the national or provincial tourism office. The master plan will then be implemented in stages with close attention to the interests of varied stakeholders. In some cases, the use of agro-tourism will be integrated with the general nature-based tourism circuits. With each pilot, a complete system for managing the tourism services, including entrance fee collection, trail maintenance, waste removal and disposal, guiding, printed material, ranger training, and promotional material will be developed to support the circuit. Non-protected area partners will also be trained and assisted in running business (incl. business accounting, promotion, and basic infrastructure where necessary). There will be close monitoring of the project's impacts to build a case for replication in other areas within the PA (following the master plan) and in other PA's with similar tourism opportunities.

An additional pilot project on the sustainable collection of non-timber forest resources at non-timber site will be NP Tara and will be conducted as another example of alternative financing sources and increasing the value of the parks for surrounding populations. The pilot project will include data collection and analysis to determine appropriate fees, management systems and harvesting levels to guarantee sustainability, enforcement and various promotion activities. A marketing plan will also be designed and implemented to launch or expand the NTFP collection at the PA. The existing park ranger activities will be enhanced to reinforce the control of illegal resource extraction at the PA.

Output 2.2 Macro-level fund-raising strategy in place and central government staff trained for fund-raising. The project will assist the central government, the Environment Fund, the Institute for Nature Protection, the Public Enterprises and other protected areas management authorities with fundraising strategy and activities. This support will include a thorough analysis of potential funding sources, training on how to identify potential funding sources, establish and maintain relationships with donors, foundations, and agencies, prepare successful proposals, and conduct adequate reporting to increase the likelihood of repeat funding. Specific milestones will be established for funding level targets, specific donor relationships, and with special available funds (EU pre-accession funds for example). The Environment Fund has requested technical support to establish clear grant making guidelines and cost effective monitoring systems to allow them to increase their funding of PAs. Currently the Environmental Fund has limited their financing due to lack of experience and knowledge in the area of biodiversity conservation and protected areas management. As well, their mandate includes the possibility for them to fundraise for the protected areas. Considering the small size of many protected areas, their ability to conduct international level fundraising is severely limited. The two entities that could group this expertise and experience are the Environment Fund and the INP. As such, the project will concentrate its efforts to provide training and build experience on these two entities. External fund raising – often called “Development” in non-profit organizations – is a relatively specialized activity that requires advanced training as well as practical experience. The project will provide training to a group of 10 individuals identified from a range of organizations including the MESP, Environment Fund, Institute for Nature Protection, and appropriate Public Enterprises. The external fund-raising strategy that will be developed for these organizations will be integrated into the PA Finance Plan (Component 1). The opportunity for Debt-for-Nature swaps will be pursued in collaboration with WWF (who have experience with Debt Swaps in multiple countries) as a strategic partner. The project will seek to close a Debt-for-Nature agreement and place the funds into Environment Fund as an earmarked sub account destined for protected areas conservation activities.

Component 3. Institutional and individual capacity of PA institutions to raise PA management cost-effectiveness.

Output 3.1. Business planning approach demonstrated at twenty-one (21) sites. The project will guide a business planning process for 21 protected areas in Serbia. The process will follow best practices that are currently being used internationally. The business plans combine classic management plans (which tend to be more focused on technical issues) with a financing plan. The business planning approach to protected areas involves several processes. Firstly, the protected area management will be guided through a process by which the principal objectives of the protected area's management are explicitly defined and quantified. Next, the activities, staffing, resources, and time required to achieve these objectives are clearly identified through a

structured participative process. Then the gap between existing availability of financial and other resources is identified as a challenge that the organization will seek to address. The final written business plan can then be used as both a guide to focus the fundraising efforts of the organization as well as a fundraising document. The business plans will describe the importance of the protected area, the management's goals, the financial needs of the protected area and will include a detailed budget that explains how the sought after financing will be used. The cost-effectiveness of different management approaches will be evaluated and the results incorporated into the business plans. The plans will include sections that identify key species and habitat management objectives and define the monitoring protocols and methods that will be used to assure management effectiveness. The plans will include different financing scenarios: 1) historical financing levels 2) adequately funding to achieve the protected areas' basic objectives, and 3) the ideal financing scenario that includes all of the investments identified as well as concrete steps towards long term sustainable financing of the PA. The scale of the financing need and the clarity that arises from this structure approach will allow the management authorities to target the most appropriate sources of financing and as such maximize the cost-effectiveness of their fundraising activities. The results of the business planning activities will be used in the 7 year PAFP described in the first project component.

The project will follow six steps to developing a business plan²

Step One. Preparatory work

- Decide to do it (allocation of personnel and resources)
- Identify who is responsible for information gathering, analysis and construction of the plan
- Organize existing information
 - Complete, update or leverage management plan information
 - Financials for management plan
 - Historical and current park expenditures
 - Annual operating plan
 - Other planning documents
- Identify any additional studies required
- Set business plan preparation timeline

Step Two. Analysis of current circumstances and full operational requirements

- Consolidate and assess all current cost and revenue material including personnel
- Assess financial and personnel requirements for full operation/protection/service and justify same
- Document difference between current operational circumstance and full operational requirements for each program
- Contract or otherwise arrange for completion of any additional studies
- Prioritization of needs and resource allocation based on management plan objectives

Step Three. Brainstorm, analyze (economic feasibility study, marketing study, competition analysis etc) and prioritize strategic opportunities

- Targeted cost reduction or reallocation
- New revenue or other support (partnerships, volunteerism)
- Cultural shift in organizational thinking
- Use of screening tools, step-by-step methodologies etc. from Conservation Finance Alliance guide

Step Four. Complete packaging for business plan

- Senior manager's introduction
- Executive summary
- Historical perspective on costs and revenue
- Operational analysis including current costs and projected costs of full operation
- Summary financial statement including costs, revenues and needs
- Priorities for current and identified needs
- Strategies for improving operational circumstance

² Center for Park Management, USA

- Projection of targeted cost savings and new revenues
- Annexes (glossary/list of acronyms etc)

Step Five. Implement strategic opportunities as appropriate

Identify opportunities that have low complexity and high impact and implement those activities first leaving complicated but high impact activities as long term priorities.

Step Six. Revisit business plan in appropriate timeframe and adopt adaptive management

- Define indicators of success
- Develop systematic performance assessment tools
- Adapt implementation to changing needs and new opportunities

The business planning exercises will be conducted in the 5 National Parks and 16 other protected areas that have been identified and are listed here. The mix of protected areas was determined to include the most important protected areas from a global biodiversity standpoint and to include a mix of management authorities and PA governance types. This approach allows for a large direct impact and a range of examples for eventual inclusion of other protected areas in the process.

Table 6. The 21 Pilot Protected Areas for Business Plans

No	Name of PA	Type of PA	Manager of PA	Type of organization	Natural characteristics
1	Tara	National park	PE NP Tara	public enterprise	Valuable forest ecosystems, biodiversity, cultural heritage
2	Fruska gora	National park	PE NP Fruska Gora	public enterprise	Natural and cultural values
3	Sara	National park	PE NP Beli izvor	public enterprise	High natural values, variety of endemic species
4	Djerdap	National park	PE NP Djerdap	public enterprise	Natural values and cultural-historical monuments
5	Kopaonik	National park	PE NP Kopaonik	public enterprise	Biodiversity, rich flora and fauna, endemic and relict species, cultural heritage
6	Golija	Nature park-Biosphere reserve	PE Srbijasume	public enterprise	Forest ecosystems, cultural assets (Monastery Studenica, Gradac church), biological diversity, presence of rare, endemic and relict species, geo-heritage
7	Sicevacka klisura	Nature park	PE Srbijasume	public enterprise	Natural and cultural values
8	Deliblatska pescara	Special nature reserve	PE Vojvodinasume	public enterprise	Biggest European continental sands, dune relief, sandy/steppe/forest/swamp/water ecosystems, population of wolf, IBA, Ramsar site, traditional cattle breeding
9	Gornje podunavlje	Special nature reserve-RAMSAR	PE Vojvodinasume	public enterprise	Presence of rare, endemic and relict species and stands
10	Ludasko jezero	Special nature reserve	PE Ludas- Palic	public enterprise	Wetland, landscape and species diversity, migratory bird area, shallow semi-statical lakes of steppe
11	Sargan - Mokra gora	Nature park	"Mokra Gora" LLC	LLC	Natural and cultural values
12	Stari Begej - Carska bara	Special nature reserve	Fishing Estate Ecka	private	Complex of marsh, forest, meadow and steppe ecosystems with rich wildlife and rare, endemic and relict species and stands (ca. 250 bird species, 24 fish species, mammals - otter, ground squirrel, vole)
13	Zasavica	Special nature reserve	NGO "Green Movement of Sremska Mitrovica"	NGO	Species and ecosystem diversity, the only stand of <i>Aldrovanda vesiculosa</i> plant and fish species <i>Umbra krameri</i> in Serbia
14	Klisura reke Tresnjice	Special nature reserve	NATURA - Center for Nature Resources	NGO	Colony of griffon vulture

No	Name of PA	Type of PA	Manager of PA	Type of organization	Natural characteristics
15	Resavska pecina	Monument of nature	PE Resavska pecina	public enterprise	The richest and most beautiful speleological object in Serbia
16	Veliko ratno ostrvo	Landscape of extraordinary characteristics	PE Zelenilo Beograd	public enterprise	Landscape characteristics, rare and endangered swamp bird species, morphological and geological values, recreational function
17	Karadjordjevo	Special Nature Reserve	Military Institution "Karadorđevo"	military	The area has thick forests of old-growth oak and acacia, the abundance in various flora and fauna species as well as marshlands and open plains.
18	Jegricka	Nature park	PE Vode Vojvodine	public enterprise	76 flora species, IPA, fauna, 14 native fish species, 8 frog species, IBA, 140 bird species, otter
19	Ovcarko-kablarska klisura	Landscape of extraordinary characteristics	Tourist organization of Cacak		Cultural-historical heritage, landscape, relief, flora & fauna
20	Slano kopovo	Special Nature Reserve	Hunting association of "Novi Becej"	NGO	Important bird area, migratory area, marshy terrain with well preserved vegetation
21	Dolina reke Peinje	Landscape of extraordinary characteristics	Orthodox diocese Vranje	Church	Landscape diversity reflected through the altitude response and morphological elements of relief as well as cultural and historical elements (Monastery Prohor Peinjski from 11th century)

The project will finance and lead the organization of a series of regional workshops for PA managers, Government representatives, INP, Environment Fund, and other partners to present the experience of the business plan development and implementation mechanisms. This activity will assure the replication of the lessons learned during the business planning process and will also be used to help develop the unified PAFP. The Fund for Environmental Protection of Serbia (Environment Fund) is likely to take the lead role as the institution that provides training and guidance on the business planning process in Serbia.

Output 3.2. Capacity is raised at systemic and individual levels to increase cost-effectiveness of PA management. The project will provide significant technical support to both the Institute for Nature Protection and the Environment Fund to increase their capacities to promote cost effective PA management in Serbia. These two organizations will increase their value to the PA network by acting as centralized sources of information and communication. The project will assist the Environment Fund with the establishment of their funding and monitoring criteria for grant making to protected areas.

There are several steps that will be required for increased costs effectiveness of the PAs. The first step is to establish agreed upon analytical accounting (results based accounting) tools that can be shared among all of the PA managers. In order to establish this system, the project will engage financial specialists (international and national) who will assess the existing financial accounting systems of the 21 targeted protected area (as part of the business planning preparatory work) and will propose a shared system that will be the most beneficial, least costly, and cause the least amount of disruption to existing processes. The establishment of this shared system – through a roll out concurrent with the later stages of the business planning process – will enable the targeted PAs to provide timely financial reporting to the government, donors (including the Environment Fund), and their own management teams. Clear results based financial reporting is an essential first step to increasing cost effectiveness.

The project will also assist the 21 pilot protected areas with an analysis of existing costs seeking opportunities to reduce through various approaches including outsourcing (concessions) non “core competence” activities, sharing services and high level scientific staff among several PAs (especially smaller PAs), outsource all exploitation activities (including forestry) to avoid overhead costs, and evaluate opportunities for seasonal employment / staffing depending on specific traits of each PA and visitation patterns among others.

Together with representatives from the MESP and PA management authorities, individuals from the INP and the Environment Fund will be trained on a range of protected areas management skills. Ultimately the INP will become the trainer to expand the impact of this technical support beyond those protected areas managers who are directly involved. The INP will maintain ongoing relations with expert practitioners in the field of PA management internationally and will bring that knowledge to the protected areas of Serbia through various services that will be established by the project. One such service will be the “help desk” – accessible by telephone and internet – that will deliver guidance to PAs on ways to improve the cost-effectiveness of PA management, PA business-planning, assessment of financial returns on investment, cost-accounting and reporting adapted to Serbia’s context. With the establishment of the “help desk” protected area managers from around the country will know that they can find important information including both technical and financial aspects of protected areas management at a single location within the country. The INP will seek to continuously improve the value of this service. The help desk services will be launched during one of the annual protected areas events where management and staff from Serbia’s protected area network gather for social (and soon technical) objectives.

This component will provide for a series of trainings delivered to 5 biodiversity specialists at the MESP and the Institute for Nature Protection, the Environment Fund and 21 PA site managers. The trainings will cover specific topics aimed at improving the technical and financial management of the protected areas. Topics identified for training programs include: (1) PA management and business plan preparation and reporting; (2) biodiversity conservation techniques; and (3) revenue generation opportunities and mechanisms. The latter will be based in part on the results of the 4 pilot projects in Component II. Additional topics will be added depending on an initial needs assessment that will be conducted at the beginning of the training sessions.

A complementary series of trainings and technical support will be provided to the Institute of Nature Protection (both the Institute for Nature Protection Serbia and the INP of Vojvodina) and to the Environment Fund to enhance their effectiveness supporting the protected areas managers and communicating with government and the public. The INPs will increase their capacity to design and collect protected area reports and then process the data and transfer the summary information so that it can be included in the annual State-Environment-Reports for Parliament. The Environment Fund will increase its capacity to choose projects worthy of financing and will also increase its own capacity to fundraise for the PA network. The project will support and enhance the data-gathering and processing module set at the Institute including targeted training of Institute staff, assure that the first round of data is collected, pooled and transferred to MESP for 2011 annual SER. The INPs will also become the central location for supporting the protected areas with their financial planning and reporting. As such, the project will assist the INPs to develop an agreed upon plan for collecting financial reports from all IUCN category I-IV sites by 2015.

2.5 Financial modality

37. The project will finance policy development, and the capacity building of PA institutions to raise PA management cost-effectiveness and to secure revenue-streams for the PA system. The project objective will be to improve the financial sustainability of Serbia’s protected areas system. No loan or revolving-fund mechanisms are considered appropriate.

2.6 Indicators, Risks and Assumptions

38. The project indicators are detailed in the Strategic Results framework – which is attached in section II of this document. The project risk and assumptions are described in the next table.

Table 7 Project Risks

Risk	Rating	Mitigation Strategy
Weak institutional capacities for efficient PA management	M	The project recognizes weaknesses in capacities of the Government to adopt/absorb new policies and instruments. The recent Law on Nature Protection has good overarching policies, but if the MESP rushes to establish bylaws without technical support, they risk being poorly planned and difficult to implement.

Risk	Rating	Mitigation Strategy
		The project is designed to implement gradually, in 4 years, policies (Component I), that could be tested in the field (Components II and III) to fine-tune them before they are adopted, so that they pertain as much as possible to Serbia context. At all stages, the project will be providing extensive training to staff of the MESP, Institute of Nature Protection, the Environment Fund, as well as Public Enterprises to understand the rationale for the policy changes. The help desk introduced in Component III, will be a sustainable mechanism, continuing to deliver guidance fundraising and cost-effective PA management after the project ends.
Threats to biodiversity may increase over background levels making conservation planning more difficult	L	The business planning approach piloted in Component III will presuppose a regular monitoring mechanism that would measure progress in PA conservation effectiveness and be adjusted on a bi-annual basis at least for any threats that might exceed the baseline levels.
Some of the revenue generation mechanisms might prove difficult to replicate in Serbia's governance context	M	The project has been designed to respond to the current governance settings, to develop and promote only those mechanisms (both at site as well as macro levels) that provide the maximum probability of success. The project will start with more basic funding mechanisms because even these are poorly tested in Serbia – nature based tourism, NTFPs. The most challenging mechanism planned, the debt-for-nature swap, has been done in numerous other countries and will be led by specialists with past successes. The conditions and institutions are favorable for such a mechanism. During project implementation revenue generation pilots will be carefully monitored and project approaches adjusted in the unlikely case when governance settings in the country would make certain mechanisms implausible.
Climate Change	L	Estimated climate change risk score for Serbia is amongst lowest in EE and CIS countries. Though climate monitoring data show increase in temperature and decrease in precipitation, no major climate change effects are expected. However, the project will take into account results of V&A assessment that is currently being developed and will, through its interventions in the field (particularly business planning in Component III), mainstream climate change resilience into the expansion and management of the PA system.

2.7 Cost Effectiveness

39. Based on existing information the current financial management of PAs is not cost-effective and funding levels are not enough to meet conservation priorities. Against this backdrop of inadequate funding, in many cases, PA expenditures are skewed towards meeting recurrent costs, especially staffing, while investment needs that are critical over the long-term remain under-funded. By creating the enabling environment (legislative framework, and individual and institutional capacities) for diversifying financing sources and ensuring that funds thus raised are effectively deployed to promote investment and recurrent costs, the project will be demonstrating more cost-effective financial management of PAs as compared to the business-as-usual practice of PAs being funded largely from government budgets or piece-meal donor grants.

40. With the present proposal to GEF the Government opted to focus on strengthening the financial viability of its protected areas system. A possible alternative for the grant would be to focus on further PA expansion. It has been analyzed, however, that expansion is already supported by a number of internationally supported and domestic initiatives. At the same time, expansion without sound financial planning tools and diversified revenue mechanisms put the whole PA estate at risk of failing to meet its specific objectives. It is therefore

considered more cost-effective for GEF funds to be invested in engendering the financial sustainability of the PA system, rather than investing further in PA expansion or in protecting biodiversity outside PAs. By creating the enabling environment for PA financial sustainability, the project aims at strengthening capacities of the central ministry and PA management to secure predictable and long term financial resources, allocate them in a timely manner and appropriate form, cover the costs of PAs and ensure that protected areas are managed effectively and efficiently. At the site level, the project will initiate partnerships with the private sector and other stakeholders to secure financial sustainability of selected sites, increasing therefore, their capacities to respond to commercial opportunities. The cost of the project to the GEF is \$ 1 million and the impact will be the strengthening of financial sustainability for 560,000 ha or a cost of just under \$2 per ha over 4 years.

41. One alternative scenario is placing money directly into an Environmental Trust Fund mechanism. The Environment Fund already exists and has a mandate for financing PAs. This alternative is not cost effective for a number of reasons. Firstly, the Environment Fund has only been established for a few years and does not have experience with investing capital for annuity payments. Secondly, the Fund has little experience making strategic investments in PAs (in fact they have requested assistance from this project). As a result, it is unlikely that the annuity revenue would generate clear positive impacts on globally threatened biodiversity. Finally, the small amount of interest generated through the investment of \$1 million (roughly \$50,000 per year) would have almost an insignificant impact on the current threats to Serbia's PA system.

42. Another alternative is heavy investment in tourism infrastructure for one of the most important protected areas as an example to the private sector to encourage similar investments throughout the PA system. This approach could positively impact one protected area and may result in replication by the private sector for others – however, it is most likely that the private sector would choose to invest based on visual beautify and not choose their investment locations based on optimizing biodiversity conservation. As a result, the heavy infrastructure investment would have a high risk of having little or no positive impact on globally threatened biodiversity. The project scenario, on the other hand, will work with private sector partners in a variety of locations and can leverage private money to make the infrastructural investments once the value of nature based tourism has been shown in several pilot protected areas.

2.8 Sustainability

43. *Ecological sustainability.* The ecological sustainability of the project will be assured by the fact that its main objective is to improve the quality and financial sustainability of protected areas management in Serbia. Currently financial pressure on protected areas managers increase the level of commercial exploitation of the natural resources (wood, NTFPs, etc.) such that this financing source may have a negative impact on the biodiversity that should be protected by the PA. The project will decrease the funding gap that creates this adverse incentive and provide PA managers with alternative sources of sustainable revenue from the tourism sector, provide concrete examples of sustainable harvesting with active impact monitoring for NTFPs and increase the effectiveness of fundraising for grant financing. Project success will increase the management effectiveness of a range of protected area managers through the establishment and training on the business planning approach in 21 protected areas and will strengthen the capacity of the INP to continue to train additional PA managers on this process. The INP (national and provincial) will be in a stronger position to assist in all aspects of PA management including collaborative ecological monitoring because of an improved relationship among the numerous players in the field of nature conservation in Serbia.

44. *Financial sustainability* will be assured through the project's focus on: i) improving the legal and policy framework for financing protected areas, ii) providing concrete examples of diversified and increased financing sources of funding PA conservation activities and iii) increasing Serbia's capacity for nature conservation management and financing through the establishment of a business planning process for the protected areas and improved fundraising capacity. The legal framework will contribute to solidifying existing and potential funding sources including direct government funding, improved planning and application of user fees, environmental funds, and other emerging sources based on either the user pays or polluter pays principals. The concrete examples of alternative funding sources will include improved revenues from

tourism operations, trails, facilities, and other services as well as increased revenues from sustainable NTFP collection. Work in the third component on cost-effectiveness training will also provide additional support for the financial sustainability of the protected areas.

45. *Institutional sustainability* will be ensured primarily by Components I and III. In Component I improvements to the legal and policy framework will clarify responsibilities and empower institutional improvement. This will be supported through capacity building activities in Component III. Over 10 PA management entities will receive high level training during the business planning process that will cover 21 protected areas in total. During this process the INP will develop competencies enabling the institution to expand its services to the protected areas including offering training and support on business planning, fundraising, and cost-effectiveness.

2.9 Replicability

46. Replication will be achieved through the direct replication of selected project elements and practices and methods, as well as the scaling up of experiences. The project will develop and use a knowledge management system to ensure the effective collation and dissemination of experiences and information gained in the course of the project's implementation. This knowledge management system will be designed to ensure that information and data formats and flows are directed at the most relevant stakeholder groups to support decision-making processes. These stakeholder groups include the INP, the state and provincial forestry companies, the relevant MESP personnel and the managers of the 21 protected areas that will be participating in the business planning process. The INP will receive special support and training during the project that will enable the national and provincial branches to become a stronger support service to all of the protected areas of Serbia and thus replicate the activities of the project with the other protected areas managers. Currently the INP provides services that are primarily focused on biodiversity monitoring and assessment. However, the INP has some capacity to support management, business planning, and fundraising. These will be the elements that the project will seek to expand during the project. The INP will be involved at all stages of the project and has shown strong interest in expanding their services to the protected areas. This expansion of services, that will eventually include "help desk" services, will be supported by the establishment of appropriate bylaws if necessary. Support to the Environment Fund will increase the Fund's interest in and capacity to finance protected areas. As well, the Fund will require improved management and financial reporting from all grantees. This association of financing with increased impact monitoring and management effectiveness will further increase the replicability of project

PART III: PROJECT RESULTS FRAMEWORK

This project will contribute to achieving the following Country Programme Outcome as defined in CPAP or CPD: Sustainable development plans/policies effectively respond to the need of stakeholders, as well as promote employment and environmental protection.
Country Programme Outcome Indicators: Legal and policy environment is conducive to sustainable financing, revenue stream are increased and diversified, and institutional capacity increases improving cost effectiveness
Primary applicable Key Environment and Sustainable Development Key Result Area (same as that on the cover page, circle one): 1. Catalyzing Environmental Finance
Applicable GEF Strategic Objective and Program: SO: Catalyze Sustainability of Protected Area Systems; SP: Sustainable finance of protected area systems at the national level
Applicable GEF Expected Outcomes: Biodiversity conserved and sustainably used in protected area systems; Strategic Programme: 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
Applicable GEF Outcome Indicators: Total revenue and diversification in revenue streams

Project Strategy	Objectively Verifiable Indicators	Baseline	Target	Sources of verification	Risks and Assumptions
Objective: To improve the financial sustainability of Serbia's protected areas system	Overall score of the Financial Scorecard:	27.6%	45%	Financial scorecards. Financial reports (income, expenses, needs and financial gaps). Environmental monitoring data.	Risks: Political conflicts between forest administration and MESP slows down project efforts. Assumptions: The political will to implement the new Law on Nature Protection is strong and the government seeks support for this. The strong interest in the project indicated by the stakeholders allows strong communication and collaboration leading to building project success. Collaboration with INP, Environment Fund, key government players and key PA managers successfully ties all stakeholders to project objectives.
	Population trends of <i>Picea omorika</i> , <i>Pinus heldreichii</i> H.Christ, Griffon Vulture and Great Bustard at key PAs	Decreasing	Stable		
	Coverage of Serbian Protected Areas with ensured financial sustainability	0 ha	550,000 ha		
Component 1. Enabling legal and policy environment for improved PA financial sustainability	Number of PA finance by-laws and regulations completed	0	7	Government publications	Risks: Lack of coordination and partnerships among different types of PA Managers reduced opportunities for system based approach. Assumptions: Strong interest in improving the financial sustainability of PA management at all levels including Public Enterprises and Ministries.
	PAFP integrated into PA policy and regulations	No	Yes (in 2012)	PAFP, Reports on financial gaps reductions, PAFP implementation reports. Financial and auditing reports	
	Cost-effectiveness reporting incorporated into annual State of the Environment Report	No	Yes (in 2012)	State of the Environment Report	
Component 2. Increasing revenue-streams for the PA system	Increased revenues at PA's from nature based tourism and NTFPs	0 PAs	4 PAs	Annual PA reports, financial reporting	Risks: Nature based tourism is an inappropriate revenue generation source Assumptions: Rapid initial success with nature based tourism will lead to increased interest in project's activities. Strong interest by the Environment Fund to increase funding PAs.
	Number of grants acquired by PAs	<5 per year	>10 per year		
	Amount of funding provided to PAs from the Environment Fund	\$320,000 US	> \$1 million US	Annual reports of Environment Fund	

Project Strategy	Objectively Verifiable Indicators	Baseline	Target	Sources of verification	Risks and Assumptions
Component 3. Institutional and individual capacity of PA institutions to raise PA management cost-effectiveness	# of PA's in Serbia with business plans and cost-effectiveness strategies	1	21	Business Plans	<u>Risks:</u> Lack of cooperation or mandate for INP to participate in capacity building for financing and cost effectiveness. <u>Assumptions:</u> Openness and willingness to participate in business planning process by the wide range of PA Managers, the INP and the Environment Fund. Willingness of the INP or the Environment Fund to house the Help Desk. Capacity and interest of MESP and Institute to manage financial information in addition to scientific information for annual reporting.
	# of PA, INP, Environment Fund, and MESP staff trained in effective financial management of PAs	0	30	Training reports	
	# of INP staff trained for supporting PAs through the Help Desk	0	10		
	Existence of a country-wide PA results based financial reporting system with reports sent to MESP and INP. Traceable expenses, costs, needs and gaps by program and PA	No	Yes (in 2012)	Financial reports, Environment Fund grant reports, State of the Environment Report.	
	METTs for 21 PAs	Baseline:	Target:	METT scores	
	Karadjordjevo 18%	Karadjordjevo 38%			
	Pcinja 26%	Pcinja 46%			
	Ludas 34%	Ludas 54%			
	NP Fruska Gora 43%	NP Fruska Gora 60%			
	Veliko ratno ostrvo 54%	Veliko ratno ostrvo 65%			
	NP Sara 58%	NP Sara 65%			
	Slano Kopovo 64%	Slano Kopovo 75%			
	Ovcarsko-kablarska klisura 64%	Ovcarsko-kablarska klisura 75%			
	NP Djerdap 65%	NP Djerdap 75%			
	Golija 65%	Golija 75%			
	Mokra Gora 66%	Mokra Gora 75%			
	Sicevo 67%	Sicevo 75%			
	NP Kopaonik 67%	NP Kopaonik 75%			
	Carska bara 68%	Carska bara 80%			
	Delblatska pescara 68%	Delblatska pescara 80%			
	NP Tara 69%	NP Tara 85%			
	Tresnjica 69%	Tresnjica 85%			
	Resavska pecina 70%	Resavska pecina 90%			
	Gornje Podunavlje 71%	Gornje Podunavlje 90%			
	Jegricka 75%	Jegricka 90%			
	Zasavica 84%	Zasavica 95%			

TOTAL BUDGET AND WORKPLAN

Award ID:	00057303										
Award Title:	PIMS 3635 BD MSP: Ensuring financial sustainability of the protected area system of Serbia										
Atlas Project ID	00073188										
Business Unit:	SRB10										
Project Title:	PIMS 3635 BD MSP: Ensuring financial sustainability of the protected area system of Serbia										
Implementing Partner (Executing Agency)	Ministry of Environment and Spatial Planning										
GEF Outcome/Atlas Activity	Responsible Party/Implementing Agent	Fund ID	Donor Name	Atlas Budgetary Account Code	ATLAS Budget Description	Amount Year 1 (USD)	Amount Year 2 (USD)	Amount Year 3 (USD)	Amount Year 4 (USD)	Total (USD)	Budget note
COMPONENT 1:	MESP	62000	GEF	71200	International consultants	6,000	10,000	6,000	10,000	32,000	1
Enabling legal and policy environment for improved PA financial sustainability				71300	Local consultants	15,000	16,500	16,500	12,000	60,000	2
				71600	Travel	11,000	11,000	7,060	7,000	36,060	3
				74100	Professional services	2,000	2,000	2,000	2,000	8,000	4
				74200	Audio-visual and printing production costs	3,000	3,000	2,000	3,000	11,000	5
				74500	Miscellaneous	3,000	3,000	1,000	2,000	9,000	6
					Total Outcome 1	40,000	45,500	34,560	36,000	156,060	
COMPONENT 2:	MESP	62000	GEF	71200	International consultants	15,000	19,000	12,000	10,000	56,000	7
Increasing revenue-streams for the PA system				71300	Local consultants	12,000	12,000	9,000	6,000	39,000	8
				71600	Travel	7,060	11,000	11,000	7,000	36,060	9
				72100	Contractual Services-Companies	7,200	9,000	8,000	6,000	30,200	10
				72300	Materials and goods	66,000	66,000	52,000	50,000	234,000	11
				72800	Information technology equipment	28,000	1,500	1,500	1,500	32,500	12
				74200	Audio-visual and printing production costs	2,000	2,000	2,000	2,000	8,000	13
				74500	Miscellaneous	3,000	3,000	3,000	3,120	12,120	14
					Total Outcome 2	140,260	123,500	98,500	85,620	447,880	
	MESP	62000	GEF	71200	International consultants	9,000	19,000	15,000	22,000	65,000	15
COMPONENT 3:				71300	Local consultants	15,000	16,500	16,500	12,000	60,000	16
Institutional and individual capacity of PA institutions to raise PA management cost-effectiveness				71600	Travel	7,060	11,000	11,000	7,000	36,060	17
				72100	Contractual Services-Companies	6,000	6,000	6,000	8,200	26,200	18
				72800	Information technology equipment	11,000	11,000	3,800	1,000	26,800	19
				74100	Professional services	3,000	2,000	2,000	3,000	10,000	20

				74200	Audio-visual and printing production costs	2,000	3,000	3,000	3,000	11,000	21
				74500	Miscellaneous	7,000	3,000	3,000	3,000	16,000	22
				Total Outcome 3		60,060	71,500	60,300	59,200	251,060	
PROJECT MANAGEMENT	MESP	62000	GEF	71300	Local consultants	18,720	18,720	18,720	18,720	74,880	23
				71600	Travel	3,000	3,000	3,000	3,000	12,000	24
				72800	Information technology equipment	4,620	500	500	500	6,120	25
				74500	Miscellaneous	500	500	500	500	2,000	26
				Total Project Management		26,840	22,720	22,720	22,720	95,000	
				PROJECT TOTAL		267,160	263,220	216,080	203,540	950,000	

Budget notes:

1. Costs of contractual appointment of PA Sustainable Financing Expert (6 weeks over 4 years) and an additional 2 weeks of short term consultants on an as-needed basis. The calculation is this: 8 weeks at \$3,000 US per week (24,000), plus a share of costs for mid-term evaluation (8,000).
2. Costs of contractual appointment of PA legal and policy specialist (20 weeks at the rate of \$750 per week), PA financial analyst (30 weeks at the rate of \$750 per week), PA business planning specialist (20 wks at the rate of \$750 per week), and other short term consultant as needed (10 weeks at the rate of \$750 per week) for a total of \$60,000 US.
3. Travel costs include 2 international flights per year in the year 1,2 and 1 international flight for the year 3, 4. local travel and DSAs. The calculation for international travel is this: 30 days at \$220 per day totals \$6,600. Plus \$7,200 for 6 tickets (2 per year 1, 2 and one per year 3,4) plus miscellaneous travel expenses (visas, terminals etc) in the amount of \$1,140. The total for international travel is thus \$15,000. The calculation for local travel is this: \$2,700 for gasoline/car rent for the year 1 and 2 and \$2,000 for the year 3,4 in total for the rent \$9,400 and 53 DSA for local travel in total for the DSA \$11,660. Total for the local travel is \$21,060.
4. Professional services including translation services specifically for outputs 1.2 during planning and presentation workshops surrounding the PAFP.
5. Costs for preparation of communications on policy and regulatory work, printing and presentation materials for the PAFP.
6. This is a margin allowed for possible unexpected rises in costs associated with organizing events concerning the PAFP in Component 1. (venue, catering, facilitation, printing, translation, etc.)
7. Costs of contractual appointment of debt swap and foundation specialist (8 wks at \$3,000/wk), nature based tourism expert (5 wks at the \$3,000/wk) and an additional 3 wks of short term consultants on an as-needed basis at the rate of \$3,000 per week. This also includes a percentage of the International Evaluation expert in years 2 and 4.
8. Costs of contractual appointment of nature-based tourism specialist (32 weeks over 4 yrs at the rate of \$750 per week), natural resource management expert (12 wks at the rate of \$750 per week), and other short term consultant as needed (8 weeks at the rate of \$750 per week) in total \$39,000.
9. Travel costs include one international flight per year in the year 1, 4 and 2 international flights for the year 2,3. local travel and DSAs. The calculation for international travel is this: 30 days at \$220 per day totals \$6,600. Plus \$7,200 for 6 tickets (2 per year 2, 3 and one per year 1,4) plus miscellaneous travel expenses (visas, terminals etc) in the amount of \$1,200. The total for international travel is thus \$15,000. The calculation for local travel is this: \$2,700 for gasoline/car rent for the year 2 and 3 and \$2,000 for the year 1,4 in total for the rent \$9,400 and 53 DSA for local travel in total for the DSA \$11,660. Total for the local travel is \$21,060.
10. Contractual services to companies, institutes and other organisations for consulting services surrounding various aspects of Component 2: Nature based-tourism pilot subcontract (15,000) plus Non-timber forest resources subcontract (15,200)..
11. 21 sites will receive support for basic material needs to enable them to benefit from the the business-planning and revenue generation pilot activities and ensure sustainability. The break-down includes: basic office furniture (\$6,300), field and GPS electronic equipment (1,000 per each 21 sites), entry signages (\$25,200), informational and directional signage (\$25,300), nature trail materials (\$12,000), equipment for camping areas (\$11,000) and bird-watching towers (\$7,200), tourist reception and entrance fee booths (\$42,000), mobilliard (\$ 63,000); other infrastructure as determined by the nature based tourism specialists (at 1,000 per site = \$21,000).
12. For the four national parks (the key PAs supported by the project): purchase of 4 laptop computers at the price of \$3,000, 4 printers at the price of \$2,000, 4 video projectors at the price of \$2,000 and \$4,500 with upgrades in software and maintenance in the year 2,3,4.
13. Miscellaneous print and presentation material for communication purposes and to increase replication – for output 2.1 and 2.2.
14. This is a margin allowed for possible unexpected rises in costs associated with implementation.
15. Costs of contractual appointment of PA sustainable financing specialist (4 weeks at \$3,000/wk), debt swap and foundation Specialist (2 wks at \$3,000/wk), business planning specialist (10 wks at \$3,000/wk) and an additional 3 weeks of short term consultants on an as-needed basis (at \$3,000/wk). This also includes a percentage of the International Evaluation expert in years 2 and 4.
16. Costs of contractual appointment of PA financial analyst (28 weeks at the rate of \$750 per week) and PA business planning specialist (42 wks at \$750/wk) and other short term consultants as needed (10 wks at \$750/wk).

17. Travel costs include one international flight per year in the year 1, 4 and 2 international flights for the year 2,3. local travel and DSAs. The calculation for international travel is this: 30 days at \$220 per day totals \$6,600. Plus \$7,200 for 6 tickets (2 per year 2, 3 and one per year 1,4) plus miscellaneous travel expenses (visas, terminals etc) in the amount of \$1,200. The total for international travel is thus \$15,000. The calculation for local travel is this: \$2,700 for gasoline/car rent for the year 2 and 3 and \$2,000 for the year 1,4 in total for the rent \$9,400 and 53 DSA for local travel in total for the DSA \$11,660. Total for the local travel is \$21,060.
18. Contractual services to companies, institutes and other organisations for consulting services surrounding various aspects of Component 3, outputs 3.1 and 3.2.
19. IT equipment for the business planning working groups and for Help Desk. The amount includes 2 laptops at the rate of \$3,000 per piece, 2 desktops at the rate of \$1,400 per piece, two printer at the rate of \$2,000 per piece, two video projectors at the rate of \$2,000 per piece, two cameras at the rate of \$1,000 per piece and telephones lines at the rate of \$2,000 in total and upgrade and maintenance to software and hardware as needed at the rate of \$2,000 for year 2,3,4.
20. Professional services including translation services specifically for outputs 3.1 during workshops and to produce quality English language Business Plans and for output 3.2 to facilitate international experts' participation in trainings and workshops.
21. Cost or preparation of materials for training and communication for business planning, cost effectiveness training, and for help desk.
22. This is a margin allowed for possible unexpected rises in costs associated with implementation.
23. Project Manager and project assistant costs (\$74,880) are calculated 208 weeks for the PM in the amount of \$230/week and the project assistant in the amount of \$130/week.
24. National travel by project manager by ground to visit pilot sites and support project operations. The calculation for local travel includes gasoline/car rent and, DSA at rate of \$100 (DSA rate out of Belgrade).
25. IT equipment for the project manager and project assistant.
26. This is a small margin allowed for possible unexpected rises in costs associated with project management.

Summary of Funds:³

	Year 1	Year 2	Year 3	Year 4	TOTAL
GEF	267,160	263,220	216,080	203,540	950,000
Provincial Secretariat for Environmental Protection and Sustainable Development	517,751	517,751	517,751	517,752	2,071,005
Vojvodina Waters	150,000	150,000	150,000	199,667	649,667
WWF	6,000	7,000	6,000	6,000	25,000
UNDP SERBIA	450,000	450,000	450,000	485,748	1,835,748
TOTAL	1,390,911	1,387,971	1,339,831	1,412,707	5,531,420

³ All co-financing (cash and in-kind) that is not passing through UNDP.

PART IV: MANAGEMENT ARRANGEMENTS

A. INSTITUTIONAL ARRANGEMENT:

47. UNDP is the Implementing Agency for this project. The project is fully in compliance with the comparative advantages matrix approved by the GEF council. UNDP has significant global experience with PA projects, with at least 134 SO1 under implementation (2007 data). The project is also in line with two of the UNDP's priorities for Serbia: Sustainable Development and The Environment. These goals imply long-term planning and sustainable utilization of resources as well as the creation of new jobs and support to entrepreneurship in all areas. Currently UNDP is supporting a number of projects in Europe and CIS, focused on catalyzing the sustainability of protected areas, with an impact on more than 60 protected areas in the region covering more than 16 million hectares. The proposed project is consistent with the UNDP Country Cooperation Framework (CCF) in promoting the conservation of natural resources, while recognizing the need to sustainably manage those resources through capacity building and encouraging broader multisectoral participation of all stakeholders. Given UNDP's recognized role in capacity development to enable countries to access investments for environmental management and based on the fact that UNDP is the implementing agency for a large portfolio of GEF – funded protected area projects covering 22 countries in Europe and CIS and working on 60 protected areas covering over 15 million hectares, the Government of Serbia has requested UNDP's assistance in the design and implementation of this project.

B. PROJECT IMPLEMENTATION ARRANGEMENTS:

48. At the national level, the project will be executed by the Ministry of Environment and Spatial Planning. The MESP will appoint a senior official to be the Project Coordinator (PC). The PC will ensure full government support of the project.

49. A Project Implementation Unit (PIU) will be established comprising permanent staff including: a National Project Manager (NPM), Project Assistant. The PIU will assist Ministry to perform its role as implementing partner. The NPM will be recruited in accordance with UNDP's regulations to manage actual implementation of the project; and will be based in Belgrade. S/he will report to the UNDP Focal Point on Energy and Environment. The NPM will be responsible for overall project coordination and implementation, consolidation of work plans and project papers, preparation of quarterly progress reports, reporting to the project supervisory bodies, and supervising the work of the project experts and other project staff. The NPM will also closely coordinate project activities with relevant Government institutions and hold regular consultations with other project stakeholders. The NPM will also closely coordinate project activities with relevant government institutions and hold regular consultations with other project stakeholders and partners, including UNDP's relevant projects. Under the direct supervision of the PM, the Project Assistant will be responsible for administrative and financial issues, and will get support from the existing UNDP administration.

50. Overall guidance will be provided by the Project Board (PB). This will consist of key national governmental and non-governmental agencies, and appropriate local level representatives. UNDP will also be represented on the PB. The PB will be balanced in terms of gender. The Project Board will be responsible for making management decisions for the project, in particular when guidance is required by the Project Manager. It will play a critical role in project monitoring and evaluations by assuring the quality of these processes and associated products, and by using evaluations for improving performance, accountability and learning. The Project Board will ensure that required resources are committed. It will also arbitrate on any conflicts within the project and negotiate solutions to any problems with external bodies. In addition, it will approve the appointment and responsibilities of the Project Manager and any delegation of its Project Assurance responsibilities. Based on the approved Annual Work Plan, the Project Board can also consider and approve the quarterly plans and also approve any essential deviations from the original plans.

51. In order to ensure UNDP's ultimate accountability for project results, Project Board decisions will be made in accordance with standards that shall ensure management for development results, best value money, fairness, integrity, transparency and effective international competition. In case consensus cannot be reached within the Board, the final decision shall rest with the UNDP Project Manager.

52. Members of the Project Board will consist of key national governmental and non-governmental agencies, and appropriate local level representatives. UNDP will also be represented on the Project Board, which will be balanced in

terms of gender. Potential members of the Project Board will be reviewed and recommended for approval during the PAC meeting. The Project Board will contain three distinct roles:

- *Executive Role*: This individual will represent the project “owners” and will chair the group. It is expected that the Ministry of Environment will appoint a senior official to this role who will ensure full government support of the project.
- *Senior Supplier Role*: This role requires the representation of the interests of the parties concerned which provide funding for specific cost sharing projects and/or technical expertise to the project. The Senior Supplier’s primary function within the Board will be to provide guidance regarding the technical feasibility of the project. This role will rest with UNDP-Serbia represented by the Resident Representative.
- *Senior Beneficiary Role*: This role requires representing the interests of those who will ultimately benefit from the project. The Senior Beneficiary’s primary function within the Board will be to ensure the realization of project results from the perspective of project beneficiaries. This role will rest with the other institutions (key national governmental and non-governmental agencies, and appropriate local level representatives) represented on the Project Board, who are stakeholders in the project.

53. Project Assurance: The Project Assurance role supports the Project Board Executive by carrying out objective and independent project oversight and monitoring functions. The Project Assurance role will rest with the UNDP Serbia Environment Focal Point

54. The permanent core technical staff of the project will be a Chief Expert on Biodiversity. S/he will supervise a team of national specialists, who will implement specific activities of the project at the local level. The NPM, NPEs and national specialists will spend a large portion of their time in the field, and the NPM will be ultimately responsible for liaison with communities engaged in the project.

55. The PIU, following UNDP procedures on implementation of the National Implementation Modality (NIM) projects, will identify national experts and consultants, and international experts as appropriate to undertake technical work. The national and international companies may also be involved in project implementation. These consultants and companies will be hired under standard prevailing UNDP procedures on implementation of NIM projects. The UNDP Country Office will provide specific support services for project realization through the Administrative and Finance Units as required.

56. Audit Clause: The Audit will be conducted in accordance with the established UNDP procedures set out in the Programming and Finance manuals by the legally recognized auditor.

Use of intellectual property rights

57. In order to accord proper acknowledgement to GEF for providing funding, a GEF logo should appear on all relevant GEF project publications, including among others, project hardware and vehicles purchased with GEF funds. Any citation on publications regarding projects funded by GEF should also accord proper acknowledgment to GEF.

PART V: MONITORING FRAMEWORK AND EVALUATION

58. The project team and the UNDP Country Office (UNDP-CO) supported by the UNDP/GEF Regional Coordination Unit in Bratislava will be responsible for project monitoring and evaluation conducted in accordance with established UNDP and GEF procedures. The Logical Framework Matrix in Annex A provides performance and impact indicators for project implementation along with their corresponding means of verification. The Tracking Tool will all be used as instruments to monitor progress in PA management effectiveness. The M&E plan includes: inception report, project implementation reviews, quarterly and annual review reports, a mid-term and final evaluation. 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 in 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

59. A Project Inception Workshop will be conducted with the full project team, government counterparts, co-financing partners, the UNDP-CO, and representatives from the UNDP-GEF Regional Coordinating Unit (Bratislava). A fundamental objective of the Inception Workshop will be to help the project team to understand and take ownership of the project's goal and objective, and to prepare the project's first annual work plan based on the logframe matrix. Work will include reviewing the logframe (indicators, means of verification, assumptions and expected outcomes), providing additional detail as needed, and then finalizing the Annual Work Plan (AWP) with measurable performance indicators. The Inception Workshop (IW) will also: (i) introduce project staff to the UNDP-GEF team (the CO and responsible Regional Coordinating Unit staff) that will support project implementation; (ii) detail the responsibilities of UNDP-CO and RCU staff vis-à-vis the project team; (iii) detail the UNDP-GEF reporting and monitoring and evaluation (M&E) requirements, with particular emphasis on the Annual Project Implementation Reviews (PIRs), and mid-term and final evaluations. The IW will also inform the project team regarding UNDP project related budgetary planning, budget reviews, and mandatory budget re-phasing. An overall objective of the IW is that all parties understand their roles, functions, and responsibilities within the project's decision-making structures; and that reporting and communication lines and conflict resolution mechanisms are clear to all. Terms of Reference for project staff and decision-making structures will be again discussed to clarify each party's responsibilities during project implementation.

Monitoring responsibilities and events

60. Project management, project partners and stakeholder representatives will collaborate on the development of a detailed schedule of project review meetings to be incorporated in the Project Inception Report. The schedule will include: (i) tentative time frames for Project Board Meetings and (ii) project related Monitoring and Evaluation activities. The Project Manager will be responsible for day-to-day monitoring of implementation progress based on the Annual Work Plan and indicators. The Project Manager will inform the UNDP-CO of any delays or difficulties so that appropriate and timely corrective measures can be implemented. At the IW, the Project Manager, project team, UNDP-CO, and UNDP-GEF Regional Coordinating Unit will fine-tune the project's progress and performance/impact indicators and will develop specific targets and their means of verification for the first year's progress indicators. Every year the project team will define targets and indicators as part of the internal evaluation and planning processes.

61. The Project Board Meetings (PBM) will be responsible for twice a year project monitoring. The PBM will be the highest policy-level meeting of the partners involved in project implementation. The first such meeting will be held within the first six months of the start of full implementation.

62. The Project Manager in consultation with UNDP-CO and UNDP-GEF RCU will prepare a UNDP/GEF PIR/APR for submission to PBM members and the Project Board for review and comments and for discussion at the PB meeting. The Project Manager will highlight policy issues and recommendations and will inform participants of agreements reached by stakeholders during the PIR/ARR preparation on how to resolve operational issues. Separate reviews of each project component will be conducted as necessary. Benchmarks will be developed at the Inception Workshop, based on delivery rates and on qualitative assessments of achievements of outputs. A terminal PBM will be held in the last month of project operations. The Project Manager will prepare a Terminal Report for submission to UNDP-CO and UNDP-GEF RCU at least two months in advance of the terminal PBM to allow for review and to serve as the basis for discussions in the PBM. The terminal meeting will consider project implementation, achievement of project objectives, contribution to broader environmental objectives, actions needed to sustain project results, and ways that lessons learnt can feed into other projects being developed or implemented.

63. UNDP Country Office, UNDP-GEF RCU, and any other members of the Project Board will annually assess (with detailed scheduling agreed upon at the project Inception Report/Annual Work Plan) progress at the project sites. No less than one month after the visit, the CO and UNDP-GEF RCU will prepare a Field Visit Report/BTOR to be circulated to the project team, all Project Board members, and UNDP-GEF.

Project Reporting

64. The Project Manager in conjunction with the UNDP-GEF extended team will prepare and submit reports that form part of the monitoring process. The first six reports are mandatory and strictly related to monitoring; while the last two have broader functions such that their frequency and nature are project specific to be defined throughout implementation.

65. A Project Inception Report will be prepared immediately after the Inception Workshop. It will include a detailed First Year / Annual Work Plan divided in quarterly timeframes detailing activities and progress indicators guiding first year project implementation. This Work Plan will include dates of specific field visits, support missions from the UNDP-CO, the Regional Coordinating Unit (RCU), or consultants, and scheduling of the project's decision-making structures. The Report will also include a detailed project budget for the first full year of implementation based on the Annual Work Plan and the monitoring and evaluation requirements for the first year. The Inception Report will also detail the institutional roles, responsibilities, coordinating actions and feedback mechanisms of project partners. The IR will also discuss progress to date on project establishment, start-up activities, and an update of changed external conditions that may effect project implementation. The finalized report will be circulated to project counterparts who will be given one calendar month in which to respond with comments or queries. The UNDP Country Office and UNDP-GEF Regional Coordinating Unit will review the document prior to circulation of the IR.

66. An Annual Review Report will be prepared by the Project Manager and shared with the Project Board prior to each annual Project Board meeting and will consist of the following sections: (i) project risks and issues; (ii) project progress against pre-defined indicators and targets and (iii) outcome performance. As a self-assessment by project management, the report does not entail a cumbersome preparatory process. At a minimum the ARR will follow the Atlas standard format for the Project Progress Report (PPR, although the country office may modify the format, as necessary) and will include a summary of results achieved relative to pre-defined annual targets, progress in meeting the Annual Work Plan, and achievement of intended outcomes via project partnerships. The ARR can also be used to spur dialogue among Project Board and partners. .

67. The Project Implementation Review (PIR) is an annual management and monitoring tool mandated by the GEF that has become the main vehicle for extracting lessons learned from ongoing projects. The CO and project team must provide the PIR generated using a participatory approach after one year of project implementation, with submission in July followed by discussion with the CO and the UNDP/GEF Regional Coordination Unit in August and final submission to the UNDP/GEF Headquarters in the first week of September.

68. Quarterly progress reports: The project team will provide short reports each quarter outlining main updates in project progress. Reports will be submitted to the local UNDP Country Office and the UNDP-GEF RCU.

69. UNDP ATLAS Monitoring Reports: A quarterly Combined Delivery Report (CDR) summarizing all project expenditures is mandatory and will be certified by the Implementing Partner. The following logs are to be maintained and updated throughout the project by the Project Manager: (i) The Issues Log captures and tracks the status of all project issues throughout project implementation; (ii) the Risk Log (using Atlas) captures potential risks to the project and associated measures to manage risks; and (iii) the Lessons Learned Log captures insights and lessons based on good and bad experiences.

70. Project Terminal Report: The project team will prepare the Project Terminal Report in the last three months of the project. This comprehensive report will summarize all activities, achievements, and outputs of the Project, lessons learnt, objectives met or not achieved, and structures and systems implemented. The PTR will be the definitive statement of the Project's activities over its lifetime, recommending any further steps needed to ensure sustainability and replicability of the Project's activities.

71. Periodic Thematic Reports: The project team will prepare Specific Thematic Reports when called for by UNDP, UNDP-GEF, or the Implementing Partner. The written request by UNDP for a Thematic Report provided to the project team will clearly state the issue or activities that need to be reported on. These reports can deal with lessons learnt, specific oversight in key areas, or troubleshooting 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.

72. Technical Reports are detailed documents covering specific areas of analysis or scientific issues in the project. As part of the Inception Report, the project team will prepare a draft Reports List that details which technical reports need to

be prepared over the course of the Project and their tentative due dates. This Reports List will be revised and updated as necessary, and included in subsequent APRs. Technical Reports may also be prepared by external consultants and should be comprehensive, specialized analyses of clearly defined research areas within the project framework. These technical reports will represent the project's substantive subject-matter contributions to be included in dissemination of results at local, national and international levels; and as such will be produced in a consistent and recognizable format.

73. Project Publications will crystallize and disseminate project results and achievements; can include scientific journal articles, informational texts, or multimedia publications; and can be based on selected Technical Reports or syntheses of a series of Technical Reports. The project team in consultation with UNDP, government partners and other stakeholders will determine if any of the Technical Reports merit formal publication and appropriate financial support.

Independent evaluations

74. The project will require at least two independent evaluations. A Mid-Term Evaluation will assess outcome achievements; will identify needed course corrections; will examine the effectiveness, efficiency and timeliness of project implementation; will highlight issues requiring decisions and actions; will present initial lessons learned about project design, implementation and management; and will provide recommendations to improve implementation of the second and final half of the project. The UNDP CO in collaboration with the UNDP-GEF Regional Coordinating Unit will develop the organization, terms of reference, and timing of the mid-term evaluation

75. An independent external Final Evaluation will take place three months prior to the terminal Project Board meeting and will focus on the same issues as the mid-term evaluation as well as on the impact and sustainability of results, capacity building, achievement of global environmental goals, and recommendations for follow-up activities. The Terms of Reference for this evaluation will be prepared by the UNDP CO based on guidance from the UNDP-GEF Regional Coordinating Unit.

Learning and knowledge sharing

76. Project results will be disseminated within and beyond the project intervention zone via information sharing networks and forums including the UNDP/GEF networks that involve Senior Personnel of similar and related projects. UNDP/GEF Regional Unit has established an electronic platform for sharing lessons learned among project coordinators. The project will participate in relevant scientific, policy-based and other networks that can benefit project implementation via lessons learned; and will share its own lessons learned with other similar projects. Identification and analyses of lessons learned will be provided and communicated annually. UNDP/GEF will provide a format and assist the project team in categorizing, documenting and reporting on lessons learned.

Table 1 Project Monitoring and Evaluation Plan and Budget

Type of M&E activity	Responsible Parties	Budget US\$	Time frame
Inception Workshop (IW)	Project Manager Ministry of Environment, UNDP, UNDP GEF	5,000	Within first two months of project start up
Inception Report	Project Team PBM, 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
PIR	Project Team PBM	None	Annually

Type of M&E activity	Responsible Parties	Budget US\$	Time frame
	UNDP-GEF		
Project Board 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 PBM UNDP-GEF RCU External Consultants (evaluation team)	25,000	At the mid-point of project implementation.
Final External Evaluation	Project team, PBM, UNDP-GEF RCU External Consultants (evaluation team)	32,000	At the end of project implementation
Terminal Report	Project team PBM 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
TOTAL indicative COST Excluding project and UNDP staff time costs		73,000	

PART VI: LEGAL CONTEXT

77. This Project Document shall be the instrument referred to as such in Article I of the Standard Basic Assistance Agreement between the Government of Serbia and the United Nations Development Programme, signed by the parties. The host country implementing agency shall, for the purpose of the Standard Basic Assistance Agreement, refer to the government co-operating agency described in that Agreement. The UNDP Resident Representative in Serbia is authorized to effect in writing the following types of revision to this Project Document, provided that he/she has verified the agreement thereto by the UNDP-GEF Unit and is assured that the other signatories to the Project Document have no objection to the proposed changes:

- a) Revision of, or addition to, any of the annexes to the Project Document;
- b) Revisions which do not involve significant changes in the immediate objective, outcomes, outputs or activities of the project, but are caused by the rearrangement of the inputs already agreed to or by cost increases due to inflation;
- c) Mandatory annual revisions which re-phase the delivery of agreed project inputs or increased expert or other costs due to inflation or take into account agency expenditure flexibility; and
- d) Inclusion of additional annexes and attachments only as set out here in this Project Document

PART VII: ANNEXES

Annex I: Risk Analysis

Risk	Rating	Mitigation Strategy
Weak institutional capacities for efficient PA management	M	The project recognizes weaknesses in capacities of the Government to adopt/absorb new policies and instruments. The recent Law on Nature Protection has good overarching policies, but if the MESP rushes to establish bylaws without technical support, they risk being poorly planned and difficult to implement. The project is designed to implement gradually, in 4 years, policies (Component I), that could be tested in the field (Components II and III) to fine-tune them before they are adopted, so that they pertain as much as possible to Serbia context. At all stages, the project will be providing extensive training to staff of the MESP, Institute of Nature Protection, the Environment Fund, as well as Public Enterprises to understand the rationale for the policy changes. The help desk introduced in Component III, will be a sustainable mechanism, continuing to deliver guidance fundraising and cost-effective PA management after the project ends.
Threats to biodiversity may increase over background levels making conservation planning more difficult	L	The business planning approach piloted in Component III will presuppose a regular monitoring mechanism that would measure progress in PA conservation effectiveness and be adjusted on a bi-annual basis at least for any threats that might exceed the baseline levels.
Some of the revenue generation mechanisms might prove difficult to replicate in Serbia's governance context	M	The project has been designed to respond to the current governance settings, to develop and promote only those mechanisms (both at site as well as macro levels) that provide the maximum probability of success. The project will start with more basic funding mechanisms because even these are poorly tested in Serbia – nature based tourism, NTFPs. The most challenging mechanism planned, the debt-for-nature swap, has been done in numerous other countries and will be led by specialists with past successes. The conditions and institutions are favorable for such a mechanism. During project implementation revenue generation pilots will be carefully monitored and project approaches adjusted in the unlikely case when governance settings in the country would make certain mechanisms implausible.
Climate Change	L	Estimated climate change risk score for Serbia is amongst lowest in EE and CIS countries. Though climate monitoring data show increase in temperature and decrease in precipitation, no major climate change effects are expected. However, the project will take into account results of V&A assessment that is currently being developed and will, through its interventions in the field (particularly business planning in Component III), mainstream climate change resilience into the expansion and management of the PA system.

Annex II: Terms of Reference for Key Project Positions

Position Titles	\$/ person week	Estimated person weeks	Tasks to be performed
For Project Management (only local/no international consultants)			
<i>Local</i>			
National Project Manager (PM)	230	208	<p>Supervise and coordinate the project to ensure its results are in accordance with the Project Document and the rules and procedures established in the UNDP Programming Manual;</p> <p>Assume primary responsibility for daily project management - both organizational and substantive matters – budgeting, planning and general monitoring of the project;</p> <p>Ensure adequate information flow, discussions and feedback among the various stakeholders of the project;</p> <p>Ensure adherence to the project’s work plan, prepare revisions of the work plan, if required;</p> <p>Assume overall responsibility for the proper handling of logistics related to project workshops and events;</p> <p>Prepare, and agree with UNDP on, terms of reference for national and international consultants and subcontractors;</p> <p>Guide the work of consultants and subcontractors and oversee compliance with the agreed work plan;</p> <p>Maintain regular contact with UNDP Country Office and the National Project Director on project implementation issues of their respective competence;</p> <p>Monitor the expenditures, commitments and balance of funds under the project budget lines, and draft project budget revisions;</p> <p>Assume overall responsibility for the meeting financial delivery targets set out in the agreed annual work plans, reporting on project funds and related record keeping;</p> <p>Liaise with project partners to ensure their co-financing contributions are provided within the agreed terms;</p> <p>Assume overall responsibility for reporting on project progress vis-à-vis indicators in the logframe;</p> <p>Undertake any other actions related to the project as requested by UNDP or the National Project Director.</p>
Project assistant	130	208	<p>Assist the PM in managing the project staff;</p> <p>Coordinate the project experts and ensure that their results are delivered on time;</p> <p>Prepare GEF quarterly project progress reports, as well as any other reports requested by the Executing Agency and UNDP;</p> <p>Ensure collection of relevant data necessary to use in the Management Effectiveness Tracking Tool;</p> <p>Assist the PM in managing the administrative and finance staff and ensure that all information is accurate;</p> <p>Act as PM in case of his/her absence;</p> <p>Overall, provide all necessary support to the PM in implementation of the project.</p> <p>Provide general administrative support to ensure the smooth running of the project management unit;</p> <p>Project logistical support to the Project Coordinator and project consultants in conducting different project activities (trainings, workshops, stakeholder consultations, arrangements of study tour, etc.);</p>

Position Titles	\$/ person week	Estimated person weeks	Tasks to be performed
			<p>During the visits of foreign experts, bear the responsibility for their visa support, transportation, hotel accommodation etc; Organize control of budget expenditures by preparing payment documents, and compiling financial reports; Maintain the project's disbursement ledger and journal; Control the usage non expendable equipment (record keeping, drawing up regular inventories); Arrange duty travel; Perform any other administrative/financial duties as requested by the Project Manager; Organize and coordinate the procurement of services and goods under the project. Under supervision of project manager, responsible for all aspects of project financial management</p>
For Technical Assistance			
Local			
PA legal and policy Specialist	750	20	<p>Output 1.2 Provide background research and lead the development of laws and policy preparation for:</p> <ol style="list-style-type: none"> Revision of protected areas categorization to better coincide with IUCN categories and EU directives Evaluation of new regulations on returning land to previous owners and elaboration of collaborative management policies and procedures Standardizing policies and levels for entry fees, recreation fees, catering prices, (in collaboration with the PA financing analyst, nature based tourism specialist and the financial sustainability specialist) Revision of policies on resource extraction at PAs to address ecological resilience; enforcement mechanism improved for reducing illegal resource extraction based on increased fines and extended rights of environmental inspectors. Tax subsidies to park public enterprises, NGOs and private sector to promote nature-based tourism, Amendments to the annual State-of-Environment report to require presentation of PA cost-effectiveness, Regulation streamlining roles and responsibilities of MESP vis-à-vis other sectoral ministries, park public enterprises, local communities and NGOs, Revision of the regulation on the proportion of revenues raised by PAs for re-investment; Format and process for site-level business planning adopted.
PA financial analyst	750	58	<p>Output 1.2 Assist the PA legal and policy specialist with preparation of policy regarding:</p> <ul style="list-style-type: none"> - Standardizing policies and levels for entry fees, recreation fees, catering prices - Tax subsidies to park public enterprises, NGOs and private sector to promote nature-based tourism, - Revision of the regulation on the proportion of revenues raised by PAs for re-investment; <p>Output 2.2 Assist the sustainable finance specialist with preparing an external fundraising strategy, action plan, and training program for PAs, the INP, the PEs and the MESP.</p>

Position Titles	\$/ person week	Estimated person weeks	Tasks to be performed
			Output 3.1 and 3.2 financial analysis of existing PA revenues and costs, work with business planning specialist, and financial sustainability specialist to prepare the PAFP, evaluate cost-effectiveness opportunities in pilot sites (21 sites), propose standardized financial reporting mechanisms and methods.
PA business planning specialist	750	62	Output 1.2 Assist the PA legal and policy specialist to define the policy for business planning. Output 3.1 and 3.2 conduct all initial work at sites for business planning process including Step One: Preparatory work and Step Two: Analysis of current circumstances and full operational requirements. Collaborate with the international business planning specialist to complete the remaining steps to establishing business plans at 21 pilot sites, and provide training for project partners on the business planning process.
Nature-based tourism specialist	750	32	Output 1.2 Standardizing policies and levels for entry fees, recreation fees, catering prices Output 2.1 Assist 2 national parks and one nature park with the design and implementation of nature based tourism pilots following appropriate analysis, strategy, planning, budgeting, implementing, and monitoring processes. Prepare presentations on the approach and the results as training materials for other PAs. Provide training at cross site visits to promote the successful methodologies in other PAs. Output 3.1 provide guidance to the business planning process in regards to the use of nature based tourism w/r/t costs and potential revenues.
Natural resource management expert	750	12	Output 2.1 Design and assist with the implementation of a pilot on non-timber forest products at a national park.
Other short term consultants	750	28	Additional short term consultants will be hired for very specific tasks and their ToR will be elaborated by the project staff in consultation with the CTA and other international consultants.
International			
PA Sustainable Financing Expert	3,000	10	The PA sustainable financing expert will oversee and lead the following outputs: Output 1.1 Guide the analysis and elaboration and initial implementation of the Protected Areas Financing Plan Output 1.2 Provide oversight to improvements in PA legal and policy issues as they relate to sustainable financing Output 2.2 Design overall strategy for external fundraising and provide ongoing support to the Environment Fund as they develop improved methods for fundraising and investing in PAs Output 3.2 Design and oversee training programs on PA cost effectiveness and improvements to financial and results based reporting.
Debt Swap and Foundation Specialist	3,000	10	Output 1.1 Provide technical guidance for legal and policy issues surrounding the Environmental Fund and the debt-for-nature swap. Output 2.2 Provide support to the Environment Fund for the establishment of funding criteria and monitoring for PA projects, governance, and outside fundraising strategies. Provide training for 10 staff of the MESP, Environment Fund, Institute for Nature Protection, and linked institutions for external fund-raising.

Position Titles	\$/ person week	Estimated person weeks	Tasks to be performed
			Elaborate an external fund-raising strategy integrated as part of the PA Finance Plan (Output 1.1).
Business Planning Specialist	3000	10	Component 3.1 Lead the design and implementation of the business planning process for 21 protected areas.
Nature Based Tourism Expert	3000	5	Component 1.1 Provide high level guidance and evaluation techniques for the determination of fees for tourism based revenues for the PAs Component 2.1 Prepare a nature based tourism master plan for and provide technical expertise for the establishment of nature based tourism at 3 pilot sites
Evaluation expert	3,000	8	The international evaluation consultant will lead the mid-term and the final evaluations. He/she will work with the local evaluation consultant in order to assess the project progress, achievement of results and impacts. The project evaluation specialists will develop draft evaluation report, discuss it with the project team, government and UNDP, and as necessary participate in discussions to extract lessons for UNDP and GEF. The standard UNDP/GEF project evaluation TOR will be used.
Other short-term consultants	3,000	8	The international expertise will be utilized, as needed, to provide appropriate technical advice on issues that might arise as the project evolves. The international consultants will be involved in order to provide the ad hoc assistance on the narrow topics (e.g. agrobiodiversity, market analysis etc.), when required. The ToRs will be developed by the project personnel in consultation with the CTA and other international consultants working for the project.

Annex III: Stakeholder Involvement Plan

During the project preparation stage, a stakeholder analysis was undertaken in order to identify key stakeholders, assess their interests in the project and define their roles and responsibilities in project implementation. The table below describes the major categories of stakeholders identified, and the level of involvement envisaged in the project.

Key stakeholders and roles and responsibilities

Stakeholder	Roles and Responsibilities
Ministry of Environment and Spatial Planning	Develops environmental strategy, policy and legislation, currently focused on the EU ascension process. Oversees the PA network from a policy and legal standpoint.
Institute for Nature Protection	Performs research for nature protection, monitoring of the status of the natural resources, prepares reports on nature conservation, and assists with the implementation of protection regimes. There are soon to be two separate INPs (one for the autonomous province of Vojvodina) and both organizations will work closely with the project on most project components
Ministry of Agriculture, Forestry and Water Management	Develops strategy and policy for the agricultural and forestry industries.
Ministry of Economy and Regional Development	Oversees economy and economical development
Ministry of Energy and Mining	Oversees energy and mining
Ministry of Infrastructure	Oversees roads and other large infrastructures
Diverse Protected Areas “Managers”	There are over 40 different PA Managers throughout Serbia. These entities include Public Enterprises (see below), NGOs, faculties, private companies, churches and the military. The project has targeted these stakeholders as the main beneficiaries of most project activities.
Public Enterprise National Parks	5 PE NPs functioning as both forestry organisations and as protected areas managers. Seeking to increase non forestry revenues and improve management skills and effectiveness
Public Enterprise forestry companies	PE Srbijašume and PE Vojvodinašume manage a large number and surface of protected areas. They are partnering with the project to increase non forestry revenues and improve management effectiveness.
The Fund for Environmental Protection	A government mandated foundation gaining revenues from environmental taxes and with the objective to provide long-term financing to environmental projects including protected areas and biodiversity. The Environment Fund is partnering with the project providing co-financing and seeking technical support to more effectively raise funding and invest in PA projects.
WWF –	WWF will provide co-financing and support the implementation of the project through additional in-kind contributions. WWF will particularly support the capacity building component and will contribute to the process of sharing of experiences between different projects. WWF may also provide specific expertise on debt-for-nature swaps and business planning process and will be member of the Project Board.
NGOs	Some protected areas Managers are NGOs and these and other relevant national environmental NGO’s will be involved in achieving the project outcomes and will play important role in public campaigns, accountant system transparency and PA volunteers support programmes.
Academic and research Institutes	Relevant national and regional academic and research institutes will contribute to the project as appropriate
Representatives of local communities	Representatives of local communities of the PA’s will be invited to participate for developing the PA’s business plans and for lobbying the compensation to forest land owners in the protected areas, and to

Stakeholder	Roles and Responsibilities
	elaborate a financial best practices guidelines for communities involved in PA business plans.
National and local press and media	The project will cooperate with the national and local media (TV, press, Internet and radio) on public awareness and legal reform issues.
Land owners	Will be involved in all the actions designed to improve compensation payment, for economical losses, to landowners in the PA's.
Private sector	The project will promote the engagement of as many as possible private partners in PA financing. For instance, professional tourism national associations and other potential donors and/or PA co-management partners. At least one representative from the private sector will be member of the Project Board.
UNDP-Serbia	The roles and responsibilities of UNDP-Serbia will include: Ensuring professional and timely implementation of the activities and delivery of the reports and other outputs identified in the project document; Coordination and supervision of the activities; Assisting and supporting the MESP in organizing coordinating and where necessary hosting all project meetings; Coordinate of all financial administration to realize the targets envisioned in consultation with MESP; supporting the establishing of an effective network between project stakeholders, specialized international organizations and the donor community. The UNDP will also be a member of the Project Board.

Throughout the project's development, very close contact was maintained with all stakeholders at the national and local levels. All affected national government institutions were directly involved in project development, as well as municipalities, research and academic institutions and NGOs. Numerous consultations occurred with all of the above stakeholders to discuss different aspects of project design. These consultations included a survey on sustainable finance and Management Effectiveness (METTs) carried out in October and November 2009. In addition, bilateral discussions; site visits to pilot sites and permanent electronic communications.

The projects approach to stakeholder involvement is illustrated in the next table.

Stakeholder participation principles

Principle	Stakeholder participation will:
Value Adding	be an essential means of adding value to the project
Inclusivity	include all relevant stakeholders
Accessibility and Access	be accessible and promote access to the process
Transparency	be based on transparency and fair access to information; main provisions of the project's plans and results will be published in local mass-media
Fairness	ensure that all stakeholders are treated in a fair and unbiased way
Accountability	be based on a commitment to accountability by all stakeholders
Constructive	seek to manage conflict and promote the public interest
Redressing	seek to redress inequity and injustice
Capacitating	seek to develop the capacity of all stakeholders
Needs Based	be based on the needs of all stakeholders
Flexible	be flexibly designed and implemented
Rational and Coordinated	be rationally planned and coordinated, and not be ad hoc
Excellence	be subject to ongoing reflection and improvement

The project's design incorporates several features to ensure effective stakeholder participation in the project's implementation:

1. Project inception workshop

The project will be launched by a multi-stakeholder workshop. This workshop will provide an opportunity to provide all

stakeholders with the most updated information on the project, the work plan, and will establish a basis for further consultation as the project's implementation commences.

2. Constitution of Project Board

A Project Board's constituency will be constituted to ensure broad representation of all key interests throughout the project's implementation. The representation, and broad terms of reference, of the Project Board are described in the [Management Arrangements](#) in Part III of the Project Document.

3. Establishment of the Project Management Unit

The Project Management Unit will take direct operational responsibility for facilitating stakeholder involvement and ensuring increased local ownership of the project and its results. The PMU will be located in Belgrade to ensure coordination among key stakeholder organizations at the national level during the project period.

4. Establishment of sustainable finance working group

A technical PA finance working group will be established during the first semester. The group will work closely with the Project Board and PMT and will provide technical advice on Pa finance related matters.

5. Project communications

The project will develop, implement and maintain a communications strategy to ensure that all stakeholders are informed on an ongoing basis about: the project's objectives; the projects activities; overall project progress; and the opportunities for involvement in various aspects of the project's implementation.

6. Implementation arrangements

A number of project activities have specifically been designed to directly involve local stakeholders in the implementation of these activities. For example, validation of the financial analysis, legal analysis, institutional analysis, selection of financial mechanism, sustainable finance strategy, business plans and communication campaign.

7. Formalising collaborative PA governance structures

The project will actively seek to formalise collaborative PA governance at the level of the protected areas to ensure the ongoing participation of local stakeholders in the planning and management of individual Pas, with a string emphasis on financial management.

Annex IV: METT and Financial Scorecards

The scorecards are attached as separate files due to large space. Also, the letters of co-financing are attached in a separate file.

Annex V: Co-financing letters

The letters are provided in a separate file.

SIGNATURE PAGE

Country: Serbia

UNDAF Outcome(s)/Indicator(s):
(Link to UNDAF outcome., If no UNDAF, leave blank)
 Expected Outcome(s)/Indicator (s):
(CP outcomes linked to the SRF/MYFF goal and service line)
 Expected Output(s)/Indicator(s):
(CP outputs)

 Implementing partner:
(designated institution/Executing agency)

To promote sustainable development and increase capacity at municipal level
 Sustainable development plans/policies effectively respond to the need of stakeholders, as well as promote employment and environmental protection.
 Legal and policy environment is conducive to sustainable financing, revenue stream are increased and diversified, and institutional capacity increases improving cost effectiveness.
 Ministry of Environment and Spatial Planning

Programme Period: 2005 - 2009
Atlas Award ID: 00057303
Atlas Project ID: 00073188
PIMS: 4281
Start date: January, 2010
End Date: January, 2014
LPAC Meeting Date: t.b.d.
Management Arrangements: National Implementation

Total budget:	US\$ 5,531,420
Allocated resources:	
• GEF	US\$ 950,000
Parallel and in kind contributions:	
• Provincial Secretariat for Environmental Protection and Sustainable Development	US\$ 2,071,005
• Vojvodina Waters	US\$ 649,670
• UNDP	US\$ 1,835,748
• WWF	US\$ 25,000

Agreed by (Government):

NAME	SIGNATURE	Date/Month/Year
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Agreed by (Executing Entity/Implementing Partner):

NAME	SIGNATURE	Date/Month/Year
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Agreed by (UNDP):

NAME	SIGNATURE	Date/Month/Year
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Project Objective: To improve the financial sustainability of Serbia's protected areas system								
Project Components	Type	Expected Outcomes	Expected Outputs	GEF		Co-financing		Total
				(\$)	%	(\$)	%	
		The annual financing gap for basic expenditure reduced from 8.7 million to app. 5.5 million. Resources for PAs diversified to increase the share of funding coming outside the central budget (foreign governments, private sector, NGOs) by 20%.	<p>system enforced. Operators trained and assisted in running business (incl. business accounting, promotion, and basic infrastructure).</p> <p>b. A pilot on collection of non-timber forest resources at one national park: inventories of collecting options; appropriate fees, management, enforcement and promotion activities set; biological acceptance of collection assured (i.e. maximum collection rates confirmed). A marketing plan launched for the start of NTFR collection at the park, and a mechanism reinforced to control illegal resource extraction at the park.</p> <p><u>2.2 Macro-level fund-raising strategy in place and central government staff capacitated to raise funding:</u></p> <p>a. Milestones set for raising revenue from external donors, and EU pre-accession funds integrated in PA Financing Strategy. Assistance delivered to Government for negotiations on potential debt-for nature swap agreements to replenish the Environment Fund: institutional structure for the swap proposed with mediation from WWF.</p> <p>a. 10 staff of the MESP, Environment Fund, Institute for Nature Protection, and linked institutions trained in external fund-raising. The External Fund-raising Strategy integrated in the PA Finance Plan (Component 1).</p>					
3. Institutional and individual capacity of PA institutions to raise PA management cost-effectiveness	TA	<p>An increase in skills and competencies for cost-effective PA management at 21 PAs of IUCN I and II categories. Measured through the METT, as per log-frame in Annex A [a 20% increase from baseline is sought].</p> <p>Project demonstration activities raise cost-effectiveness of conservation compliance, mitigating biodiversity pressures as follows: halting unsustainable tourism, illegal extraction of resources and logging, improved ecosystem functions such as stabilization of soils.</p>	<p><u>3.1 Business planning approach demonstrated at 21 sites:</u></p> <p>a. Support rendered to business plan preparation and implementation at 5 national parks and 16 nature parks: conservation planning part in place with PA governance types; business planning part developed defining budget (in 3 scenarios), revenue-generation mechanisms; cost-effective site management principles; site monitoring mechanism in place.</p> <p>b. Replication set: series of regional workshops for PA managers and Government to present the experience of business plan development and implementation mechanisms.</p> <p><u>3.2. Capacity is raised at systemic and individual levels to increase cost-effectiveness of PA management:</u></p> <p>a. Telephone and email line established at the Institute of Nature Protection to function as a "help desk" for parks and reserves delivering guidance to PAs on ways to improve the cost-effectiveness of PA management. Best international guidance on PA business-planning, assessment of financial returns on investment, cost-accounting and reporting adapted to Serbia's context and made available, through the Help Desk to all PAs.</p> <p>b. Series of trainings delivered for 5 biodiversity specialists of MESP and 20 PA site managers on the topics of (1) PA management and business plan preparation and reporting, (2) biodiversity conservation techniques, (3) revenue generation opportunities and mechanisms;</p> <p>c. Institute of Nature Resources capacitated to collect park reports and process them in data transferred to annual State-Environment-Reports for Parliament: data-gathering and processing module set at the Institute; staff of the Institute trained; first round of data collected, pooled and transferred to MESP for 2011 annual SER; plan agreed for collecting financial reports from all IUCN category I-IV sites by 2015.</p>	251,060	27	687,280	73	938,340
Project management				95,000	17	458,140	83	553,140
Total				950,000		4,581,420		5,531,420

B. SOURCES OF CONFIRMED Co-financing FOR THE PROJECT

Name of Co-financier (source)	Classification	Type	Project	%
Provincial Secretariat for Environmental Protection and Sustainable Development	Government	Grant	1,380,670	30
		In-kind	690,335	15
Vojvodina Waters	Public enterprise	Grant	259,867	6
		In-kind	389,800	9
WWF	NGO	In-kind	25,000	1
UNDP Serbia	GEF Implementing Agency	Grant	770,000	17
		In-kind	1,065,748	23
Total Co-financing			4,581,420	100

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

	Project Preparation <i>a</i>	Project <i>B</i>	Total <i>c = a + b</i>	Agency Fee	For comparison: GEF and Co-financing at PIF
GEF financing	50,000	950,000	1,000,000	100,000	950,000
Co-financing	50,000	4,581,420	4,631,420		2,970,000
Total	100,000	5,531,420	5,631,420	100,000	3,920,000

D. GEF RESOURCES REQUESTED BY AGENCY(IES), FOCAL AREA(S) AND COUNTRY(IES) - NA¹

E. CONSULTANTS WORKING FOR TECHNICAL ASSISTANCE COMPONENTS:

Component	Estimated person weeks (GEF Only)	GEF amount(\$)	Co-financing (\$)*	Project total (\$)
Local consultants* [Sub-total]	212	159,000	75,000	234,000
International consultants* [Sub-total]	51	153,000	74,000	227,000
Total	263	312,000	149,000	461,000

*Detailed information regarding the consultants in [Annex C: Consultants to be hired for the project using GEF resources](#).

F. PROJECT MANAGEMENT BUDGET/COST

Cost Items	Total Estimated person weeks (GEF only)	GEF amount \$	Co-financing (\$)*	Project total (\$)
<i>Local consultants*</i>				
Project Manager	208	47,840	134,400	182,240
Project Assistant	208	27,040	67,200	94,240
Office facilities, equipment, vehicles and communications*		8,120	216,540	224,660
Travel*		12,000	80,000	92,000
Total		95,000	498,140	593,140

*Detailed information regarding the consultants is provided in [Annex C: Consultants to be hired for the project using GEF resources](#).

G. DOES THE PROJECT INCLUDE A “NON-GRANT” INSTRUMENT? NO.

H. DESCRIBE THE BUDGETED M & E PLAN:

1. The project team and the UNDP Country Office (UNDP-CO) supported by the UNDP/GEF Regional Coordination Unit in Bratislava will be responsible for project monitoring and evaluation conducted in accordance with established UNDP and GEF procedures. The Logical Framework Matrix in Annex A provides *performance* and *impact* indicators for project implementation along with their corresponding *means of verification*. The Tracking Tool will all be used as instruments to monitor progress in PA management effectiveness. The M&E plan includes: inception report, project implementation reviews, quarterly and annual review reports, a mid-term and final evaluation. 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 in 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

2. A Project Inception Workshop will be conducted with the full project team, government counterparts, co-financing partners, the UNDP-CO, and representatives from the UNDP-GEF Regional Coordinating Unit (Bratislava). A fundamental objective of the Inception Workshop will be to help the project team to understand and take ownership of the project's goal and objective, and to prepare the project's first annual work plan based on the logframe matrix. Work will include reviewing the logframe (indicators, means of verification, assumptions and expected outcomes), providing additional detail as needed, and then finalizing the Annual Work Plan (AWP) with measurable performance indicators. The Inception Workshop (IW) will also: (i) introduce project staff to the UNDP-GEF team (the CO and responsible Regional Coordinating Unit staff) that will support project implementation; (ii) detail the responsibilities of UNDP-CO and RCU staff vis-à-vis the project team; (iii) detail the UNDP-GEF reporting and monitoring and evaluation (M&E) requirements, with particular emphasis on the Annual Project Implementation Reviews (PIRs), and mid-term and final evaluations. The IW will also inform the project team regarding UNDP project related budgetary planning, budget reviews, and mandatory budget re-phasing. An overall objective of the IW is that all parties understand their roles, functions, and responsibilities within the project's decision-making structures; and that reporting and communication lines and conflict resolution mechanisms are clear to all. Terms of Reference for project staff and decision-making structures will be again discussed to clarify each party's responsibilities during project implementation.

Monitoring responsibilities and events

3. Project management, project partners and stakeholder representatives will collaborate on the development of a detailed schedule of project review meetings to be incorporated in the Project Inception Report. The schedule will include: (i) tentative time frames for Project Board Meetings and (ii) project related Monitoring and Evaluation activities. The Project Manager will be responsible for day-to-day monitoring of implementation progress based on the Annual Work Plan and indicators. The Project Manager will inform the UNDP-CO of any delays or difficulties so that appropriate and timely corrective measures can be implemented. At the IW, the Project Manager, project team, UNDP-CO, and UNDP-GEF Regional Coordinating Unit will fine-tune the project's progress and performance/impact indicators and will develop specific targets and their means of verification for the first year's progress indicators. Every year the project team will define targets and indicators as part of the internal evaluation and planning processes.

4. The Project Board Meetings (PBM) will be responsible for twice a year project monitoring. The PBM will be the highest policy-level meeting of the partners involved in project implementation. The first such meeting will be held within the first six months of the start of full implementation.

5. The Project Manager in consultation with UNDP-CO and UNDP-GEF RCU will prepare a UNDP/GEF PIR/APR for submission to PBM members and the Project Board for review and comments and for discussion at the PB meeting. The Project Manager will highlight policy issues and recommendations and will inform participants of agreements reached by stakeholders during the PIR/ARR preparation on how to resolve operational issues. Separate reviews of each project component will be conducted as necessary. Benchmarks will be developed at the Inception Workshop, based on delivery rates and on qualitative assessments of achievements of outputs. A terminal PBM will be held in the last month of project operations. The Project Manager will prepare a Terminal Report for submission to UNDP-CO and UNDP-GEF RCU at least two months in advance of the terminal PBM to allow for review and to serve as the basis for discussions in the PBM. The terminal meeting will consider project implementation, achievement of project objectives, contribution to broader environmental objectives, actions needed to sustain project results, and ways that lessons learnt can feed into other projects being developed or implemented.

6. UNDP Country Office, UNDP-GEF RCU, and any other members of the Project Board will annually assess (with detailed scheduling agreed upon at the project Inception Report/Annual Work Plan) progress at the project sites. No less than one month after the visit, the CO and UNDP-GEF RCU will prepare a Field Visit Report/BTOR to be circulated to the project team, all Project Board members, and UNDP-GEF.

Project Reporting

7. The Project Manager in conjunction with the UNDP-GEF extended team will prepare and submit reports that form part of the monitoring process. The first six reports are mandatory and strictly related to monitoring; while the last two have broader functions such that their frequency and nature are project specific to be defined throughout implementation.

8. A Project Inception Report will be prepared immediately after the Inception Workshop. It will include a detailed First Year / Annual Work Plan divided in quarterly timeframes detailing activities and progress indicators guiding first year project implementation. This Work Plan will include dates of specific field visits, support missions from the UNDP-CO, the Regional Coordinating Unit (RCU), or consultants, and scheduling of the project's decision-making structures. The Report will also include a detailed project budget for the first full year of implementation based on the Annual Work Plan and the monitoring and evaluation requirements for the first year. The Inception Report will also detail the institutional roles, responsibilities, coordinating actions and feedback mechanisms of project partners. The IR will also discuss progress to date on project establishment, start-up activities, and an update of changed external conditions that may effect project implementation. The finalized report will be circulated to project counterparts who will be given one calendar month in which to respond with comments or queries. The UNDP Country Office and UNDP-GEF Regional Coordinating Unit will review the document prior to circulation of the IR.

9. An Annual Review Report will be prepared by the Project Manager and shared with the Project Board prior to each annual Project Board meeting and will consist of the following sections: (i) project risks and issues; (ii) project progress against pre-defined indicators and targets and (iii) outcome performance. As a self-assessment by project management, the report does not entail a cumbersome preparatory process. At a minimum the ARR will follow the Atlas standard format for the Project Progress Report (PPR, although the country office may modify the format, as necessary) and will include a summary of results achieved relative to pre-defined annual targets, progress in meeting the Annual Work Plan, and achievement of intended outcomes via project partnerships. The ARR can also be used to spur dialogue among Project Board and partners. .

10. The Project Implementation Review (PIR) is an annual management and monitoring tool mandated by the GEF that has become the main vehicle for extracting lessons learned from ongoing projects. The CO and project team must provide the PIR generated using a participatory approach after one year of project implementation, with submission in July followed by discussion with the CO and the UNDP/GEF Regional Coordination Unit in August and final submission to the UNDP/GEF Headquarters in the first week of September.

11. Quarterly progress reports: The project team will provide short reports each quarter outlining main updates in project progress. Reports will be submitted to the local UNDP Country Office and the UNDP-GEF RCU.

12. UNDP ATLAS Monitoring Reports: A quarterly Combined Delivery Report (CDR) summarizing all project expenditures is mandatory and will be certified by the Implementing Partner. The following logs are to be maintained and updated throughout the project by the Project Manager: (i) The Issues Log captures and tracks the status of all project issues throughout project implementation; (ii) the Risk Log (using Atlas) captures potential risks to the project and associated measures to manage risks; and (iii) the Lessons Learned Log captures insights and lessons based on good and bad experiences.

13. Project Terminal Report: The project team will prepare the Project Terminal Report in the last three months of the project. This comprehensive report will summarize all activities, achievements, and outputs of the Project, lessons learnt, objectives met or not achieved, and structures and systems implemented. The PTR will be the definitive statement of the Project's activities over its lifetime, recommending any further steps needed to ensure sustainability and replicability of the Project's activities.

14. Periodic Thematic Reports: The project team will prepare Specific Thematic Reports when called for by UNDP, UNDP-GEF, or the Implementing Partner. The written request by UNDP for a Thematic Report provided to the project team will clearly state the issue or activities that need to be reported on. These reports can deal with lessons learnt, specific oversight in key areas, or troubleshooting 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.

15. Technical Reports are detailed documents covering specific areas of analysis or scientific issues in the project. As part of the Inception Report, the project team will prepare a draft Reports List that details which technical reports need to be prepared over the course of the Project and their tentative due dates. This Reports List will be revised and updated as necessary, and included in subsequent APRs. Technical Reports may also be prepared by external consultants and

should be comprehensive, specialized analyses of clearly defined research areas within the project framework. These technical reports will represent the project's substantive subject-matter contributions to be included in dissemination of results at local, national and international levels; and as such will be produced in a consistent and recognizable format.

16. Project Publications will crystallize and disseminate project results and achievements; can include scientific journal articles, informational texts, or multimedia publications; and can be based on selected Technical Reports or syntheses of a series of Technical Reports. The project team in consultation with UNDP, government partners and other stakeholders will determine if any of the Technical Reports merit formal publication and appropriate financial support.

Independent evaluations

17. The project will require at least two independent evaluations. A Mid-Term Evaluation will assess outcome achievements; will identify needed course corrections; will examine the effectiveness, efficiency and timeliness of project implementation; will highlight issues requiring decisions and actions; will present initial lessons learned about project design, implementation and management; and will provide recommendations to improve implementation of the second and final half of the project. The UNDP CO in collaboration with the UNDP-GEF Regional Coordinating Unit will develop the organization, terms of reference, and timing of the mid-term evaluation

18. An independent external Final Evaluation will take place three months prior to the terminal Project Board meeting and will focus on the same issues as the mid-term evaluation as well as on the impact and sustainability of results, capacity building, achievement of global environmental goals, and recommendations for follow-up activities. The Terms of Reference for this evaluation will be prepared by the UNDP CO based on guidance from the UNDP-GEF Regional Coordinating Unit.

Learning and knowledge sharing

19. Project results will be disseminated within and beyond the project intervention zone via information sharing networks and forums including the UNDP/GEF networks that involve Senior Personnel of similar and related projects. UNDP/GEF Regional Unit has established an electronic platform for sharing lessons learned among project coordinators. The project will participate in relevant scientific, policy-based and other networks that can benefit project implementation via lessons learned; and will share its own lessons learned with other similar projects. Identification and analyses of lessons learned will be provided and communicated annually. UNDP/GEF will provide a format and assist the project team in categorizing, documenting and reporting on lessons learned.

20. In order to accord proper acknowledgement to GEF for providing funding, a GEF logo should appear on all relevant GEF project publications, including among others, project hardware and vehicles purchased with GEF funds. Any citation on publications regarding projects funded by GEF should also accord proper acknowledgment to GEF.

Table 1 Project Monitoring and Evaluation Plan and Budget

Type of M&E activity	Responsible Parties	Budget US\$	Time frame
Inception Workshop (IW)	Project Manager Ministry of Environment, UNDP, UNDP GEF	5,000	Within first two months of project start up
Inception Report	Project Team PBM, 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
PIR	Project Team PBM UNDP-GEF	None	Annually
Project Board 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

Type of M&E activity	Responsible Parties	Budget US\$	Time frame
Mid-term External Evaluation	Project team PBM UNDP-GEF RCU External Consultants (evaluation team)	25,000	At the mid-point of project implementation.
Final External Evaluation	Project team, PBM, UNDP-GEF RCU External Consultants (evaluation team)	32,000	At the end of project implementation
Terminal Report	Project team PBM 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
TOTAL indicative COST Excluding project and UNDP staff time costs		73,000	

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

21. Serbia covers 8,836,100 ha, divided into three major landscape complexes. The North of the country is composed of lowland areas (approximately 1/3 of the territory) comprising part of the South-Eastern Pannonian Plain. South of Belgrade the plains rise to hilly woodlands and low mountain ranges, interrupted by wide valleys created by the Morava and Sava rivers. Further South, as well as towards the East and West of Serbia, high mountain systems can be found; e.g. the Carpathian-Balkans, Rhodope and the Dinaric mountain systems, many of them exceeding 2000 meters in height above sea level. Particularly important is found in the North of Serbia – the largest in South Eastern Europe – which constitutes one of the most important European bird reserves. Serbia's status as a centre of biodiversity in Europe is to a high degree determined by its geological age, geomorphology, and climatic conditions and, in particular, by its role as refuge for a number of species during the glacial periods. Thus, the Balkan and Pannonian regions harbor numerous endemic-relict floral elements from previous geological ages. Serbia hosts 39% of Europe's vascular plant species, 51% of its fish fauna, 74% of its bird fauna and 67% of all mammal species. Furthermore the country offers a resting place for many migratory species, including endangered ones. The total number of all species that live in Serbia represents 43.3% of all existing species in Europe.

Threats

22. The biodiversity within (as well as outside of) the protected areas of Serbia are under significant threats. As an indicator of environmental degradation, 600 plant species and 270 animal species are listed as threatened. The historical decline in biodiversity is directly attributable to the following threats: (i) loss of natural habitat due to expanding agriculture and drainage of swamps and marshes, illegal construction, unregulated tourism, expanding transportation networks and water infrastructure (dams); (ii) excessive unregulated use and/or illegal poaching and hunting of animal species, particularly large mammals and birds; (iii) over-harvesting of timber and non-timber forest products from forests and meadows, including edible fungi and snails as well as overgrazing, particularly in mountain areas, and (iv) the impacts of global climate change, which is an imminent future threat if ecosystems continue to degrade through existing stresses. In addition to these threats, the protected areas managers consider the most important future threats to be water management (strongest), uncontrolled tourism and recreation and unsettled ownership-legal issues. A recent law on restitution of land is rapidly becoming a large concern of protected area managers because the change of ownership of parts of the protected areas is likely to lead to a decrease in financial opportunities for the PA manager.

23. In recent decades, increasing natural resources exploitation pressure and greater emphasis on the need for nature conservation have resulted in numerous conflicts between local communities and the institutions responsible for nature

conservation policy measures. For example conflicts are seen in interactions around hunting, tourism, and rural development.

Baseline: PA system and its current financial sustainability

Spatial, institutional and legal parameters of the PA estate in Serbia

24. Serbia has recently started to reinforce its biodiversity conservation framework and is seeking to develop better ecological representation and a sustainably funded PA system. Currently, Serbia has five national parks, 72 nature reserves, 16 nature parks, , 310 nature monuments and 16 landscape protected areas. In total there are 464 protected areas (and 797 protected plant and animal species). The protected areas covers 547,176 ha, or 6.19% of Serbia’s area. In addition, 215 plant species and 426 fauna species are protected as natural rarities. Six areas – Labudovo okno, Ludaško Lake, Obedska Bara, Peštersko polje, Stari Begej/Carska Bara and Slano Kopovo – with a total area of 21,000 ha have Ramsar status, and the Golija-Studenica is a Biosphere Reserve. There are 35 identified bird areas of international significance (IBA), 59 areas of international significance for plants (IPA) and 13 internationally significant areas for butterflies. There are 6 mammal, 11 bird, 1 amphibian and 8 fish species threatened according to IUCN Red List. After the Pilot Project in 2005 “Establishing of the Emerald Network in Serbia and Montenegro”, further activities were carried out towards establishing the Emerald Network in Serbia. As a result, there are now 61 Emerald sites in Serbia. The majority of the chosen sites have protection status at the national level (e.g. 27 sites are proclaimed as protected natural areas or their protection status is being revised) and certain sites are recognized at the international level as well. The Government is committed to expanding the protected area estate to encompass 10% of the territory by 2010 which will ensure better ecosystem representation in the PA system.

Table 2. Network of Internationally Important Areas of the Republic of Serbia

Type of area	Planned/proposed	Accepted/registered
Ramsar areas	68	9
Biosphere reserves	9	1
Areas of importance for birds protection (IBA)	38	38
Areas of importance for plant protection (IPA)	59	-
Areas of world natural heritage	5	-
Areas of EMERALD network	61	-
Areas of GREEN BELT network and transboundary areas	14	10
Areas of NATURA 2000 network	-	-

Source: (RAPPAAM¹)

25. The legal framework for protected areas is elaborated in the recently updated Law on Nature Protection (LNP). Seven types of protected areas have been defined by this law and there are three levels of protection within protected areas. The seven basic types of Protected Areas (PAs) in Serbia include (1) strict nature reserves, (2) special nature reserves, (3) national parks, (4) monument of nature, (5) protected habitat, (6) landscape of outstanding features, and (7) nature parks.

26. The governance of PAs occurs on multiple levels and with multiple organizations including: (i) the national government; (ii) local administrations (autonomous provinces and municipalities; (iii) public enterprises; (iv) non-governmental organizations (and local chambers); and (v) other entities including individual persons and private companies. Specific protected area managers can be public enterprises, companies, communal enterprises, museums, faculties, tourist organizations, ecological NGOs, foundations, etc. At the national level, the responsibility for PAs lies with the Ministry for the Environment and Spatial Planning (MESP) and the Ministry of Agriculture, Forestry and Water Management (MAFWM). The responsibility of the Ministry for Environment and Spatial Planning is the preparation of mid-term programs for protection and utilization of protected areas as well as the inspection and supervision in nature protection and biodiversity issues. The Ministry of Agriculture, Forestry and Water Management (especially the Directorate of Forests) supports the preparation of forest management plans which contain specific guidelines for particular protected areas as well as inspection and supervision in forestry issues. These institutions collaborate through the procedures regarding management plans and development documents. At the level of autonomous provinces, a secretariat for environmental protection and inspection service, responsible for protection against air pollution, noise, urban planning, permit issuing service, and nature conservation service exists in some cities

¹ Rapid Assessment and Prioritization of Protected Area Management (Rappam), N. Piscevic and V. Orlovic-Lovren, Ministry of Environment and Spatial Planning of Republic of Serbia and Mediterranean Programme WWF

(e.g. Belgrade, Novi Sad, Nis). Municipalities and cities also can and have designated protected areas within their territory. There is an increasing number of NGOs managing protected areas and the emergence of the private sector as a PA manager. At present, there are more than 300 registered NGOs working in the field of environment and nature conservation and this number is increasing.

27. The Institute for Nature Protection (INP) of the Republic of Serbia plays an important role at the level of the state and of the autonomous provinces. This state institution is responsible for professional control, support, protection and improvement of Serbia’s natural heritage and its biological and geological diversity. The Institute for Nature Protection, has competences in the protection of protected areas such as parks, nature reserves, wild flora and fauna habitats, and is also responsible for overseeing the use of these natural resources. The Institute has two regional departments in Novi Sad and Niš. The INP assists the Ministry of Environment and Spatial Planning (MESP) in assessing new protected areas and making recommendations for the establishment, planning and management of PAs. With a recent law that gives increased autonomy to Vojvodina Province the INP will become two separate entities: one for Vojvodina and the other for the rest of Serbia. The INP maintains significant technical and institutional capacity and currently goes beyond its basic mandate to provide some fundraising services for some of the smaller protected areas that lack the capacity to identify, apply for, and implement donor funding.

28. Biodiversity monitoring is among the responsibilities of the Institute for Nature Protection and is focused on protected areas and species. The INP delivers data on bio and geodiversity and the state of natural resources to the MESP and other relevant institutions. It produces a number of publications and a quarterly bulletin. In cooperation with European Environmental Agency, the INP operates as a national reference centre and has been the main implementation institution for the Emerald Network project for including Serbia in the Natura 2000 program. The Institute for Nature Protection has completed a GIS survey of protected nature areas. The Institute has 130 employees.

Table 3. Institutions responsible for PAs in Serbia

Institution	Responsibility
Ministry of Environment and Spatial Planning	Develops environmental strategy, policy and legislation, currently focused on the EU ascension process
Institute for Nature Protection	Performs research for nature protection, monitoring of the status of the natural resources, prepares reports on nature conservation, and assists with the implementation of protection regimes
Ministry of Agriculture, Forestry and Water Management	Develops strategy and policy for the agricultural and forestry industries.
Ministry of Infrastructure	Oversees roads and other large infrastructures
Ministry of Economy and Regional Development	Oversees economy and economical development
Ministry of Energy and Mining	Oversees energy and mining

29. The National Parks in Serbia there are managed by special State Enterprises: Public Enterprises of Fruska Gora, Tara, Kopaonik, Djerdap and Sara Mountain national parks. These public enterprises are established according to the Law on National Parks (1993) and are under the jurisdiction of the MESP Section for Natural Parks within the Sector for Natural Protected Areas. The five PE national parks manage cca. 30%) of area under conservation in Serbia. All National Parks have two main functions: 1) protection of nature i.e. implementation of necessary measures for conservation of rare species and habitats and 2) utilization of forests. Each National Park is managed according to annual and five-year conservation plans that are developed by the Public Enterprise and must be accepted by the Ministry. The MESP reports annually to the Parliament on the state of the country’s environment (including basic information on the PAs) through the production of State-of-the-Environment Reports. Logging is performed in accordance with annual logging plans that must respect the Law on Forestry and other relevant laws and have the approval of the relevant Government authorities: Ministry for Environmental Protection and Spatial Planning and Ministry for Agriculture, Forestry and Water management. However, in forest PAs, national park enterprises often undertake regular cutting of trees beyond what qualifies as “sanitary cutting”.

30. Two public enterprises PE Srbijašume and PE Vojvodinašume are public utility forestry companies and manage 44% and 14% respectively of the protected area estate. These are the largest PA managers in the country. Both public enterprises integrate all forest functions. They perform technical services for state and private forests, managerial functions (on behalf of the state as the owner of state forests) and functions related to commercial forestry, hunting and other domains. Eleven (11) PAs are managed by PE “Srbijasume” and 7 PAs are managed by PE “Vojvodinasume”.

As managers of these protected areas the PEs perform tasks related to protection, sustainable development and use of PAs in accordance with relevant laws, acts on PA' designation, and programs and plans. They also delegate to different operational units (Forest Estates and Forest Units) ongoing monitoring for conservation, utilization and development objectives of the protected areas. The seven public enterprises are largely funded through the sale of wood from the areas under their management. These areas include the 5 national parks. As a result of limited government funding for conservation activities, the public enterprises are in a conflicting situation where they exploit natural resources to fund the conservation of natural resources. This financial and programmatic tension leads to compromises that are not necessarily in the best interest of biodiversity conservation.

31. In addition to the Public Enterprises for forests and PE National Parks which represent an overwhelming majority of the Protected Area estate, there are a large number of other PA Managers – over 30. The significant diversity in the types of Managers (see Table below) poses challenges for coordination and communication.

Table 4. List of protected areas management authorities²

Organization/Institution	Type of organization	Protected areas (No.)	Surface (ha)
PE NP "Tara"	state	1	19,175
PE NP "Djerdap"	state	1	63,500
PE NP "Kopaonik"	state	1	11,809
PE NP "Fruska Gora"	state	1	25,525
PE NP "Sara"	state	1	39,000
PE "Srbjasume"	state	12 PAs	231,429
PE "Vojvodinasume"	state	7 PAs	69,436
PE "Palic-Ludas"	state	4 PAs	4,491
Joint stock company "Planinka"	state	1	
PE "Vode Vojvodine"	state	1	1,145
PE "Resavska pecina"	state	2	11
Museum in Arandjelovac	state	1	
Fishing Estate "Ecka"	NGO	1	1,676
PE "Belosavac"	state	3	
Faculty of Biology – Botany Institute	state	1	
NATURA – Center for natural resources	NGO	1	896
Company with limited responsibility "Uvac"	state	1	
Orthodox diocese "Vranje"	church	1	
NGO "Green movement Sremska Mitrovica"	NGO	1	1,852
Military institution "Karadjordjevo"	state	1	
Hunting association "Perjanica"	NGO	1	
Directorate for construction of Nis municipality	state	1	
PE "Gradsko zelenilo" Novi Sad	state	1	
Tourist organization of Cacak Municipality	state	1	
Hunting association "Novi Becej"	NGO	1	976
Company with limited responsibility "Mokra Gora"	state	1	
Tourist organization Zlatibor	state	1	
Mountaineering association "Kamena Gora"	NGO	1	
Directorate for construction of Surdulica municipality	state	1	
Association of sport fishermen "Deliblatsko jezero"	NGO	1	
Directorate for construction and urbanism of Surdulica municipality	state	1	
Fund for ecology of Prokuplje municipality	state	1	

Source: Institute for nature conservation of Serbia (www.zzps.rs)

32. The 2004 Law on Environmental Protection (LEP) and the 2006 National Environmental Strategy (NES) provide legal force to the "polluter pays" and "user pays" principles. The 2004 Law also explicitly recognizes the role of incentive-based measures, such as economic instruments, in achieving environmental policy objectives. The LEP distinguishes the following environmental taxes and charges: (i) pollution charges; (ii) emission taxes; (iii) industrial waste charges; (iv) product charges, (v) natural resource use charges, (vi) deposit refund schemes, (vii) subsidies, tax

² This list does not include a number of protected areas established 1945-1991 and which are not revised yet. For instance, PE Srbijasume manages 78 PAs (13,144 ha) while PE Vojvodinasume manage 9 PAs (5,405 ha) which are established in this period.

incentives and exemptions from charge payments, (viii) fines for non-compliance with environmental standards. The LEP also prescribes a special charge for the commercial use of collected wild flora and fauna, which is designed to ensure adequate biodiversity protection. The charge corresponds to 10 per cent of the established price of the wild flora or fauna. The prices of protected species are determined by the ministry in charge of environmental management in consultation with the ministry in charge of foreign trade.

33. The new Law on Nature Protection (Official Gazette of the Republic of Serbia No 36/2009) has been adopted in May 2009. This law is aligned with EU standards and defines seven basic types of protected areas (PAs): strict nature reserve, special nature reserve, national park, monument of nature, protected habitat, landscape of outstanding features and Nature Park. The Law on Nature Protection (LNP) introduces the concept of Protected Area “Manager” instead of curator/guardian as stipulated by the LEP and the Law on Nature Parks. The LNP also establishes the legal basis for numerous bylaws that should regulate this area in more detail. Some of those bylaws are planned, currently being developed or are in the process of public discussion. The bylaws in public discussion include: regulations on criteria for selection of PA managers; the decision on general taxes for use of protected areas; and regulation of official ID cards for PA Rangers. There are numerous additional bylaws that require technical support from this project to successfully address the current barriers to successful protected area management and financing.

Protected Area Financing

34. The Financial Scorecard (Annex F) provides an overview of the current baseline with regard to PA financing in Serbia. To summarize, protected area financing is generated from the government, resource use, tourism, other fees and payments for service, and donations. Funding from the government is provided through various sources. The general state budget is allocated annually to the different state institutions and is approved by the Parliament. Most of the activities are regular costs of financing the institution (salaries, material, cost of representation, different taxes etc.). The Ministry for Environment and Spatial Planning (MESP), as it is responsible for all protected areas established at the national level, funds protected areas activities mostly through different projects. The project approach encourages specific activities focused on key objectives of protection and development of protected areas. Such activities include limit and trail marking and maintenance, rehabilitation of degraded areas, development of informative systems, managing visitors-construction of visitors’ centers, monitoring, reintroduction, reclamation and improvement of conditions in protected areas, sustainable use of natural resources and rectifying legal property issues. Under these diverse activity categories, PA’s write proposals to acquire these financial resources. The average percentage of PA funding that comes from the central government in the above described manor is about 25%.

35. The Fund for Environmental Protection has been established as a general fund for the environment but has a mandate to include protected areas in its financing objectives. The Fund was established under the MESP by the 2004 Law on Environmental Protection. The fund generates revenues from different environmental taxes and some fees. Additionally, revenue can also come from the resources collected from privatization, bilateral and multilateral cooperation and different donations. Almost 90% of the fund resources are collected from taxes while the rest is transferred from the general government budget. Currently, the Fund has 12 employees. The fund distributes its financing based on a specific standard that prescribes both the uses and reporting criteria. Protected areas funding would come from one of the funds objectives that targets “protection and preservation of biodiversity and sustainable use of protected areas”. During 2008, only 320,000 USD (20 million RSD) were planned to be used for PA (protection and sustainable use of biodiversity) from a total expenditure of 24 million USD (1.5 billion RSD). This is only 1.3% of the total assigned funds. For 2009, the budget for all fund disbursements is about 30 million USD (~2 billion RSD). Given the increasing budget, there could be increasingly more available for PA financing in the future. The management of the Fund is eager to work with the project to improve its financing strategy.

36. The Ministry for Agriculture, Forestry and Water Management (MAFWM) also provides financial support for some activities in the PAs. The Directorate of Forests approves project funding based on proposed projects from institutions in the forest sector. Fees for this project funding are derived from fees for cutting wood, renting of forest land and using forests and forest land for pasture. The funds generated are used for afforestation, stand improvement, production of tree seed and seedlings, nurseries, building of forest roads for afforestation and protection from fire, and for scientific purposes. For 2009, a budget of over \$ 7 million (450 million RSD) has been established. The Serbian Government budget allocates funds to the Autonomous Province of Vojvodina from which resource are transferred to Provincial Secretariat for Environmental Protection and Sustainable Development. Funds for PAs with this mechanism amounted to around \$500,000 (30 million RSD) during this past year. Municipalities also dedicate part of their budget to biodiversity and landscape conservation.

37. The MESP provides grants for protected areas of national interest (national parks and PAs declared by the act of the national government) for yearly co-financing program management. This financing from the state budget in recent years was the following (rough estimations):

- in year 2007 – 2.500.000 Eur
- in year 2008 – 1.000.000 Eur
- in year 2009 – 1.300.000 Eur

38. These funds were for used for:

- Care, maintenance and visual improvement of the protected areas including the establishment, equipping and training of guard services, marking trails and limits, surveillance, media and other public display of values, rehabilitation of degraded areas, waste management, development of information systems and others;
- Visitor management including construction of entrance stations, educational and visitation centers, printed materials;
- Regulation of property issues and legal claims including the purchase or replacement of land, compensation to owners and users of real estate for limiting use rights, harm done, or other costs that are related to the protection;
- Monitoring and improving the status of protected areas;
- Sustainable use of natural resources including programs, plans and projects for ecotourism development, organic agriculture and others.

39. Within the baseline context described above, the Financial Scorecard estimated the annual gap in PA financing to be around 8.7 million USD for the basic costs, and 24.7 million USD for optimal expenditure. The current “health” of the PA system in Serbia is assessed at 27.6% of the maximum possible score on the UNDP/GEF PA Financial Scorecard.

Desired long-term vision and barriers to achieving it

40. The desired scenario for the PA System in Serbia is the one where the PA financing gap is restricted to minimum, allowing maximum coverage of the optimal costs of PAs. The long-term solution to the financial and managerial problems confronting protected areas in Serbia is lies with ensuring a steady stream of funding from diverse sources and effectively increasing the overall resource envelope. The 3 main barriers to ensuring financial sustainability of the Serbian PA system are regulatory and policy gaps, low diversity of funding sources, and inadequate cost-effectiveness of site management.

Barrier 1. Regulatory and policy deficiencies: Neither the recent laws (2004 LEP and 2006 NES), nor the *National biodiversity strategy and action plan* (currently under preparation) define a vision and a long-term plan for securing stable and long-term financial resources to cover the costs of PAs. The new Law on Nature Protection (2009) does include the first steps towards refining the financial framework for protected areas but most of the bylaws have not yet been written and the Ministry is seeking support to complete this crucial work. Until the bylaws are well prepared, many of the mechanisms foreseen will not be implemented. The current roles and responsibilities of the MESP and State Environment Fund vis-à-vis other ministries involved in production activities at PAs and environmental financial decision-making (e.g. ministries of economy and finance, Ministry of forestry), as well as vis-à-vis park public enterprises, NGOs, local governments are delivered in an uncoordinated manner. As UNECE points out, the 2004 *Law on Environmental Protection* (OG RS No. 135/2004) gives most competencies to the “ministry responsible for environment” without further specifying its relations with other sectors. Conflicts quoted by UNECE are those between the forestry authority which is responsible for profit-making from timber and environment authorities empowered to conserve forests. On the one hand, this explains, for the most part, the non-existence of effective park co-management opportunities (e.g. setting public-private partnerships) and novel park-level revenue generation and sharing mechanisms. On the other hand, this cross-institutional ambiguity, combined with the very general clauses allowing parks to earn income from extraction, result in exaggeration and misuse of the nature resource extraction rights, skewed towards pure profit-making without account of ecosystem carrying capacity and its resilience, causing localized forest and wetland habitat degradation. Thus, in forest PAs, national park enterprises often undertake regular cutting of trees well beyond what qualifies as “sanitary cutting”; in a similar way, nature reserves with freshwater ecosystems obtain revenues from the operation of fish farms.

Although fines and charges have been introduced according to legal provisions, they are not high enough to be effective deterrents. Emerging provisions in the 2009 LNP for fees/charges for non-extractive ecosystem products and services offer an opportunity to standardize fees and charges across the country and the methods for establishing the fee levels requires care and appropriate economic analysis. Also, while nature-based tourism is declared a priority by the 2006 NES and the 2009 LNP, it lacks secondary legislation to take-off at protected areas; and apart from tourism and extraction of resources, few other ecosystem values have been envisaged for commercialization by park enterprises. Some PAa have trialed various charges to the power company (for power lines), fees for mobile phone towers, and even vehicle passage. As other Parks and PAs seek to implement similar mechanisms, there is growing local resistance to these one off approaches. A unified national level approach will result in the most appropriate methods and fees and will meet with the lowest local resistance. Tax deductions and/land charge exemptions are envisaged only for pollution-prevention activities and equipment, afforestation and flood-prevention activities. Next, the regulations on management plan preparation date back on 1990s, do not envisage business-planning, and fail to encourage diversification of site-level revenue generation options. The new LNP seeks to address these deficiencies but again requires clear regulations before any implementation is possible. Finally, on the macro-level, the Annual Report of the Ministry of Environment on the State of Environment does not present data on PA ecological status and expenditure. This makes it impossible for government decision makers to gauge PA effectiveness (including cost-effectiveness).

Barrier 2. Insufficient revenue-streams: Given the scarcity of data, by very rough estimates, annual allocations of the MESP, the Environment Fund and municipalities for protected areas was in the range of \$2-3 million (see Appendix H). An additional \$5-6 million is raised by PA's from fees, concessions and tourism, hunting, fishing and other uses. For the National Parks the largest amount of funding – over \$8 million per year – is raised from wood exploitation. National Parks and the other Public Enterprises could not adequately function with only government and non-wood revenues. Optimal operating costs of the existing PA estate have been estimated to be at least \$32 million of which the current non timber revenues of \$7 - 10 million represent only 30% of what is ultimately needed. Even basic financing needs of \$16 million are covered only by about 50%. Project-based donor support is an insignificant compliment to the central and municipal budget funding of PAs. From 52 to 70% of current PA costs are raised by PAs on their own from natural resource use (excluding wood), tourism and other fees. This is primarily the PE National Parks who raise over 93% of the self raised revenue for the entire PA system. Excluding the PE National Parks from the financing picture, the total expenditure for all other protected areas (including the PE Srbijasume and Vojvodinasume) is about \$4 million and the total revenues are estimated at \$2.7 million indicating a current financing gap unless some revenues have not been counted. This results in a per ha protected area cost of \$13.50 per hectare. This figure is very low relative to average European countries which are approximately \$20 per hectare (1996 dollars). With the planned expansion of the protected areas estate to cover up to 10% of the country (up from 6.2% including the National Parks), operating financing is largely deficient and necessary investments are very significant. Additionally, many protected areas are small in size – increasing expected costs per area.

Altogether, there is at least a 50% gap in covering the basic PA costs and a 75% gap with regard to covering optimal costs. The Government has a substantial foreign debt, yet opportunities for debt-for-nature swaps have not yet been thoroughly evaluated. The Fund for Environmental Protection could (legally, by its mandate) play a role in raising pre-accession funds, NATO Science and Peace Programme, and carbon finance sources. In fact, revenues from international bilateral and multilateral cooperation on activities to enhance environmental protection and energy efficiency are listed among the sources of revenues for the Fund. However, in practice there have been no revenues from this source since the Fund has been operational only since May 2005. The UNECE 2nd Environmental Performance Review for Serbia concludes “little is known about the environmental effectiveness of new economic instruments, but they appear to be a blunt weapon especially given the low level of charges, which do not create incentives for changing behaviour, and the weak monitoring and enforcement capacities”.

Barrier 3. Low cost-effectiveness of site management: Allocations of resources to Protected Areas from the Environmental Fund are not linked to actual operational and capital needs assessments of the Protected Areas that would normally be done through “business planning”. The annual and 5-year conservation programs of national parks and other protected areas are not based on optimal PA functions that include adequate policing and enforcement as well as monitoring, research and education costs. Even though key PAs have management plans, these have been either prepared externally by the Institute for Nature Protection or are primarily focused on forestry activities (PE NP and the two other PEs). There is insufficient knowledge and capacity within park administrations and local populations to consider revenue generation other than that derived from extractive resource use (such as logging). The technical capacity amongst non PE PA managers to perform basic PA budgeting functions: from strategic planning to book-

keeping; and performance reporting to field surveys is extremely limited. There is a significant shortage of technical capacities for business plan development and cost-effective management of PAs at the site level, and knowledge is missing on PA budgeting functions: from strategic planning to book-keeping, performance reporting and field surveys. There is an apparent lack of trained human resources at both – site and central level. The lack of training and information is compounded by the lack of coordination and communication among the PA Managers and the varied types of organizations managing PAs.

Project strategy: objective, components, outputs

41. The **objective** of the project is to improve the financial sustainability of Serbia's protected area system. This objective will be realized through the following three components: Component 1. Enabling legal and policy environment for improved PA financial sustainability; Component 2. Increasing revenue-streams for the PA system; and Component 3. Institutional and individual capacity of PA institutions to raise PA management cost-effectiveness. The first component will provide the legal and policy groundwork for long-term gains in the sustainability of the PA system as well as produce a Protected Areas Financing Plan (PAFP) that will integrate the results of the entire project in a key guidance document. The second component is focused on expanding potential revenue streams from activities compatible with the conservation goals of the protected areas network to provide clear pilot projects that show financial sustainability is feasible without commercial logging activities. The third component builds on the various pilots and policy work to increase institutional capacity for cost-effective management and financial sustainability. One key activity of the third component is the development of a business planning process for the PAs of Serbia with 21 pilot sites included and the capacity to extend the process to all PAs of Serbia that require strategic planning. Together these activities and outcomes will greatly increase the financial sustainability and cost-effectiveness of Serbia's protected areas.

Component 1. Enabling legal and policy environment for improved PA financial sustainability.

Output 1.1. A 7-year Protected Areas Funding Plan (PAFP). The Protected Areas Funding Plan (PAFP) will be prepared by the financial and business planning specialists (both national and international) as both a strategic and practical seven (7) year funding plan for the protected areas of Serbia. In preparation of the PAFP, the project will work with the diverse protected areas managers to establish a shared analytical accounting system that is capable of tracking expenditures relative to specific PA management activities and impacts. This system is described further in Component 3. This accounting system will complement the business planning process and the cost effectiveness analyses to determine specific financing needs for the 21 pilot protected areas and provide guidelines for the remaining key PAs in the country. The policy and legal work in Component 1.2 will formalize the approaches to increasing revenue streams (Component 2) and planning and cost effectiveness (Component 3) such that the PAFP is a document grounded in a clear policy framework with legal support. The PAFP will in effect be a overarching "business plan" for the protected areas that will identify financing needs, describe strategies to close the financing gaps, propose concrete steps to successfully raising the required capital, and proscribe specific financial and technical indicators to show cost effectiveness in implementation. The PAFP will provide practical guidance to government, protected areas management authorities, and other stakeholders that are part of the PA system in Serbia. It will include an analysis of selected revenue mechanisms (incl. revenue-sharing mechanisms to expand benefits to population in and around PAs such as private forest owners and family-owned tourism lodges), and propose cost-saving strategies that will be used to reduce funding gaps. The PAFP will include but is not limited to the following sections:

- Background on Serbia's Protected Areas;
- Protected Areas goals and objectives;
- Summary of legal and policy issues;
- Current and historical financing of PAs
- Projected financing needs and investment priorities
- Summary of financing gaps
- Summary of financing strategies
- Review of feasibility studies for new financing opportunities
- Review of proposed cost cutting mechanisms

- Revenue projections with financing implementation plan;
- Financial management systems, monitoring and evaluation; and
- Implementation plan, including all activities, responsibilities, and costs.

Some potential funding sources include various multilateral and unilateral donors, Foundations, EU pre-accession funding options as well as options for site-level revenue generation. The PAFP will be developed in collaboration with a wide range of stakeholders and adopted as annex to the National Biodiversity Strategy and Action Plan.

Output 1.2. Suite of specific regulations and by-laws to support increased cost-effectiveness of protected areas management and financing. The current structure of forestry organizations managing protected areas will be reviewed and legal and policy changes will be suggested to increase the focus of protected areas management on clearly stated conservation objectives. New management approaches – such as private sector management – will be expanded through adaptation of existing legislation and the creation of specific bylaws that will increase the financial viability of non-consumptive uses of the protected areas (especially nature based tourism) as a means of improved financial sustainability. The role of the Institute for Nature Protection will be examined and if appropriate, expanded to include additional areas of support for improved financial management and cost-effectiveness through bylaws and other legal and policy tools. Some specific areas of focus will include:

- Revision of protected areas categorization to better coincide with IUCN categories and EU directives
- Evaluation of new regulations on returning land to previous owners and elaboration of collaborative management policies and procedures
- Standardizing policies and levels for entry fees, recreation fees, catering prices,
- Revision of policies on resource extraction at PAs to address ecological resilience; enforcement mechanism improved for reducing illegal resource extraction based on increased fines and extended rights of environmental inspectors.
- Tax subsidies to park public enterprises, NGOs and private sector to promote nature-based tourism,
- Amendments to the annual State-of-Environment report to require presentation of PA cost-effectiveness,
- Regulation streamlining roles and responsibilities of MESP vis-à-vis other sectoral ministries, park public enterprises, local communities and NGOs,
- Revision of the regulation on the proportion of revenues raised by PAs for re-investment;
- Format and process for site-level business planning adopted.

Component 2. Increasing revenue-streams for the PA system

Output 2.1. Innovative revenue generation mechanisms piloted at the site level. The current primary revenue generation sources for Serbia’s national parks and other protected areas are a combination of revenues from forestry activities (the Public Enterprises) and support from the government (most other PAs). As has been discussed in the section on barriers above, financing to the protected areas network outside of the 5 National Parks is severely limited. The project will produce concrete impacts to increase funding from non-forestry sources in 4 pilot projects. The goal of these pilot projects is to provide clear examples and methodologies that can be replicated by the other protected areas for increased revenue generation from the protected areas’ own resources. Three pilot projects will focus on increasing revenues from nature based tourism and one will be focused on the collection of Non-Timber Forest Products (NTFP.) The nature-based tourism development projects will occur at Fruska Gora National Park, Nature Park Golija, and Landscape of extraordinary characteristics Pcinja River Valley. These pilot projects will develop cost-and-revenue sharing agreements that will be signed between park enterprises and local entrepreneurs, will assure that new tracks are marked and basic infrastructure is delivered at key localities for hiking, biking, and rafting circuits (where appropriate) and will help the government and parks to establish and enforce the entrance fee systems. Existing tourism operations are not coherently organized, not promoted, generate solid waste problem that decrease the interest of high quality tourists, and are poorly (if at all) promoted. Reversing these trends will require full engagement by the protected areas management and examples of well executed tourism operations. The nature based tourism expert will prepare tourism master plans for each pilot PA in collaboration with the PA staff and representatives from the national or provincial tourism office. The master plan will then be implemented in stages with close attention to the interests of varied stakeholders. In some cases, the use of agro-tourism will be integrated with the general nature-based tourism circuits. With each pilot, a

complete system for managing the tourism services, including entrance fee collection, trail maintenance, waste removal and disposal, guiding, printed material, ranger training, and promotional material will be developed to support the circuit. Non-protected area partners will also be trained and assisted in running business (incl. business accounting, promotion, and basic infrastructure where necessary). There will be close monitoring of the project's impacts to build a case for replication in other areas within the PA (following the master plan) and in other PA's with similar tourism opportunities.

An additional pilot project on the sustainable collection of non-timber forest resources at non-timber site will be NP Tara and will be conducted as another example of alternative financing sources and increasing the value of the parks for surrounding populations. The pilot project will include data collection and analysis to determine appropriate fees, management systems and harvesting levels to guarantee sustainability, enforcement and various promotion activities. A marketing plan will also be designed and implemented to launch or expand the NTFP collection at the PA. The existing park ranger activities will be enhanced to reinforce the control of illegal resource extraction at the PA.

Output 2.2 Macro-level fund-raising strategy in place and central government staff trained for fund-raising. The project will assist the central government, the Environment Fund, the Institute for Nature Protection, the Public Enterprises and other protected areas management authorities with fundraising strategy and activities. This support will include a thorough analysis of potential funding sources, training on how to identify potential funding sources, establish and maintain relationships with donors, foundations, and agencies, prepare successful proposals, and conduct adequate reporting to increase the likelihood of repeat funding. Specific milestones will be established for funding level targets, specific donor relationships, and with special available funds (EU pre-accession funds for example). The Environment Fund has requested technical support to establish clear grand making guidelines and cost effective monitoring systems to allow them to increase their funding of PAs. Currently the Environmental Fund has limited their financing due to lack of experience and knowledge in the area of biodiversity conservation and protected areas management. As well, their mandate includes the possibility for them to fundraise for the protected areas. Considering the small size of many protected areas, their ability to conduct international level fundraising is severely limited. The two entities that could group this expertise and experience are the Environment Fund and the INP. As such, the project will concentrate its efforts to provide training and build experience on these two entities. External fund raising – often called “Development” in non-profit organizations – is a relatively specialized activity that requires advanced training as well as practical experience. The project will provide training to a group of 10 individuals identified from a range of organizations including the MESP, Environment Fund, Institute for Nature Protection, and appropriate Public Enterprises. The external fund-raising strategy that will be developed for these organizations will be integrated into the PA Finance Plan (Component 1). The opportunity for Debt-for-Nature swaps will be pursued in collaboration with WWF (who have experience with Debt Swaps in multiple countries) as a strategic partner. The project will seek to close a Debt-for-Nature agreement and place the funds into Environment Fund as an earmarked sub account destined for protected areas conservation activities.

Component 3. Institutional and individual capacity of PA institutions to raise PA management cost-effectiveness.

Output 3.1. Business planning approach demonstrated at twenty-one (21) sites. The project will guide a business planning process for 21 protected areas in Serbia. The process will follow best practices that are currently being used internationally. The business plans combine classic management plans (which tend to be more focused on technical issues) with a financing plan. The business planning approach to protected areas involves several processes. Firstly, the protected area management will be guided through a process by which the principal objectives of the protected area's management are explicitly defined and quantified. Next, the activities, staffing, resources, and time required to achieve these objectives are clearly identified through a structured participative process. Then the gap between existing availability of financial and other resources is identified as a challenge that the organization will seek to address. The final written business plan can then be used as both a guide to focus the fundraising efforts of the organization as well as a fundraising document. The business plans will describe the importance of the protected area, the management's goals, the financial needs of the protected area and will include a detailed budget that explains how the sought after financing will be used. The cost-effectiveness of different management approaches will be evaluated and the results incorporated into the business plans. The plans will include sections that identify key species and habitat management objectives and define the monitoring protocols and methods that will be used to assure management effectiveness. The plans will include different financing scenarios: 1) historical financing levels 2) adequately funding to achieve the protected areas' basic objectives, and 3) the ideal financing scenario that includes all of the investments identified as well as concrete steps towards long term sustainable financing of the PA. The scale of the financing need and the clarity that arises from this structure approach will allow the management authorities to target the most appropriate sources of financing and as

such maximize the cost-effectiveness of their fundraising activities. The results of the business planning activities will be used in the 7 year PAFP described in the first project component.

The project will follow six steps to developing a business plan³

Step One. Preparatory work

- Decide to do it (allocation of personnel and resources)
- Identify who is responsible for information gathering, analysis and construction of the plan
- Organize existing information
 - Complete, update or leverage management plan information
 - Financials for management plan
 - Historical and current park expenditures
 - Annual operating plan
 - Other planning documents
- Identify any additional studies required
- Set business plan preparation timeline

Step Two. Analysis of current circumstances and full operational requirements

- Consolidate and assess all current cost and revenue material including personnel
- Assess financial and personnel requirements for full operation/protection/service and justify same
- Document difference between current operational circumstance and full operational requirements for each program
- Contract or otherwise arrange for completion of any additional studies
- Prioritization of needs and resource allocation based on management plan objectives

Step Three. Brainstorm, analyze (economic feasibility study, marketing study, competition analysis etc) and prioritize strategic opportunities

- Targeted cost reduction or reallocation
- New revenue or other support (partnerships, volunteerism)
- Cultural shift in organizational thinking
- Use of screening tools, step-by-step methodologies etc. from Conservation Finance Alliance guide

Step Four. Complete packaging for business plan

- Senior manager’s introduction
- Executive summary
- Historical perspective on costs and revenue
- Operational analysis including current costs and projected costs of full operation
- Summary financial statement including costs, revenues and needs
- Priorities for current and identified needs
- Strategies for improving operational circumstance
- Projection of targeted cost savings and new revenues
- Annexes (glossary/list of acronyms etc)

Step Five. Implement strategic opportunities as appropriate

Identify opportunities that have low complexity and high impact and implement those activities first leaving complicated but high impact activities as long term priorities.

Step Six. Revisit business plan in appropriate timeframe and adopt adaptive management

- Define indicators of success
- Develop systematic performance assessment tools
- Adapt implementation to changing needs and new opportunities

The business planning exercises will be conducted in the 5 National Parks and 16 other protected areas that have been identified and are listed here. The mix of protected areas was determined to include the most important protected areas from a global biodiversity standpoint and to include a mix of management authorities and PA governance types. This approach allows for a large direct impact and a range of examples for eventual inclusion of other protected areas in the process.

Table 5. The 21 Pilot Protected Areas for Business Plans

No	Name of PA	Type of PA	Manager of PA	Type of organization	Natural characteristics
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³ Center for Park Management, USA

No	Name of PA	Type of PA	Manager of PA	Type of organization	Natural characteristics
1	Tara	National park	PE NP Tara	public enterprise	Valuable forest ecosystems, biodiversity, cultural heritage
2	Fruska gora	National park	PE NP Fruska Gora	public enterprise	Natural and cultural values
3	Sara	National park	PE NP Beli izvor	public enterprise	High natural values, variety of endemic species
4	Djerdap	National park	PE NP Djerdap	public enterprise	Natural values and cultural-historical monuments
5	Kopaonik	National park	PE NP Kopaonik	public enterprise	Biodiversity, rich flora and fauna, endemic and relict species, cultural heritage
6	Golija	Nature park-Biosphere reserve	PE Srbijasume	public enterprise	Forest ecosystems, cultural assets (Monastery Studenica, Gradac church), biological diversity, presence of rare, endemic and relict species, geo-heritage
7	Sicevacka klisura	Nature park	PE Srbijasume	public enterprise	Natural and cultural values
8	Deliblatska pescara	Special nature reserve	PE Vojvodinasume	public enterprise	Biggest European continental sands, dune relief, sandy/steppe/forest/swamp/water ecosystems, population of wolf, IBA, Ramsar site, traditional cattle breeding
9	Gornje podunavlje	Special nature reserve-RAMSAR	PE Vojvodinasume	public enterprise	Presence of rare, endemic and relict species and stands
10	Ludasko jezero	Special nature reserve	PE Ludas- Palic	public enterprise	Wetland, landscape and species diversity, migratory bird area, shallow semi-static lakes of steppe
11	Sargan - Mokra gora	Nature park	"Mokra Gora" LLC	LLC	Natural and cultural values
12	Stari Begej - Carska bara	Special nature reserve	Fishing Estate Ecka	private	Complex of marsh, forest, meadow and steppe ecosystems with rich wildlife and rare, endemic and relict species and stands (ca. 250 bird species, 24 fish species, mammals - otter, ground squirrel, vole)
13	Zasavica	Special nature reserve	NGO "Green Movement of Sremska Mitrovica"	NGO	Species and ecosystem diversity, the only stand of <i>Aldrovanda vesiculosa</i> plant and fish species <i>Umbra krameri</i> in Serbia
14	Klisura reke Tresnjice	Special nature reserve	NATURA - Center for Nature Resources	NGO	Colony of griffon vulture
15	Resavska pecina	Monument of nature	PE Resavska pecina	public enterprise	The richest and most beautiful speleological object in Serbia
16	Veliko ratno ostrvo	Landscape of extraordinary characteristics	PE Zelenilo Beograd	public enterprise	Landscape characteristics, rare and endangered swamp bird species, morphological and geological values, recreational function
17	Karadjordjevo	Special Nature Reserve	Military Institution "Karadordevo"	military	The area has thick forests of old-growth oak and acacia, the abundance in various flora and fauna species as well as marshlands and open plains.
18	Jegricka	Nature park	PE Vode Vojvodine	public enterprise	76 flora species, IPA, fauna, 14 native fish species, 8 frog species, IBA, 140 bird species, otter
19	Ovcarko-kablarska klisura	Landscape of extraordinary characteristics	Tourist organization of Cacak		Cultural-historical heritage, landscape, relief, flora & fauna
20	Slano kopovo	Special Nature Reserve	Hunting association of "Novi Becej"	NGO	Important bird area, migratory area, marshy terrain with well preserved vegetation
21	Dolina reke Peinje	Landscape of extraordinary characteristics	Orthodox diocese Vranje	Church	Landscape diversity reflected through the altitude response and morphological elements of relief as well as cultural and historical elements (Monastery Prohor Peinjski from 11th century)

The project will finance and lead the organization of a series of regional workshops for PA managers, Government representatives, INP, Environment Fund, and other partners to present the experience of the business plan development and implementation mechanisms. This activity will assure the replication of the lessons learned during the business planning process and will also be used to help develop the unified PAFP. The Fund for Environmental Protection of Serbia (Environment Fund) is likely to take the lead role as the institution that provides training and guidance on the business planning process in Serbia.

Output 3.2. Capacity is raised at systemic and individual levels to increase cost-effectiveness of PA management. The project will provide significant technical support to both the Institute for Nature Protection and the Environment Fund to increase their capacities to promote cost effective PA management in Serbia. These two organizations will increase their value to the PA network by acting as centralized sources of information and communication. The project will assist the Environment Fund with the establishment of their funding and monitoring criteria for grant making to protected areas.

There are several steps that will be required for increased costs effectiveness of the PAs. The first step is to establish agreed upon analytical accounting (results based accounting) tools that can be shared among all of the PA managers. In order to establish this system, the project will engage financial specialists (international and national) who will assess the existing financial accounting systems of the 21 targeted protected area (as part of the business planning preparatory work) and will propose a shared system that will be the most beneficial, least costly, and cause the least amount of disruption to existing processes. The establishment of this shared system – through a roll out concurrent with the later stages of the business planning process – will enable the targeted PAs to provide timely financial reporting to the government, donors (including the Environment Fund), and their own management teams. Clear results based financial reporting is an essential first step to increasing cost effectiveness.

The project will also assist the 21 pilot protected areas with an analysis of existing costs seeking opportunities to reduce thorough various approaches including outsourcing (concessions) non “core competence” activities, sharing services and high level scientific staff among several PAs (especially smaller PAs), outsource all exploitation activities (including forestry) to avoid overhead costs, and evaluate opportunities for seasonal employment / staffing depending on specific traits of each PA and visitation patterns among others.

Together with representatives from the MESP and PA management authorities, individuals from the INP and the Environment Fund will be trained on a range of protected areas management skills. Ultimately the INP will become the trainer to expand the impact of this technical support beyond those protected areas managers who are directly involved. The INP will maintain ongoing relations with expert practitioners in the field of PA management internationally and will bring that knowledge to the protected areas of Serbia through various services that will be established by the project. One such service will be the “help desk” – accessible by telephone and internet – that will deliver guidance to PAs on ways to improve the cost-effectiveness of PA management, PA business-planning, assessment of financial returns on investment, cost-accounting and reporting adapted to Serbia’s context. With the establishment of the “help desk” protected area managers from around the country will know that they can find important information including both technical and financial aspects of protected areas management at a single location within the country. The INP will seek to continuously improve the value of this service. The help desk services will be launched during one of the annual protected areas events where management and staff from Serbia’s protected area network gather for social (and soon technical) objectives.

This component will provide for a series of trainings delivered to 5 biodiversity specialists at the MESP and the Institute for Nature Protection, the Environment Fund and 21 PA site managers. The trainings will cover specific topics aimed at improving the technical and financial management of the protected areas. Topics identified for training programs include: (1) PA management and business plan preparation and reporting; (2) biodiversity conservation techniques; and (3) revenue generation opportunities and mechanisms. The latter will be based in part on the results of the 4 pilot projects in Component II. Additional topics will be added depending on an initial needs assessment that will be conducted at the beginning of the training sessions.

A complementary series of trainings and technical support will be provided to the Institute of Nature Protection (both the Institute for Nature Protection Serbia and the INP of Vojvodina) and to the Environment Fund to enhance their effectiveness supporting the protected areas managers and communicating with government and the public. The INPs will increase their capacity to design and collect protected area reports and then process the data and transfer the summary information so that it can be included in the annual State-Environment-Reports for Parliament. The Environment Fund will increase its capacity to choose projects worthy of financing and will also increase its own

capacity to fundraise for the PA network. The project will support and enhance the data-gathering and processing module set at the Institute including targeted training of Institute staff, assure that the first round of data is collected, pooled and transferred to MESP for 2011 annual SER. The INPs will also become the central location for supporting the protected areas with their financial planning and reporting. As such, the project will assist the INPs to develop an agreed upon plan for collecting financial reports from all IUCN category I-IV sites by 2015.

Global benefits

42. The project will contribute to achieving global environmental benefits by securing conservation of 547,000 ha of globally significant biodiversity in the protected areas of Serbia. These protected areas are home to numerous threatened and endemic species such as Serbian spruce (*Picea omorika*), Bosnian Pine (*Pinus heldreichii*) and Macedonian Pine (*Pinus peuce*); Griffon Vulture (*Gyps fulvus*), Great Bustard (*Otis tarda*), European Roller (*Coracias garrulous*), Saker Falcon (*Falco cherrug*), Imperial Eagle (*Aquila heliaca*), Pygmy Cormorant (*Phalacrocorax pygmaeus*), European beaver (*Castor fiber*). Because Serbia contains 39% of Europe's vascular plant species, 51% of its fish fauna, 74% of its bird fauna and 67% of all mammal species, maintaining the existing biodiversity is of global importance. The country offers a resting place for many migratory birds including endangered species. In fact, the total number of all species that live in Serbia represents 43.3% of all existing species in Europe; an extremely large number given Serbia's small area relative to Europe in general.

43. Except for the flat parts of the Pannonian plain in the North, Serbia is situated mostly in the Balkan Peninsula which is one of the centers of biodiversity in Europe. This is reflected through the 3,662 vascular species and subspecies (287 Balkan endemic species in Serbia, local endemics make up 1.5% (59 species). Despite the great diversity of different species, the process of biodiversity loss is occurring in Serbia. Many species have disappeared and some rare species are becoming alarmingly endangered. About 600 flora and 500 fauna species are endangered. The project seeks to reverse these trends through strengthening the effectiveness and sustainable financing of the protected areas.

44. Component II will provide concrete examples of alternative revenue generation activities that should decrease the need for protected areas managers to use logging as a means of financial viability. This will create a more balanced management approach. Component III will increase the cost-effectiveness of PA management and conservation, contributing to better control of illegal activities such as logging and poaching.

Sustainability

45. *Ecological sustainability.* The ecological sustainability of the project will be assured by the fact that its main objective is to improve the quality and financial sustainability of protected areas management in Serbia. Currently financial pressure on protected areas managers increase the level of commercial exploitation of the natural resources (wood, NTFPs, etc.) such that this financing source may have a negative impact on the biodiversity that should be protected by the PA. The project will decrease the funding gap that creates this adverse incentive and provide PA managers with alternative sources of sustainable revenue from the tourism sector, provide concrete examples of sustainable harvesting with active impact monitoring for NTFPs and increase the effectiveness of fundraising for grant financing. Project success will increase the management effectiveness of a range of protected area managers through the establishment and training on the business planning approach in 21 protected areas and will strengthen the capacity of the INP to continue to train additional PA managers on this process. The INP (national and provincial) will be in a stronger position to assist in all aspects of PA management including collaborative ecological monitoring because of an improved relationship among the numerous players in the field of nature conservation in Serbia.

46. *Financial sustainability* will be assured through the project's focus on: i) improving the legal and policy framework for financing protected areas, ii) providing concrete examples of diversified and increased financing sources of funding PA conservation activities and iii) increasing Serbia's capacity for nature conservation management and financing through the establishment of a business planning process for the protected areas and improved fundraising capacity. The legal framework will contribute to solidifying existing and potential funding sources including direct government funding, improved planning and application of user fees, environmental funds, and other emerging sources based on either the user pays or polluter pays principals. The concrete examples of alternative funding sources will include improved revenues from tourism operations, trails, facilities, and other services as well as increased revenues from sustainable NTFP collection. Work in the third component on cost-effectiveness training will also provide additional support for the financial sustainability of the protected areas.

47. *Institutional sustainability* will be ensured primarily by Components I and III. In Component I improvements to the legal and policy framework will clarify responsibilities and empower institutional improvement. This will be supported through capacity building activities in Component III. Over 10 PA management entities will receive high level training during the business planning process that will cover 21 protected areas in total. During this process the INP will develop competencies enabling the institution to expand its services to the protected areas including offering training and support on business planning, fundraising, and cost-effectiveness.

Replicability

48. Replication will be achieved through the direct replication of selected project elements and practices and methods, as well as the scaling up of experiences. The project will develop and use a knowledge management system to ensure the effective collation and dissemination of experiences and information gained in the course of the project's implementation. This knowledge management system will be designed to ensure that information and data formats and flows are directed at the most relevant stakeholder groups to support decision-making processes. These stakeholder groups include the INP, the state and provincial forestry companies, the relevant MESP personnel and the managers of the 21 protected areas that will be participating in the business planning process. The INP will receive special support and training during the project that will enable the national and provincial branches to become a stronger support service to all of the protected areas of Serbia and thus replicate the activities of the project with the other protected areas managers. Currently the INP provides services that are primarily focused on biodiversity monitoring and assessment. However, the INP has some capacity to support management, business planning, and fundraising. These will be the elements that the project will seek to expand during the project. The INP will be involved at all stages of the project and has shown strong interest in expanding their services to the protected areas. This expansion of services, that will eventually include "help desk" services, will be supported by the establishment of appropriate bylaws if necessary. Support to the Environment Fund will increase the Fund's interest in and capacity to finance protected areas. As well, the Fund will require improved management and financial reporting from all grantees. This association of financing with increased impact monitoring and management effectiveness will further increase the replicability of project accomplishments.

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

49. The project addresses priorities set forward in the 2006 National Environmental Strategy (NES) and the National Environment Action Plan (NEAP). These aim inter alia at "addressing environmental liabilities" and introduction of the "polluter pays" and "user pays" principles, thus promoting income generation from ecosystem products and services. The NES focuses in part on the development of legislation regulating nature protection and the development of a sustainable tourism act in harmony with EU regulations and international initiatives. Furthermore, Action 5.10.6 refers to development of a program on sustainable tourism in protected areas. Short-term goals (2005-2009) have been focused on: (i) the development of a national strategy for biodiversity; (ii) biodiversity inventories with special attention to endangered ecosystems and habitats as well as rare and endemic species; (iii) establishing a biodiversity monitoring system; and (iv) the introduction of effective measures for controlling GMOs.

50. Serbia is a party to a number of Multilateral Environmental Agreements (MEAs) related to biodiversity and nature conservation: the Ramsar Convention on Wetlands of International Importance; the Convention on the Protection of the World Cultural and Natural Heritage; the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES); the Convention on Biological Diversity (CBD); and its Cartagena Protocol. Serbia has adopted the UN Millennium Development Goals, where environmental sustainability is an important goal that should be achieved through the integration of sustainable development principles into national policies and strategies and the prevention of environmental resources loss.

51. The national strategic and policy framework related to nature conservation includes several key strategies and policy documents:

52. The Poverty Reduction Strategy for Serbia pays attention to environmental aspects of poverty reduction through the concept of income generation through improving environmental conditions and by obtaining higher support for environmental management on local level.

53. The Spatial Plan of the Republic of Serbia was adopted in 1996 and was later replaced with the Spatial Development Strategy. The most recent plan defines some basic goals in the field of nature conservation and

environmental protection. One large goal is that, by 2010, 11% of Serbian territory should be under some type of conservation measures.

54. Thus, to achieve these objectives it is imperative to improve the capacities of PA managers and to increase the effectiveness of state bodies responsible for controlling unwanted or unregulated activities in protected and ecologically important areas. The process of preparation of National Strategy for Sustainable Use of Natural Resources and goods is on going and one should expect that this strategy is going to be adopted near the end of the 2009.

C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH GEF STRATEGIES AND STRATEGIC PRIORITIES:

55. The project is aligned with the GEF's SO-1 SP-1 (Catalyzing Sustainability of Protected Area Systems/ Sustainable Financing of PA systems). Component I of the project removes legal and policy barriers to sustainable PA financing. Component II identifies targeted interventions to help increase revenue streams for PAs at the site and macro-levels. Finally, Component III increases the capacities of site managers, central government officers, and key PA institutions to increase the cost-effectiveness of PA planning and operations. The project will pilot generation of additional sources of sustainable funding including non-timber forest resources and nature-based tourism, and conduct training for PA managers and partners on these elements. The enlarged protected areas system of Serbia will be left with an expanded and more representative network of protected areas that is closer to adequate sustainable financing and improved cost effective management capacity.

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

56. The project will finance policy development, and the capacity building of PA institutions to raise PA management cost-effectiveness and to secure revenue-streams for the PA system. The project objective will be to improve the financial sustainability of Serbia's protected areas system. No loan or revolving-fund mechanisms are considered appropriate.

E. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:

57. The project will ensure active coordination and exchange of experience with other related initiatives in Serbia, in particular with the following GEF funded projects: (i) UNDP/GEF "National Biodiversity Strategy and Action Plan - NBSAP" – the project will ensure its interventions are in line with strategic biodiversity conservation priorities defined in the Strategy; (ii) WB/GEF "Transitional Agriculture Reform" that aims to conserve ecosystems, agrobiodiversity and wild biodiversity in the production areas of the Stara Planina Nature Park by promoting traditional sustainable and biodiversity-sensitive agricultural practices and will use experiences from developing rural development payment system for designing a sustainable financing plan for PAs; (iii) UNDP/GEF "Enabling Activities for the Preparation of Serbia's Initial National Communication to the UNFCCC"- with taking into consideration the assessment of vulnerability of biodiversity to climate change and incorporating proposed adaptation measures into project interventions. The project will also coordinate its activities with environmental education activities coordinated through various national and international NGOs.

58. The WWF Danube-Carpathian Programme is implementing a program entitled 2010 Protected Areas Programme – The Carpathian Mountains Ecoregion – Phase 1. This program seeks to promote and support the implementation of the Convention of Biological Diversity Program of Work for Protected Areas. The program runs for five years between January 2007 and December 2011. The overall goal for the project is to enable parties to the CBD from the ecoregion to achieve the 2012/2012 targets of the Program of Work on Protected Areas, in particular the establishment of a scientifically based and representative regional network of well-managed protected areas that are sustainably financed, ensure effective participation of local communities and provide social and economic benefits. To achieve this goal, five key objectives are developed, including: establishing a mechanism to support and coordinate the implementation of the PoWPAs across the different countries; building skills and capacity of professional protected area practitioners; enhancing support of stakeholders for protected areas through their participation in PA design, management and benefit sharing; addressing critical gaps in the protected area network, with a particular focus on the creation of large intact blocks, freshwater ecosystems, wilderness and transboundary PAs; and enhancing support for biodiversity and Protected Areas by building capacity for the valuation of PA goods and services, cross-sectoral planning for effective PA management, and public awareness of PA benefits. This project will work in partnership with this initiative and will benefit from co-financing.

59. WWF has another related project which is "Strengthening the capacity of governments and civil sector in Serbia and in Montenegro to adapt to EU nature protection aquis." The goal of that project is to build up skills and

competencies for government authorities and the civil sector in Serbia and Montenegro to successfully adapt to the EU's legal biodiversity protection standards, as one important step in securing Euro-Atlantic integration. More specifically, the WWF project will (i) support the State Institute for Nature Protection of Montenegro in establishing a functional Natura 2000 database with mapped, updated and field-verified data, (ii) provide support to the non-governmental sector in Serbia and in Montenegro in carrying out its role in nature-related EU accession processes, (iii) work with key government sectors in Montenegro and in Serbia so they understand EU conservation policy, establish communication and begin integrating EU nature conservation requirements into policy making, and (iv) improve national legislative and international funding frameworks in order to support sustainable development and nature conservation in Serbia and in Montenegro. This MSP will work closely with WWF and benefit from co-financing as well.

60. The UNDP is implementing a project on MDG Sustainable Tourism for Rural Development (STRD) that has strong added value with this project. The UNDP will be providing co-financing from this project through the activities: (i) Development of Rural Tourism Master Plan and establishment of UN Fund for Sustainable Rural Tourism; (ii) Promotion of public private partnerships and developing related guidelines; (iii) support for branding of products and regions, including support and capacity building for local action groups.

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

Baseline

61. Overall, the baseline is characterized by availability of general framework-setting laws permitting the use of economic incentives and continuous efforts to expand the representativeness of the PA estate. Serbia has set the objective of expanding its PA system from 6.5 to 10% of the country. It is taking steps to improve its overall environmental legislation, finalize the National Biodiversity Strategy and Action Plan, and raise the capacity of the protected area institution and its staff. However, without the project, even though the Government of Serbia has committed to expand its PA system to achieve 10% coverage, this will likely remain an ambitious goal with fundamental PA financing needs remaining unaddressed. The funding gap of approximately 60% is likely to persist or grow, with the government, the State Environmental Fund and municipalities being the only institutions covering PA costs, with limited ad-hoc support from donor projects. The country's NBSAP will not be based on a long-term financial vision for the protected areas system. Opportunities for diversifying revenue generation (both at macro-level, through e.g. debt-for-nature swaps), as well as at the site level (e.g. through nature-based tourism and regulated collection of non-timber forest resources) will remain nascent. The philosophy of park planning and management will remain conservative and not based on business-thinking, while the resource extraction violations (such as excessive logging) are likely to grow in scale and number, because park public enterprises will be driven by the need to earn at least some additional profit for their subsistence. There is very limited use of donor funding from EU pre-accession funding and the Environment Fund has little knowledge or experience financing protected area. The Institute for Nature Protection has been assisting some of the smaller PAs with grant applications but this goes beyond their mandate and they do not have adequate funding or staff to fulfill this role on a more widespread basis. Outside support to the PA network is limited to the WWF projects mentioned above and specific EU programs such as the IPA Twinning project that aims at Strengthening Administrative Capacities for Protected Areas in Serbia (Natura 2000). Without this project, there will be no pre-conditions set for the long-term financial sustainability of the PA estate, which the Government is seeking to expand.

The GEF Alternative and incremental value

62. The long-term solution sought by the project is based on: (i) a strategic planning approach and regulatory environment that incorporates targeted regulations allowing for flexible revenue generation by parks; (ii) the identification and implementation of pilot projects to generate sustainable financing for the protected areas and the surrounding communities via nature based tourism, agro-tourism and sustainable use of resources; and (iii) a more complete integration of economics, financial and business planning, and increased efficiency in protected areas management. This will be the first initiative of its kind in Serbia to look at the PA financing from a systemic perspective. By the end of the project, the funding gap (basic needs) is expected to be reduced from 8.7 to app.5.5 million USD annually; the share of non-government funding of the PAs will increase by app.20% from the current proportion. The total finances available to PAs will increase from the baseline \$ 7.2 million to at least \$ 10.2 million, as measured by UNDP/GEF Financial Scorecard. The trends to pin up the project achievements will be fixed through a 7-year PA Funding Plan approved as part of the National Biodiversity Strategy and Action Plan and supported by a suite

of regulations allowing for an extended application of entry fees, recreation fees, better catering prices for PA services. By the end of the project, PAs in Serbia will receive tested examples of workable PA business plans; these will be in place for at least 21 PAs, and at 2 PAs innovative PA revenue generation mechanisms (through a system for collection of non-timber forest resources, and nature based and agro-tourism) will be tested. At the macro-level, the Government will be better prepared to negotiate for external funding (including for mechanisms such as debt-for-nature swaps) that would allow to fuel up the external funding for the National Environmental Fund. 10 staff of the MESP, Environment Fund, Institute for Nature Protection, and linked institutions will be trained in external fund-raising. The External Fund-raising Strategy will be developed and integrated in the PA Finance Plan. The project will leave behind it a permanent “help desk” – an on-line facility to consult PA managers in business planning and effective PA management. The incremental value of the project will ultimately be evidenced through the achievement of the global environmental benefits – stabilization of populations of threatened species such as *Picea omorika*, *Pinus heldreichii* H.Christ, Griffon Vulture and Great Bustard.

Summary of costs

63. The total cost of the project, including co-funding and GEF funds, amounts to US\$ 3,920,000. Of this total, co-funding constitutes US\$2,970,000, or 76%. GEF financing comprises the remaining 24% of the total, or \$950,000.

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
Weak institutional capacities for efficient PA management	M	The project recognizes weaknesses in capacities of the Government to adopt/absorb new policies and instruments. The recent Law on Nature Protection has good overarching policies, but if the MESP rushes to establish bylaws without technical support, they risk being poorly planned and difficult to implement. The project is designed to implement gradually, in 4 years, policies (Component I), that could be tested in the field (Components II and III) to fine-tune them before they are adopted, so that they pertain as much as possible to Serbia context. At all stages, the project will be providing extensive training to staff of the MESP, Institute of Nature Protection, the Environment Fund, as well as Public Enterprises to understand the rationale for the policy changes. The help desk introduced in Component III, will be a sustainable mechanism, continuing to deliver guidance fundraising and cost-effective PA management after the project ends.
Threats to biodiversity may increase over background levels making conservation planning more difficult	L	The business planning approach piloted in Component III will presuppose a regular monitoring mechanism that would measure progress in PA conservation effectiveness and be adjusted on a bi-annual basis at least for any threats that might exceed the baseline levels.
Some of the revenue generation mechanisms might prove difficult to replicate in Serbia’s governance context	M	The project has been designed to respond to the current governance settings, to develop and promote only those mechanisms (both at site as well as macro levels) that provide the maximum probability of success. The project will start with more basic funding mechanisms because even these are poorly tested in Serbia – nature based tourism, NTFPs. The most challenging mechanism planned, the debt-for-nature swap, has been done in numerous other countries and will be led by specialists with past successes. The conditions and institutions are favorable for such a mechanism. During project implementation revenue generation pilots will be carefully monitored and project approaches adjusted in the unlikely case when governance settings in the country would make certain mechanisms implausible.
Climate Change	L	Estimated climate change risk score for Serbia is amongst lowest in EE and CIS countries. Though climate monitoring data show increase in temperature and decrease in precipitation, no major climate change effects are expected. However, the project will take into account results of V&A assessment that is currently being developed and will, through its interventions in the field (particularly business planning in Component III), mainstream climate change resilience into the expansion and management of the PA system.

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

64. With the present proposal to GEF the Government opted to focus on strengthening the financial viability of its protected areas system. A possible alternative for the grant would be to focus on further PA expansion. It has been

analyzed, however, that expansion is already supported by a number of internationally supported and domestic initiatives. At the same time, expansion without sound financial planning tools and diversified revenue mechanisms put the whole PA estate at risk of failing to meet its specific objectives. It is therefore considered more cost-effective for GEF funds to be invested in engendering the financial sustainability of the PA system, rather than investing further in PA expansion or in protecting biodiversity outside PAs. By creating the enabling environment for PA financial sustainability, the project aims at strengthening capacities of the central ministry and PA management to secure predictable and long term financial resources, allocate them in a timely manner and appropriate form, cover the costs of PAs and ensure that protected areas are managed effectively and efficiently. At the site level, the project will initiate partnerships with the private sector and other stakeholders to secure financial sustainability of selected sites, increasing therefore, their capacities to respond to commercial opportunities. The cost of the project to the GEF is \$ 1 million and the impact will be the strengthening of financial sustainability for 560,000 ha or a cost of just under \$2 per ha over 4 years.

65. One alternative scenario is placing money directly into an Environmental Trust Fund mechanism. The Environment Fund already exists and has a mandate for financing PAs. This alternative is not cost effective for a number of reasons. Firstly, the Environment Fund has only been established for a few years and does not have experience with investing capital for annuity payments. Secondly, the Fund has little experience making strategic investments in PAs (in fact they have requested assistance from this project). As a result, it is unlikely that the annuity revenue would generate clear positive impacts on globally threatened biodiversity. Finally, the small amount of interest generated through the investment of \$1 million (roughly \$50,000 per year) would have almost an insignificant impact on the current threats to Serbia's PA system.

66. Another alternative is heavy investment in tourism infrastructure for one of the most important protected areas as an example to the private sector to encourage similar investments throughout the PA system. This approach could positively impact one protected area and may result in replication by the private sector for others – however, it is most likely that the private sector would choose to invest based on visual beautify and not choose their investment locations based on optimizing biodiversity conservation. As a result, the heavy infrastructure investment would have a high risk of having little or no positive impact on globally threatened biodiversity. The project scenario, on the other hand, will work with private sector partners in a variety of locations and can leverage private money to make the infrastructural investments once the value of nature based tourism has been shown in several pilot protected areas.

PART III: INSTITUTIONAL COORDINATION AND SUPPORT

A. INSTITUTIONAL ARRANGEMENT:

67. UNDP is the Implementing Agency for this project. The project is fully in compliance with the comparative advantages matrix approved by the GEF council. UNDP has significant global experience with PA projects, with at least 134 SO1 under implementation (2007 data). The project is also in line with two of the UNDP's priorities for Serbia: Sustainable Development and The Environment. These goals imply long-term planning and sustainable utilization of resources as well as the creation of new jobs and support to entrepreneurship in all areas. Currently UNDP is supporting a number of projects in Europe and CIS, focused on catalyzing the sustainability of protected areas, with an impact on more than 60 protected areas in the region covering more than 16 million hectares. The proposed project is consistent with the UNDP Country Cooperation Framework (CCF) in promoting the conservation of natural resources, while recognizing the need to sustainably manage those resources through capacity building and encouraging broader multisectoral participation of all stakeholders. Given UNDP's recognized role in capacity development to enable countries to access investments for environmental management and based on the fact that UNDP is the implementing agency for a large portfolio of GEF – funded protected area projects covering 22 countries in Europe and CIS and working on 60 protected areas covering over 15 million hectares, the Government of Romania has requested UNDP's assistance in the design and implementation of this project.

B. PROJECT IMPLEMENTATION ARRANGEMENTS:

68. At the national level, the project will be executed by the Ministry of Environment and Spatial Planning. The MESP will appoint a senior official to be the Project Coordinator (PC). The PC will ensure full government support of the project.

69. A Project Implementation Unit (PIU) will be established comprising permanent staff including: a National Project Manager (NPM), Project Assistant. The PIU will assist Ministry to perform its role as implementing partner. The NPM

will be recruited in accordance with UNDP's regulations to manage actual implementation of the project; and will be based in Belgrade. S/he will report to the UNDP Focal Point on Energy and Environment. The NPM will be responsible for overall project coordination and implementation, consolidation of work plans and project papers, preparation of quarterly progress reports, reporting to the project supervisory bodies, and supervising the work of the project experts and other project staff. The NPM will also closely coordinate project activities with relevant Government institutions and hold regular consultations with other project stakeholders. The NPM will also closely coordinate project activities with relevant government institutions and hold regular consultations with other project stakeholders and partners, including UNDP's relevant projects. Under the direct supervision of the PM, the Project Assistant will be responsible for administrative and financial issues, and will get support from the existing UNDP administration.

70. Overall guidance will be provided by the Project Board (PB). This will consist of key national governmental and non-governmental agencies, and appropriate local level representatives. UNDP will also be represented on the PB. The PB will be balanced in terms of gender. The Project Board will be responsible for making management decisions for the project, in particular when guidance is required by the Project Manager. It will play a critical role in project monitoring and evaluations by assuring the quality of these processes and associated products, and by using evaluations for improving performance, accountability and learning. The Project Board will ensure that required resources are committed. It will also arbitrate on any conflicts within the project and negotiate solutions to any problems with external bodies. In addition, it will approve the appointment and responsibilities of the Project Manager and any delegation of its Project Assurance responsibilities. Based on the approved Annual Work Plan, the Project Board can also consider and approve the quarterly plans and also approve any essential deviations from the original plans.

71. In order to ensure UNDP's ultimate accountability for project results, Project Board decisions will be made in accordance with standards that shall ensure management for development results, best value money, fairness, integrity, transparency and effective international competition. In case consensus cannot be reached within the Board, the final decision shall rest with the UNDP Project Manager.

72. Members of the Project Board will consist of key national governmental and non-governmental agencies, and appropriate local level representatives. UNDP will also be represented on the Project Board, which will be balanced in terms of gender. Potential members of the Project Board will be reviewed and recommended for approval during the PAC meeting. The Project Board will contain three distinct roles:

- *Executive Role*: This individual will represent the project "owners" and will chair the group. It is expected that the Ministry of Environment will appoint a senior official to this role who will ensure full government support of the project.
- *Senior Supplier Role*: This role requires the representation of the interests of the parties concerned which provide funding for specific cost sharing projects and/or technical expertise to the project. The Senior Supplier's primary function within the Board will be to provide guidance regarding the technical feasibility of the project. This role will rest with UNDP-Serbia represented by the Resident Representative.
- *Senior Beneficiary Role*: This role requires representing the interests of those who will ultimately benefit from the project. The Senior Beneficiary's primary function within the Board will be to ensure the realization of project results from the perspective of project beneficiaries. This role will rest with the other institutions (key national governmental and non-governmental agencies, and appropriate local level representatives) represented on the Project Board, who are stakeholders in the project.

73. Project Assurance: The Project Assurance role supports the Project Board Executive by carrying out objective and independent project oversight and monitoring functions. The Project Assurance role will rest with the UNDP Serbia Environment Focal Point

74. The permanent core technical staff of the project will be a Chief Expert on Biodiversity. S/he will supervise a team of national specialists, who will implement specific activities of the project at the local level. The NPM, NPEs and national specialists will spend a large portion of their time in the field, and the NPM will be ultimately responsible for liaison with communities engaged in the project.

75. The PIU, following UNDP procedures on implementation of the National Implementation Modality (NIM) projects, will identify national experts and consultants, and international experts as appropriate to undertake technical work. The national and international companies may also be involved in project implementation. These consultants and companies will be hired under standard prevailing UNDP procedures on implementation of NIM projects. The UNDP

Country Office will provide specific support services for project realization through the Administrative and Finance Units as required.

76. Audit Arrangements: The Audit will be conducted in accordance with the established UNDP procedures set out in the Programming and Finance manuals by the legally recognized auditor.

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

77. The project design is aligned with the approved PIF. The project document expands the project rationale, proposed project strategy, stakeholder roles, the expected global environmental benefits, and the sources and amounts of co-financing. The total GEF grant requested remains the same.

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.

Agency Coordinator, Agency name	Signature	Date	Project Contact Person	Telephone	Email Address
Yannick Glemarec Executive Coordinator UNDP/GEF	<i>Y. Glemarec</i>	December 8, 2009	Maxim Vergeichik	+421 905 428 152	Maxim.vergeichik@undp.org

ANNEX A: PROJECT RESULTS FRAMEWORK

Project Strategy	Objectively Verifiable Indicators	Baseline	Target	Sources of verification	Risks and Assumptions
Objective: To improve the financial sustainability of Serbia's protected areas system	Overall score of the Financial Scorecard:	27.6%	45%	Financial scorecards. Financial reports (income, expenses, needs and financial gaps). Environmental monitoring data.	<u>Risks:</u> Political conflicts between forest administration and MESP slows down project efforts. <u>Assumptions:</u> The political will to implement the new Law on Nature Protection is strong and the government seeks support for this. The strong interest in the project indicated by the stakeholders allows strong communication and collaboration leading to building project success. Collaboration with INP, Environment Fund, key government players and key PA managers successfully ties all stakeholders to project objectives.
	Population trends of <i>Picea omorika</i> , <i>Pinus heldreichii</i> H.Christ, Griffon Vulture and Great Bustard at key PAs	Decreasing	Stable		
	Coverage of Serbian Protected Areas with ensured financial sustainability	0 ha	550,000 ha		
Component 1. Enabling legal and policy environment for improved PA financial sustainability	Number of PA finance by-laws and regulations completed	0	7	Government publications	<u>Risks:</u> Lack of coordination and partnerships among different types of PA Managers reduced opportunities for system based approach. <u>Assumptions:</u> Strong interest in improving the financial sustainability of PA management at all levels including Public Enterprises and Ministries.
	PAFP integrated into PA policy and regulations	No	Yes (in 2012)	PAFP, Reports on financial gaps reductions, PAFP implementation reports. Financial and auditing reports	
	Cost-effectiveness reporting incorporated into annual State of the Environment Report	No	Yes (in 2012)	State of the Environment Report	
Component 2. Increasing revenue-streams for the PA system	Increased revenues at PA's from nature based tourism and NTFPs	0 PAs	4 PAs	Annual PA reports, financial reporting	<u>Risks:</u> Nature based tourism is an inappropriate revenue generation source <u>Assumptions:</u> Rapid initial success with nature based tourism will lead to increased interest in project's activities. Strong interest by the Environment Fund to increase funding PAs.
	Number of grants acquired by PAs	<5 per year	>10 per year		
	Amount of funding provided to PAs from the Environment Fund	\$320,000 US	> \$1 million US	Annual reports of Environment Fund	
Component 3. Institutional and individual capacity of PA institutions to raise PA management cost-effectiveness	# of PA's in Serbia with business plans and cost-effectiveness strategies	1	21	Business Plans	<u>Risks:</u> Lack of cooperation or mandate for INP to participate in capacity building for financing and cost effectiveness. <u>Assumptions:</u> Openness and willingness to participate in business planning process by the wide range of PA Managers, the INP and the Environment Fund. Willingness of the INP or the
	# of PA, INP, Environment Fund, and MESP staff trained in effective financial management of PAs	0	30	Training reports	
	# of INP staff trained for supporting PAs through the Help Desk	0	10		

Project Strategy	Objectively Verifiable Indicators	Baseline	Target	Sources of verification	Risks and Assumptions
	Existence of a country –wide PA results based financial reporting system with reports sent to MESP and INP. Traceable expenses, costs, needs and gaps by program and PA	No	Yes (in 2012)	Financial reports, Environment Fund grant reports, State of the Environment Report.	Environment Fund to house the Help Desk. Capacity and interest of MESP and Institute to manage financial information in addition to scientific information for annual reporting.
	METTs for 21 PAs	Baseline: Karadjordjevo 18% Peinja 26% Ludas 34% NP Fruska Gora 43% Veliko ratno ostrvo 54% NP Sara 58% Slano Kopovo 64% Ovcarско-kablarska klisura 64% NP Djerdap 65% Golija 65% Mokra Gora 66% Sicevo 67% NP Kopaonik 67% Carska bara 68% Delblatska pescara 68% NP Tara 69% Tresnjica 69% Resavska pecina 70% Gornje Podunavlje 71% Jegricka 75% Zasavica 84%	Target: Karadjordjevo 38% Peinja 46% Ludas 54% NP Fruska Gora 60% Veliko ratno ostrvo 65% NP Sara 65% Slano Kopovo 75% Ovcarско-kablarska klisura 75% NP Djerdap 75% Golija 75% Mokra Gora 75% Sicevo 75% NP Kopaonik 75% Carska bara 80% Delblatska pescara 80% NP Tara 85% Tresnjica 85% Resavska pecina 90% Gornje Podunavlje 90% Jegricka 90% Zasavica 95%	METT scores	

ANNEX B: RESPONSES TO PROJECT REVIEWS

NA at this stage.

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

Position Titles	\$/ person week	Estimated person weeks	Tasks to be performed
For Project Management (only local/no international consultants)			
Local			
National Project Manager (PM)	230	208	<p>Supervise and coordinate the project to ensure its results are in accordance with the Project Document and the rules and procedures established in the UNDP Programming Manual; Assume primary responsibility for daily project management - both organizational and substantive matters – budgeting, planning and general monitoring of the project; Ensure adequate information flow, discussions and feedback among the various stakeholders of the project; Ensure adherence to the project’s work plan, prepare revisions of the work plan, if required; Assume overall responsibility for the proper handling of logistics related to project workshops and events; Prepare, and agree with UNDP on, terms of reference for national and international consultants and subcontractors; Guide the work of consultants and subcontractors and oversee compliance with the agreed work plan; Maintain regular contact with UNDP Country Office and the National Project Director on project implementation issues of their respective competence; Monitor the expenditures, commitments and balance of funds under the project budget lines, and draft project budget revisions; Assume overall responsibility for the meeting financial delivery targets set out in the agreed annual work plans, reporting on project funds and related record keeping; Liaise with project partners to ensure their co-financing contributions are provided within the agreed terms; Assume overall responsibility for reporting on project progress vis-à-vis indicators in the logframe; Undertake any other actions related to the project as requested by UNDP or the National Project Director.</p>
Project assistant	130	208	<p>Assist the PM in managing the project staff; Coordinate the project experts and ensure that their results are delivered on time; Prepare GEF quarterly project progress reports, as well as any other reports requested by the Executing Agency and UNDP; Ensure collection of relevant data necessary to use in the Management Effectiveness Tracking Tool; Assist the PM in managing the administrative and finance staff and ensure that all information is accurate; Act as PM in case of his/her absence; Overall, provide all necessary support to the PM in implementation of the project. Provide general administrative support to ensure the smooth running of the project management unit; Project logistical support to the Project Coordinator and project consultants in conducting different project activities (trainings, workshops, stakeholder consultations, arrangements of study tour, etc.); During the visits of foreign experts, bear the responsibility for their visa support, transportation, hotel accommodation etc; Organize control of budget expenditures by preparing payment documents, and compiling financial reports;</p>

Position Titles	\$/ person week	Estimated person weeks	Tasks to be performed
			Maintain the project's disbursement ledger and journal; Control the usage non expendable equipment (record keeping, drawing up regular inventories); Arrange duty travel; Perform any other administrative/financial duties as requested by the Project Manager; Organize and coordinate the procurement of services and goods under the project. Under supervision of project manager, responsible for all aspects of project financial management
For Technical Assistance			
Local			
PA legal and policy Specialist	750	20	Output 1.2 Provide background research and lead the development of laws and policy preparation for: a. Revision of protected areas categorization to better coincide with IUCN categories and EU directives b. Evaluation of new regulations on returning land to previous owners and elaboration of collaborative management policies and procedures c. Standardizing policies and levels for entry fees, recreation fees, catering prices, (in collaboration with the PA financing analyst, nature based tourism specialist and the financial sustainability specialist) d. Revision of policies on resource extraction at PAs to address ecological resilience; enforcement mechanism improved for reducing illegal resource extraction based on increased fines and extended rights of environmental inspectors. e. Tax subsidies to park public enterprises, NGOs and private sector to promote nature-based tourism, f. Amendments to the annual State-of-Environment report to require presentation of PA cost-effectiveness, g. Regulation streamlining roles and responsibilities of MESP vis-à-vis other sectoral ministries, park public enterprises, local communities and NGOs, h. Revision of the regulation on the proportion of revenues raised by PAs for re-investment; i. Format and process for site-level business planning adopted.
PA financial analyst	750	58	Output 1.2 Assist the PA legal and policy specialist with preparation of policy regarding: - Standardizing policies and levels for entry fees, recreation fees, catering prices - Tax subsidies to park public enterprises, NGOs and private sector to promote nature-based tourism, - Revision of the regulation on the proportion of revenues raised by PAs for re-investment; Output 2.2 Assist the sustainable finance specialist with preparing an external fundraising strategy, action plan, and training program for PAs, the INP, the PEs and the MESP. Output 3.1 and 3.2 financial analysis of existing PA revenues and costs, work with business planning specialist, and financial sustainability specialist to prepare the PAFP, evaluate cost-effectiveness opportunities in pilot sites (21 sites), propose standardized financial reporting mechanisms and methods.
PA business planning specialist	750	62	Output 1.2 Assist the PA legal and policy specialist to define the policy for business planning. Output 3.1 and 3.2 conduct all initial work at sites for business

Position Titles	\$/ person week	Estimated person weeks	Tasks to be performed
			planning process including Step One: Preparatory work and Step Two: Analysis of current circumstances and full operational requirements. Collaborate with the international business planning specialist to complete the remaining steps to establishing business plans at 21 pilot sites, and provide training for project partners on the business planning process.
Nature-based tourism specialist	750	32	Output 1.2 Standardizing policies and levels for entry fees, recreation fees, catering prices Output 2.1 Assist 2 national parks and one nature park with the design and implementation of nature based tourism pilots following appropriate analysis, strategy, planning, budgeting, implementing, and monitoring processes. Prepare presentations on the approach and the results as training materials for other PAs. Provide training at cross site visits to promote the successful methodologies in other PAs. Output 3.1 provide guidance to the business planning process in regards to the use of nature based tourism w/r/t costs and potential revenues.
Natural resource management expert	750	12	Output 2.1 Design and assist with the implementation of a pilot on non-timber forest products at a national park.
Other short term consultants	750	28	Additional short term consultants will be hired for very specific tasks and their ToR will be elaborated by the project staff in consultation with the CTA and other international consultants.
International			
PA Sustainable Financing Expert	3,000	10	The PA sustainable financing expert will oversee and lead the following outputs: Output 1.1 Guide the analysis and elaboration and initial implementation of the Protected Areas Financing Plan Output 1.2 Provide oversight to improvements in PA legal and policy issues as they relate to sustainable financing Output 2.2 Design overall strategy for external fundraising and provide ongoing support to the Environment Fund as they develop improved methods for fundraising and investing in PAs Output 3.2 Design and oversee training programs on PA cost effectiveness and improvements to financial and results based reporting.
Debt Swap and Foundation Specialist	3,000	10	Output 1.1 Provide technical guidance for legal and policy issues surrounding the Environmental Fund and the debt-for-nature swap. Output 2.2 Provide support to the Environment Fund for the establishment of funding criteria and monitoring for PA projects, governance, and outside fundraising strategies. Provide training for 10 staff of the MESP, Environment Fund, Institute for Nature Protection, and linked institutions for external fund-raising. Elaborate an external fund-raising strategy integrated as part of the PA Finance Plan (Output 1.1).
Business Planning Specialist	3000	10	Component 3.1 Lead the design and implementation of the business planning process for 21 protected areas.
Nature Based Tourism Expert	3000	5	Component 1.1 Provide high level guidance and evaluation techniques for the determination of fees for tourism based revenues for the PAs Component 2.1 Prepare a nature based tourism master plan for and provide technical expertise for the establishment of nature based tourism at 3 pilot sites
Evaluation expert	3,000	8	The international evaluation consultant will lead the mid-term and the final evaluations. He/she will work with the local

Position Titles	\$/ person week	Estimated person weeks	Tasks to be performed
			evaluation consultant in order to assess the project progress, achievement of results and impacts. The project evaluation specialists will develop draft evaluation report, discuss it with the project team, government and UNDP, and as necessary participate in discussions to extract lessons for UNDP and GEF. The standard UNDP/GEF project evaluation TOR will be used.
Other short-term consultants	3,000	8	The international expertise will be utilized, as needed, to provide appropriate technical advice on issues that might arise as the project evolves. The international consultants will be involved in order to provide the ad hoc assistance on the narrow topics (e.g. agrobiodiversity, market analysis etc.), when required. The ToRs will be developed by the project personnel in consultation with the CTA and other international consultants working for the project.

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

78. The objectives of the PPG have been fully realized. An international and two national consultants were recruited in September 2009 to implement the PPG. A work plan was collaboratively developed by the UNDP, the consultants and a focal team from the Ministry of Environment and Spatial Planning to guide and direct the work undertaken during the preparatory phase. A national working group, representing the different stakeholder institutions and organizations, was constituted by the national focal point to oversee and approve the preparatory studies and draft project documents. 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:

NA

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

<i>PPG</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>	
Detailed assessment of the policy and legal and environment in the area of PA financing	Completed	13,500.00	6,200.00	7,300.00	0	15,000.00
Feasibility studies for various revenue-generation options and increasing cost-effectiveness at macro- and site-levels	Completed	21,000.00	12,200.00	8,800.00	0	20,000.00
Feasibility analysis and budget	Completed	15,500.00	7,200.00	8,300.00	0	15,000.00
Total		50,000.00	25,600.00	24,400.00		50,000.00

* Uncommitted amount should be returned to the GEF Trust Fund. Please indicate expected date of refund transaction to Trustee

ANNEX E: TOTAL BUDGET AND WORK PLAN

Award ID:	00057303										
Award Title:	PIMS 3635 BD MSP: Ensuring financial sustainability of the protected area system of Serbia										
Atlas Project ID	00073188										
Business Unit:	SRB10										
Project Title:	PIMS 3635 BD MSP: Ensuring financial sustainability of the protected area system of Serbia										
Implementing Partner (Executing Agency)	Ministry of Environment and Spatial Planning										
GEF Outcome/Atlas Activity	Responsible Party/Implementing Agent	Fund ID	Donor Name	Atlas Budgetary Account Code	ATLAS Budget Description	Amount Year 1 (USD)	Amount Year 2 (USD)	Amount Year 3 (USD)	Amount Year 4 (USD)	Total (USD)	Budget note
COMPONENT 1:	MESP	62000	GEF	71200	International consultants	6,000	10,000	6,000	10,000	32,000	1
Enabling legal and policy environment for improved PA financial sustainability				71300	Local consultants	15,000	16,500	16,500	12,000	60,000	2
				71600	Travel	11,000	11,000	7,060	7,000	36,060	3
				74100	Professional services	2,000	2,000	2,000	2,000	8,000	4
				74200	Audio-visual and printing production costs	3,000	3,000	2,000	3,000	11,000	5
				74500	Miscellaneous	3,000	3,000	1,000	2,000	9,000	6
					Total Outcome 1	40,000	45,500	34,560	36,000	156,060	
COMPONENT 2:	MESP	62000	GEF	71200	International consultants	15,000	19,000	12,000	10,000	56,000	7
Increasing revenue-streams for the PA system				71300	Local consultants	12,000	12,000	9,000	6,000	39,000	8
				71600	Travel	7,060	11,000	11,000	7,000	36,060	9
				72100	Contractual Services-Companies	7,200	9,000	8,000	6,000	30,200	10
				72300	Materials and goods	66,000	66,000	52,000	50,000	234,000	11
				72800	Information technology equipment	28,000	1,500	1,500	1,500	32,500	12
				74200	Audio-visual and printing production costs	2,000	2,000	2,000	2,000	8,000	13
				74500	Miscellaneous	3,000	3,000	3,000	3,120	12,120	14
					Total Outcome 2	140,260	123,500	98,500	85,620	447,880	
	MESP	62000	GEF	71200	International consultants	9,000	19,000	15,000	22,000	65,000	15
COMPONENT 3:				71300	Local consultants	15,000	16,500	16,500	12,000	60,000	16
Institutional and individual capacity of PA institutions to raise PA management cost-effectiveness				71600	Travel	7,060	11,000	11,000	7,000	36,060	17
				72100	Contractual Services-Companies	6,000	6,000	6,000	8,200	26,200	18
				72800	Information technology equipment	11,000	11,000	3,800	1,000	26,800	19
				74100	Professional services	3,000	2,000	2,000	3,000	10,000	20

				74200	Audio-visual and printing production costs	2,000	3,000	3,000	3,000	11,000	21
				74500	Miscellaneous	7,000	3,000	3,000	3,000	16,000	22
				Total Outcome 3		60,060	71,500	60,300	59,200	251,060	
PROJECT MANAGEMENT	MESP	62000	GEF	71300	Local consultants	18,720	18,720	18,720	18,720	74,880	23
				71600	Travel	3,000	3,000	3,000	3,000	12,000	24
				72800	Information technology equipment	4,620	500	500	500	6,120	25
				74500	Miscellaneous	500	500	500	500	2,000	26
				Total Project Management		26,840	22,720	22,720	22,720	95,000	
				PROJECT TOTAL		267,160	263,220	216,080	203,540	950,000	

Budget notes:

- Costs of contractual appointment of PA Sustainable Financing Expert (6 weeks over 4 years) and an additional 2 weeks of short term consultants on an as-needed basis. The calculation is this: 8 weeks at \$3,000 US per week (24,000), plus a share of costs for mid-term evaluation (8,000).
- Costs of contractual appointment of PA legal and policy specialist (20 weeks at the rate of \$750 per week), PA financial analyst (30 weeks at the rate of \$750 per week), PA business planning specialist (20 wks at the rate of \$750 per week), and other short term consultant as needed (10 weeks at the rate of \$750 per week) for a total of \$60,000 US.
- Travel costs include 2 international flights per year in the year 1,2 and 1 international flight for the year 3, 4. local travel and DSAs. The calculation for international travel is this: 30 days at \$220 per day totals \$6,600. Plus \$7,200 for 6 tickets (2 per year 1, 2 and one per year 3,4) plus miscellaneous travel expenses (visas, terminals etc) in the amount of \$1,140. The total for international travel is thus \$15,000. The calculation for local travel is this: \$2,700 for gasoline/car rent for the year 1 and 2 and \$2,000 for the year 3,4 in total for the rent \$9,400 and 53 DSA for local travel in total for the DSA \$11,660. Total for the local travel is \$21,060.
- Professional services including translation services specifically for outputs 1.2 during planning and presentation workshops surrounding the PAFP.
- Costs for preparation of communications on policy and regulatory work, printing and presentation materials for the PAFP.
- This is a margin allowed for possible unexpected rises in costs associated with organizing events concerning the PAFP in Component 1. (venue, catering, facilitation, printing, translation, etc.)
- Costs of contractual appointment of debt swap and foundation specialist (8 wks at \$3,000/wk), nature based tourism expert (5 wks at the \$3,000/wk) and an additional 3 wks of short term consultants on an as-needed basis at the rate of \$3,000 per week. This also includes a percentage of the International Evaluation expert in years 2 and 4.
- Costs of contractual appointment of nature-based tourism specialist (32 weeks over 4 yrs at the rate of \$750 per week), natural resource management expert (12 wks at the rate of \$750 per week), and other short term consultant as needed (8 weeks at the rate of \$750 per week) in total \$39,000.
- Travel costs include one international flight per year in the year 1, 4 and 2 international flights for the year 2,3. local travel and DSAs. The calculation for international travel is this: 30 days at \$220 per day totals \$6,600. Plus \$7,200 for 6 tickets (2 per year 2, 3 and one per year 1,4) plus miscellaneous travel expenses (visas, terminals etc) in the amount of \$1,200. The total for international travel is thus \$15,000. The calculation for local travel is this: \$2,700 for gasoline/car rent for the year 2 and 3 and \$2,000 for the year 1,4 in total for the rent \$9,400 and 53 DSA for local travel in total for the DSA \$11,660. Total for the local travel is \$21,060.
- Contractual services to companies, institutes and other organisations for consulting services surrounding various aspects of Component 2: Nature based-tourism pilot subcontract (15,000) plus Non-timber forest resources subcontract (15,200)..
- 21 sites will receive support for basic material needs to enable them to benefit from the the business-planning and revenue generation pilot activities and ensure sustainability. The break-down includes: basic office furniture (\$6,300), field and GPS electronic equipment (1,000 per each 21 sites), entry signages (\$25,200), informational and directional signage (\$25,300), nature trail materials (\$12,000), equipment for camping areas (\$11,000) and bird-watching towers (\$7,200), ttourist reception and entrance fee booths (\$42,000), mobilliard (\$ 63,000); other infrastructure as determined by the nature based tourism specialists (at 1,000 per site = \$21,000).
- For the four national parks (the key PAs supported by the project): purchase of 4 laptop computers at the price of \$3,000, 4 printers at the price of \$2,000, 4 video projectors at the price of \$2,000 and \$4,500 with upgrades in software and maintenance in the year 2,3,4.
- Miscellaneous print and presentation material for communication purposes and to increase replication – for output 2.1 and 2.2.
- This is a margin allowed for possible unexpected rises in costs associated with implementation.
- Costs of contractual appointment of PA sustainable financing specialist (4 weeks at \$3,000/wk), debt swap and foundation Specialist (2 wks at \$3,000/wk), business planning specialist (10 wks at \$3,000/wk) and an additional 3 weeks of short term consultants on an as-needed basis (at \$3,000/wk). This also includes a percentage of the International Evaluation expert in years 2 and 4.
- Costs of contractual appointment of PA financial analyst (28 weeks at the rate of \$750 per week) and PA business planning specialist (42 wks at \$750/wk) and other short term consultants as needed (10 wks at \$750/wk).

17. Travel costs include one international flight per year in the year 1, 4 and 2 international flights for the year 2,3. local travel and DSAs. The calculation for international travel is this: 30 days at \$220 per day totals \$6,600. Plus \$7,200 for 6 tickets (2 per year 2, 3 and one per year 1,4) plus miscellaneous travel expenses (visas, terminals etc) in the amount of \$1,200. The total for international travel is thus \$15,000. The calculation for local travel is this: \$2,700 for gasoline/car rent for the year 2 and 3 and \$2,000 for the year 1,4 in total for the rent \$9,400 and 53 DSA for local travel in total for the DSA \$11,660. Total for the local travel is \$21,060.
18. Contractual services to companies, institutes and other organisations for consulting services surrounding various aspects of Component 3, outputs 3.1 and 3.2.
19. IT equipment for the business planning working groups and for Help Desk. The amount includes 2 laptops at the rate of \$3,000 per piece, 2 desktops at the rate of \$1,400 per piece, two printer at the rate of \$2,000 per piece, two video projectors at the rate of \$2,000 per piece, two cameras at the rate of \$1,000 per piece and telephones lines at the rate of \$2,000 in total and upgrade and maintenance to software and hardware as needed at the rate of \$2,000 for year 2,3,4.
20. Professional services including translation services specifically for outputs 3.1 during workshops and to produce quality English language Business Plans and for output 3.2 to facilitate international experts' participation in trainings and workshops.
21. Cost or preparation of materials for training and communication for business planning, cost effectiveness training, and for help desk.
22. This is a margin allowed for possible unexpected rises in costs associated with implementation.
23. Project Manager and project assistant costs (\$74,880) are calculated 208 weeks for the PM in the amount of \$230/week and the project assistant in the amount of \$130/week.
24. National travel by project manager by ground to visit pilot sites and support project operations. The calculation for local travel includes gasoline/car rent and, DSA at rate of \$100 (DSA rate out of Belgrade).
25. IT equipment for the project manager and project assistant.
26. This is a small margin allowed for possible unexpected rises in costs associated with project management.

Summary of Funds:⁴

	Year 1	Year 2	Year 3	Year 4	TOTAL
GEF	267,160	263,220	216,080	203,540	950,000
Provincial Secretariat for Environmental Protection and Sustainable Development	517,751	517,751	517,751	517,752	2,071,005
Vojvodina Waters	150,000	150,000	150,000	199,667	649,667
WWF	6,000	7,000	6,000	6,000	25,000
UNDP SERBIA	450,000	450,000	450,000	485,748	1,835,748
TOTAL	1,390,911	1,387,971	1,339,831	1,412,707	5,531,420

⁴ All co-financing (cash and in-kind) that is not passing through UNDP.

ANNEX F: FINANCIAL SCORECARD

Basic Protected Area System Information

The biological diversity of Serbia is extremely high in terms of both ecosystems and species. To protect this diversity, a variety of protection categories have been developed. These have been applied to 475 localities (protected areas) covering 547,176 ha, or 6.19% of Serbia's area. As well, more than 800 plant and animal species are protected. The Protected Areas estate include 5 national parks, 16 spatial nature reserves, 12 nature parks, 323 monuments of nature and 11 landscapes of extraordinary characteristics. Protected areas (PA) in Serbia are managed by the "Managers". The Manager is required to fulfill professional, personnel and organizational conditions in order to protect, improve, promote and assure the sustainable develop of the PA. Managers can be legal or physical entities. These include public enterprises, companies, communal enterprises, museums, faculties, tourist organizations, ecological NGOs, foundations, etc. In most cases, management authorities are not working as independent institutions but as one part of larger legal entities. If the PA is located within the territory of a national park (which despite the name is more similar to a national forest) or its vicinity, the manager of such protected areas is the manager of the national park.

According to the Institute for Nature Protection of Serbia, the total number of PAs managers in Serbia is about 40.

In Serbia there are special state enterprises that manage national parks (Public Enterprises of Fruska Gora, Tara, Kopaonik, Djerdap and Sara Mountain National Parks) which are under the jurisdiction of the Ministry of Environmental Protection. These Public Enterprises (PE) are established according to the Law on National Parks, and manage 21% of the total protected areas surface. Beside Public Enterprise of National Parks, the Public Enterprises for Forest Management, "Srbijasume" and "Vojvodinasume", are the two biggest managers, Managing the majority of PAs (more than 65%). Protected areas are delegated for management to different authorities by Government Acts (Decree on conservation of protected areas) and Municipality Acts if protected areas are located within its territory (Decision on the conservation of protected areas). In most cases, the proposal for a suggested Manager of each PA is provided by the Institute for Nature Protection. Also, propositions can be made by the Ministry or Government.

A user of a protected area is legal entity, entrepreneur, physical entity or some other entity that perform activities within the PA i.e. use PA and/or its resources, comfort and characteristics.

In reality, regarding managers and users, there are 3 situations:

- The Manager is also the user (land user) of PAs (e.g. NPs, PE "Srbijasume", PE "Vojvodinasume", PE "Vode Vojvodine", etc.),
- The Manager is not a user of PA but has a function in PA management (hunting associations, tourist organizations),
- The Manager is not land user nor do they have a function in PA – they just take care of implementing protection (e.g. NGOs as a management authority).

Many institutions/organizations delegated as protected area management authorities are entities whose primary function is not nature conservation (usually its forestry, water management, tourism, hunting, etc.) Public Enterprises through their organizational units perform measures for conservation, utilization and development of protected areas.

The Public Enterprises define objectives regarding protected areas in their business policies. However, there is generally a lack of detailed concepts and management strategy for using and development of the protected areas. For the majority of employees in public enterprises, PAs issues are not primary activities or concerns. These managers and employees have other responsibilities in different domains (private forestry, tourism, water management, education etc.) Protected areas managers can also be NGOs. The NGOs seek to achieve a decrease in the extraction of natural resources, especially in forest areas. They are generally critical of the existing management of natural areas, but NGO's lack knowledge on issues relating to PA management. The influence of NGOs on local government and state institutions is very important and is expected to increase. At this moment there are only a few NGOs that manage PAs. Those NGOs are organizations that deal with environmental protection, hunting associations, association of sport fishermen, mountaineering association, etc. The first NGO in Serbia that became manager of a PA is NGO "Green movement of Sremska Mitrovica" (Special Nature Reserve Zasavica). The only PA whose manager is a military institution is Karadjordjevo. One part of Karadjordjevo area is protected as a special nature reserve. Karadjordjevo is also known as hunting ground. It is expected that the current Military Institution will be transformed in next year and that protected area will be separated from the military. Most probably a separate public enterprise will be established to manage Karadjordjevo PA and will be equipped and staffed since currently there is no appropriate staff within the institution that can manage the PA. Research and scientific institutions can also be protected areas managers and there are a museum, university faculties, and institutes that are PA managers. In Serbia this includes the Faculty of Biology and the Museum in Arandjelovac. The manager of Valley of Pcinja River PA is an Orthodox diocese "Vranje" (Monastery "Prohor Pcinjski"). This is only case, until now, that the manager of some PA in Serbia is church. This PA is located at the border with Macedonia and Kosovo. Cultural, historical and natural values were the main basis for declaring Diocese "Vranje" as a management authority. Municipalities and their delegates also manage some PAs. These are PAs designated by the Municipality and usually these are PAs of lower protection category and of small sizes. During the performance of regular PAs activities, these management authorities are faced with more or less similar problems and challenges.

According to the representatives of protected areas management authorities, the main problems are as follows:

- Inconsistent national PA categorization with internationally accepted IUCN categorization,
- Previous law for nature protection i.e. Law on Environmental Protection was not harmonized with other sectoral laws (forests, hunting, fishing, etc.),
- Need for revision and valorization of the PAs designated before 1991,
- Previous relevant law for nature protection i.e. Law on Environmental Protection did not define criteria (organizational, staff issue, technical, etc.) that determines which legal entity should be the manager of protected areas. Compensation for the manager (for limited utilization of PA) is defined by the Law on Nature Protection but the situation is that there are no compensation cases

at this moment. For this reason, as well as the lack of financial means, 1st and 2nd level protected zones tend to be underfunded.

- Disrespect of prescribed protection regimes mainly by private land owners,
- Insufficient financing of protected areas (firstly for protection of PAs, than for promotion, education, etc.),
- Limited awareness in local community and among local inhabitants on the importance of protected areas,
- Lack of communication and cooperation among different nature conservation institutions and managers (faculties, PEs, institutes, ministries, etc.)

Revenues generated from and costs associated with commercial forestry activities have been removed from this analysis. For PE NPs this is approximately \$10,6 million per year and in 2008 for the PE Srbijasume revenues were \$77,690,095 (total expenditures were 77,505,365 USD) and for PE Vojvodinasume, revenues were \$46,057,206 (expenditures, 43.699.302 USD).

Protected Areas System	Number of sites	Total hectares	Comments
Public Enterprises National Parks (PE NPs)	5	159,009	Tara, Fruška Gora, Djerdap, Kopaonik and Šar Planina National Parks
Public Enterprises (PE)	34	306,722	List does not include a number of protected areas that were established between 1945-1991 as they are not revised yet. For instance, PE “Srbijasume“ manages 78 PAs (13.144 ha) while PE “Vojvodinasume“ manage 9 PAs (5.406 ha) which were established during this period
NGOs	7	4,006	At this moment there are few NGOs that manage PAs. Those NGOs are organizations that deal with environmental protection, hunting associations, association of sport fishermen, mountaineering association, etc.
Various others – see comments	14		Military institution, museums, church, local municipalities bodies, share holding companies, university faculties, etc.

Summary of Results

Scores by Component	Percentage of possible score
Component 1 – Legal, regulatory and institutional frameworks	29.5%
Component 2 – Business planning and tools for cost-effective management	14.8%
Component 3 – Tools for revenue generation	33%

Total Score for PA System	54
Total Possible Score	196
Actual score as a percentage of the total possible score	27.6%
Percentage scored in previous year⁵	NA

Date: November 2009.

⁵ Insert NA if this is first year of completing scorecard.

Financial Analysis of the National Protected Area System	Baseline year 2008 (US\$)	Year 2009⁶ (US\$)	Year X+5 (forecasting) (US\$)	Comments
Available Finances				Taking into account the lack of continual / permanent financing sources as well as the absence of PAs financing system, long-term financial planning is not possible.
(1) Total annual central government budget allocated to PA management (excluding donor funds and revenues generated (4) and retained within the PA system)	2,705,599	1,809,521		The level of self-financing e.g. level of own financial means given for management of PAs in 2008 was \$14,405,249 while in 2009 was \$13,162,384. Exchange rate: 1 USD = 62.9 RSD (2008), 1 USD=63 RSD (2009)
Public Enterprises National Parks (PE NPs)	910,322	801,667		
Public Enterprises (2 PEs)	1,203,774	570,254		
NGOs	560,829	429,663		
Various others	34,976	7,337		
(2) Total annual government budget provided for PA management (including donor funds, loans, debt-for nature swaps)	3,215,432	2,231,287		The share of state budgets in total PAs funds in 2008 was 15.38% while in 2009 it is projected at 11.75%. Financing of protected areas, according to the Law on nature protection comes from several sources: (i) Budget of the Republic of Serbia (Republic, Autonomous Province, local self-government, municipalities), (ii) Fund for Environment Protection, (iii) Compensation for PAs' use, (User fees) (iv) Income from the performance of manager's compensated activities, (v) Financial means provided for realization of programs, plans and projects within the field of nature conservation, (vi) Donations, grants and (vii) Other sources.
Public Enterprises National Parks (PE NPs)	910,322	801,668		
Public Enterprises (PE)	1,395,984	683,746		
NGOs	874,149	737,937		
Various others	34,976	7,937		

⁶ All 2009 numbers are from budgets or projections

Financial Analysis of the National Protected Area System	Baseline year 2008 (US\$)	Year 2009⁶ (US\$)	Year X+5 (forecasting) (US\$)	Comments
(3) Total annual revenue generation from PAs, broken down by source	5,716,395	5,014,243		
a. Tourism - total	1,339,127	1,279,925		Total number of visitors/tourists in 2008 was 891,507 while in 2009 it was 814,574 (until present). These figures are calculated based on entrance fees and hotel bed taxes.
- Tourism taxes	20,668	19,365		In some cases, local municipalities consume some hotel bed taxes. A small number of PAs managers manage tourism directly (e.g. Resavska cave, Djavolja varos, Risovaca, etc). In other PAs there are organized guided tours (e.g. Uvac, some national parks, hunting tourism) which can be considered tourism. Some PAs managers collect payment from the tour operators and hotel / restaurant management in the PA (e.g. NP Kopaonik).
- Entrance fees	596,876	562,161		Due to large surface areas and ease of access to PAs (from several sides) entrance fee payment systems are not yet common (just few PAs). Great potential lies in using entry fees. The rates, fee calculations, and other payments are defined by the each PAs management authority based on the level of resource utilization, the potential level of damage to the PA, additional costs for maintaining PA appearance and quality, specific easement required for using PA. According to the act of the management authority the fees and their rates need the approval of the relevant Ministry. In addition, the company that is managing certain areas can establish entry fees for visiting PA and for using some specific locations.
- Additional user fees	682,045	687,835		Those are fees that are charged according to the Decision on fees adopted by Serbian Government (accommodation, fees for using of natural resources, renting of vehicles and equipment, etc.)
- Concessions	39,539	42,310		

Financial Analysis of the National Protected Area System	Baseline year 2008 (US\$)	Year 2009⁶ (US\$)	Year X+5 (forecasting) (US\$)	Comments
b. Payments for ecosystem services (PES)	219,905	222,222		PES system is applied indirectly (e.g. at some PAs, but not on national level) through users compensation for certain PAs (for instance, through the entrance fee for vehicles or visitors who are not paying for viewing of PA, enjoying in its beauty but they pay for general ecosystem service / well-being from PA ecosystem).
c. Other (wood and other extraction – see below)	2,818,236	2,200,424		This include income from utilization of wood, hunting, fishing, nursery
- wood				Wood revenues were approximately 10.6 million for the 5 National Parks in per year (estimation). In 2008, wood revenues for PE Srbijasume were \$77,690,095 and for PE Vojvodinasume, revenues were \$46,057,206. These revenues and their associated costs (assumed for the 5NPs to equal revenues) have not been included in this analysis because they have limited relation to nature conservation but are the most important source of revenue for the 7 PE's noted above)
- other extraction (hunting, fishing, nursery)	2,818,236	2,200,424		
(4) Total annual revenues by PA type	5,716,395	5,014,243		Share of income from forest utilization, hunting, fishing and nurseries in total PAs income was 86% in 2008 and 88.9% in 2009.
Public Enterprises National Parks (PE NPs)	5,342,034	4,695,764		
Public Enterprises (PE)	206,642	145,245		
NGOs	167,719	173,234		
Various others	0.00	0.00		
(5) Percentage of PA generated revenues retained in the PA system for re-investment	100%	100%		This does not include the govt. taxes and fees on wood harvesting (3% - split between central and local governments)
(6) Total finances available to the PA system [government budget plus donor support etc (2)] plus [total annual revenues (4) multiplied by percentage of PA generated revenues retained in the PA system for re-investment (5)]	8,931,827	7,245,531		

Financial Analysis of the National Protected Area System	Baseline year 2008 (US\$)	Year 2009⁶ (US\$)	Year X+5 (forecasting) (US\$)	Comments
Costs and Financing Needs				
(7) Total annual expenditure for PAs (operating and investment costs)	10,755,843	7,376,272		Levels of capital investment in 2008 was 2,534,018
Public Enterprises National Parks (PE NPs)	6,561,218	5,803,479		
Public Enterprises (PE)	1,155,648	577,726		
NGOs	2,911,790	852,211		
Various others	127,186	142,857		
(8) Estimation of financing needs				
A. Estimated financing needs for <i>basic</i> management costs and investments to be covered	16,000,000	16,000,000		This estimate is one half of the annual amount proposed for PA management by the MESP: Serbian National Program for integration in EU excluding the budget lines earmarked for the INP
B. Estimated financing needs for <i>optimal</i> management costs and investments to be covered	32,000,000	32,000,000		This is the entire amount sought – excluding the budget for the INP
(9) Annual financing gap (financial needs – available finances)				
A. Net actual annual surplus/(deficit)	-1,824,016	-130,742		
B. Annual financing gap for basic expenditure scenarios	7,068,173	8,754,469		
C. Annual financing gap for optimal expenditure scenarios	23,068,173	24,754,469		

FINANCIAL SCORECARD – PART II – ASSESSING ELEMENTS OF THE FINANCING SYSTEM

Component 1 – Legal, regulatory and institutional frameworks					COMMENT
<i>Element 1</i> – Legal, policy and regulatory support for revenue generation by PAs	None (0)	Some (1)	A few (2)	Fully (3)	
(i) Laws are in place that facilitate PA revenue mechanisms				■	Financing of protected areas, according to the Law on Nature Protection is provided from various sources (see above).
(ii) Fiscal instruments such as taxes on tourism and water or tax breaks exist to promote PA financing		■			A new set of environmental laws has been adopted in May 2009. In next period, numerous related bylaws (among others a regulation on compensation for PA utilization) will be prepared and until its adoption some of new legislative proposals will not be functional.
<i>Element 2</i> - Legal, policy and regulatory support for revenue retention and sharing within the PA system	No (0)	Under development (1)	Yes, but needs improvement (2)	Yes, satisfactory (3)	Legal, policy and regulatory support are well structured with regard to revenue retention and sharing within the PA system. Financing means provided by PAs management authorities stay within the PA or PAs sub-systems. They are used for protection and maintaining of PAs, promotion, etc.). The new Law on Nature Protection foresees additional compensation for PA utilization which will be regulated by future regulations
(i) Laws, policies and procedures are in place for PA revenues to be retained by the PA system			■		
(ii) Laws, policies and procedures are in place for PA revenues to be retained, in part, at the PA site level		■			PAs management authorities are not working as independent institutions but rather as part of the different legal entities. A positive answer can be given only for those management authorities that manage 1 PA (which is uncommon and not case with Public Enterprises)
(iii) Laws, policies and procedures are in place for revenue sharing at the PA site level with local stakeholders	■				
<i>Element 3</i> - Legal and regulatory conditions for establishing Funds (trust funds, sinking funds or revolving funds)					Within the Ministry of Environment there is an environmental fund, established by the Law on Environmental Protection from 2004. This fund manages the resources collected by different environmental taxes, prescribed by the law in paragraphs 27, 45 and some fees in paragraph 85. In addition to the fees prescribed by the law, funds can also used from the resources generated by privatization, bilateral and multilateral cooperation

					and different donations. Almost 90% of the fund's resources are collected from taxes while the rest is transferred from the budget RS. There is a special act that defines standards for using the fund's resources to assure that funds are appropriately used and criteria and parameter of impact assessment. There are various activities not related to PAs financed by the fund, but some acceptable activities are protection and preservation of biodiversity as well as sustainable use of PAs. For this year the budget prescribes almost 2 billion RSD for different activities of fund. In 2008, only 20 million RSD (cca. 317,460 USD) were planned to be used for PA (protection and sustainable use of biodiversity) from 1.5 billion RSD. This is only 1.3% of the total assigned funds.
	No (0)	Established (1)	Established with limited capital (2)	Established with adequate capital (3)	
(i) A Fund have been established and capitalized to finance the PA system			■		
	None (0)	Some (1)	Quite a few (2)	Fully (3)	
(ii) Funds have been created to finance specific PAs		■			
	No (0)	Partially (1)	Quite well (2)	Fully (3)	
(iii) Funds are integrated into the national PA financing systems				■	
<i>Element 4</i> - Legal, policy and regulatory support for alternative institutional arrangements for PA management to reduce cost burden to government	None (0)	Under development (1)	Yes, but needs improvement (2)	Yes, Satisfactory (3)	
(i) There are laws which allow and regulate delegation of PA management and associated financial management for concessions	■				
(ii) There are laws which allow and regulate delegation of PA management and associated financial management for co-management	■				

(ii) There are laws which allow and regulate delegation of PA management and associated financial management to local government			■		Local authorities and their bodies also manage some PAs. Those are PAs designated by the Municipality and usually those are PAs of lower protection category and of quite small size.
(iv) There are laws which allow private reserves	■				
<i>Element 5</i> - National PA financing strategies	Not begun (0)	In progress (1)	Completed (3)	Under implementation (5)	At this moment, strategy does not exist but it is foreseen by the new Law on Nature Protection (article 111). This strategy will be adopted by the Government for a 10 year period.
(i) Degree of formulation, adoption and implementation of a national financing strategy	■				
(ii) The inclusion within the national PA financing strategy of key policies:	No (0)	Yes (2)			
- Revenue generation and fee levels across PAs	■				No fixed tariff levels exist across the entire PA system – this is planned
- Criteria for allocation of PA budgets to PA sites (business plans, performance etc)	■				Government allocation is based on specific projects, there are no general planning criteria
- Safeguards to ensure that revenue generation does not adversely affect conservation objectives of PAs	■				
- Requirements for PA management plans to include financial sections or associated business plans	■				
<i>Element 6</i> - Economic valuation of protected area systems (ecosystem services, tourism based employment etc)	None (0)	Partial (1)	Satisfactory (2)	Full (3)	
(i) Economic data on the contribution of protected areas to local and national development		■			There is no detail research about this topic. One of the indicators is more than 800 people working in protected areas management issues.
(ii) PA economic values are recognized across government		■			There is no detailed comprehensive research about this topic but the importance of the PA network is partially understood.
<i>Element 7</i> - Improved government budgeting for PA	No	Yes			Every year the Ministry for Finance develops a

systems	(0)	(2)			budget of all incomes and expenses for the institutions under the state umbrella. This budget goes through a process of adoption by the Parliament of Republic of Serbia. It prescribes funds for all ministries including those which are authorized for financing measures in protected areas. In the budget, each institution has its own chapter or section. Explanatory paragraphs describe the activities to be financed. Most of the activities are operational costs of the institutions (salaries, material, cost of representation, different taxes etc.). The first type of revenues can come directly from budget, while the second type of revenues comes from their own activities since some institutions have their own sources of financing prescribed by different laws. Speaking on PAs issues, some of the funds are coming directly from the state budget through different institutions operating at local, regional or state level. On local level these are municipalities in the surrounding of PAs, and cities. At the regional level, these are funds from provincial authorities, and on the state level there are funds from different Ministries. Every year each of the ministries has their own project where PAs' management authorities, as a state institution, can participate and if they meet all necessary preconditions, they can use state support in that field. In some cases budget means are provided in advance for specified activities/projects in certain PAs.
(i) Policy of the Treasury towards budgeting for the PA system provides for increased medium to long term financial resources in accordance with demonstrated needs of the system.	■				In practice, government financial distribution to the PAs, due to its small amount – which is below what the PAs managers need, is not provided through equal distribution. This is a cause for discontent of PAs managers and their opinions that their demands considered or valued.
(ii) Policy promotes budgeting for PAs based on financial need as determined by PA management plans.	■				
(iii) There are policies that PA budgets should include funds for the livelihoods of communities living in and around the PA as part of threat reduction strategies	■				
<i>Element 8</i> - Clearly defined institutional responsibilities for PA management and financing	None (0)	Partial (1)	Improving (2)	Full (3)	
(i) Mandates of institutions regarding PA finances are				■	

clear and agreed					
<i>Element 9</i> - Well-defined staffing requirements, profiles and incentives at site and system level	None (0)	Partial (1)	Almost there (2)	Full (3)	
(i) There are sufficient number of positions for economists and financial planners and analysts in the PA authorities to properly manage the finances of the PA system		■			
(ii) Terms of Reference (TORs) for PA staff include responsibilities for revenue generation, financial management and cost-effectiveness		■			For the majority of employees in public enterprises which are manager of PAs, PA issues are not their primary activities. Beside this they have other responsibilities in different domains (private forest management, tourism, water management, education etc.)
(iii) Laws and regulations motivate PA managers to promote site level financial sustainability (eg a portion of site generated revenues are allowed to be maintained for on-site re-investment and that such finances are additional to government budgets and not substitutional)			■		
(iv) Performance assessment of PA site managers includes assessment of sound financial planning, revenue generation and cost-effective management	■				
(v) PA managers have the possibility to budget and plan for the long-term (eg over 5 years)		■			Newly adopted Law on Nature Protection proposes 10 year management plans. The previous law (on environmental protection) required 5 year development programs.
Total Score for Component 1					Actual score: 25 Total possible score: 78 %: 29.5
Component 2 – Business planning and tools for cost-effective management					Financial planning in PA is short-term (annual management plans and business plans) and mid-term (5 year development plans). Business plans are done mainly by national parks and public enterprises – who are fully functional businesses generating most revenue from wood.
<i>Element 1</i> – PA site-level business planning	Not begun (0)	Early stages (1)	Near complete (2)	Completed (3)	

(i) PA management plans showing objectives, needs and costs are prepared across the PA system		■			Newly adopted Law on Nature Protection proposes 10 year management plans. The previous law (on environmental protection) required 5 year development programs.
(ii) Business plans, based on standard formats and linked to PA management plans and conservation objectives, are developed for pilot sites	■				
(iii) Business plans are implemented at the pilot sites (degree of implementation measured by achievement of objectives)		■			
(iv) Business plans are developed for all appropriate PA sites (business plans will not be useful for PAs with no potential to generate revenues)		■			
(v) Financing gaps identified by business plans for PAs contribute to system level planning and budgeting	■				
(vi) Costs of implementing business plans are monitored and contributes to cost-effective guidance and financial performance reporting	■				
Element 2 - Operational, transparent and useful accounting and auditing systems	None (0)	Partial (1)	Near complete (2)	Fully completed (3)	Business plans have regulated, methodologically unique system of showing revenues and expenditures and other elements of business plan
(i) Policy and regulations require comprehensive, coordinated cost accounting systems to be in place (for both input and activity based accounting)		■			
(ii) There is a transparent and coordinated cost and investment accounting system operational for the PA system	■				
(iii) Revenue tracking systems for each PA in place and operational		■			
(iv) There is a system so that the accounting data contributes to national reporting	■				
Element 3 - Systems for monitoring and reporting on financial management performance	None (0)	Partial (1)	Near completed (2)	Complete and operational (3)	System is formally established / complete. PAs managers have obligation to prepare and deliver (to the Ministry or other relevant body of local municipality or province) reports on plan and program accomplishments which also includes financial reporting elements. Financial means that are assigned to certain PAs based on grants or government funding contracts for specific purposes (including management programs) must be accounted for through reporting.

(i) All PA revenues and expenditures are fully and accurately reported by government and are made transparent			■		
(ii) Financial returns on investments from capital improvements measured and reported, where possible (eg track increase in visitor revenues before and after establishment of a visitor centre)			■		
(iii) A monitoring and reporting system in place to show how and why funds are allocated across PA sites and the central PA authority	■				
(iv) Financial performance of PAs is evaluated and reported (linked to cost-effectiveness)	■				
<i>Element 4</i> - Methods for allocating funds across individual PA sites	No (0)	Yes (2)			Financing strategy is not prepared / adopted
(i) National PA budget is appropriately allocated to sites based on criteria agreed in national financing strategy	■				
(ii) Policy and criteria for allocating funds to co-managed PAs complement site based fundraising efforts	■				
<i>Element 5</i> - Training and support networks to enable PA managers to operate more cost-effectively	Absent (0)	Partially done (1)	Almost done (2)	Fully (3)	
(i) Guidance on cost-effective management developed and being used by PA managers	■				
(ii) Operational and investment cost comparisons between PA sites complete, available and being used to track PA manager performance	■				
(iii) Monitoring and learning systems of cost-effectiveness are in place and feed into management policy and planning	■				
(iv) PA site managers are trained in financial management and cost-effective management		■			
(v) PA site managers share costs of common practices with each other and with PA headquarters	■				
Total Score for Component 2					<p>Actual score: 9</p> <p>Total possible score: 61</p> <p>#: 14.8%</p>

Component 3 – Tools for revenue generation					Comment
<i>Element 1</i> - Number and variety of revenue sources used across the PA system	None (0)	Partially (1)	A fair amount (2)	Optimal (3)	
(i) An up-to-date analysis of all revenue options for the country complete and available including feasibility studies;		■			
(ii) There is a diverse set of sources and mechanisms generating funds for the PA system				■	
(iii) PAs are operating revenue mechanisms that generate positive net revenues (greater than annual operating costs and over long-term payback initial investment cost)		■			
<i>Element 2</i> - Setting and establishment of user fees across the PA system	No (0)	Partially (1)	Satisfactory (2)	Fully (3)	
(i) A system wide strategy and implementation plan for user fees is complete and adopted by government				■	
(ii) The national tourism industry and Ministry are supportive and are partners in the PA user fee system and programmes		■			PAs managers in small number of cases have tourism programs (e.g. Resavska cave, Djavolja varos, Risovaca, etc). In other PAs there are organized guided tours (e.g. Uvac, some national parks, hunting tourism) which can be described as tourism. Some PAs managers collect payment from tourism service providers and hotel / restaurant management in the PA (this is case of NP Kopaonik).
(iii) Tourism related infrastructure investment is proposed and is made for PA sites across the network based on revenue potential, return on investment and level of entrance fees		■			
(iv) Where tourism is promoted PA managers can demonstrate maximum revenue whilst still meeting PA conservation objectives		■			
(v) Non tourism user fees are applied and generate additional revenue			■		
<i>Element 3</i> - Effective fee collection systems	None (0)	Partially (1)	Completed (2)	Operational (3)	
(i) A system wide strategy and implementation plan for fee collection is complete and adopted by PA authorities (including co-managers)			■		

<i>Element 4 - Marketing and communication strategies for revenue generation mechanisms</i>	None (0)	Partially (1)	Satisfactory (2)	Fully (3)	Many of PAs management authorities do not recognize PAs as possible drivers of rural / local / regional economy
(i) Communication campaigns and marketing for the public about the tourism fees, new conservation taxes etc are widespread and high profile		■			
<i>Element 5 - Operational PES schemes for PAs</i>	None (0)	Partially (1)	Progressing (2)	Fully (3)	PES system is applied by individual PAs but not on national level. User fees for certain PAs are collected for instance, through the entrance fee for vehicles or visitors who are not paying for viewing of PA or enjoying in its beauty but they pay for general ecosystem service / well-being from PA ecosystem. This is seen as a polluter pays system since the passing vehicles are polluting (the air) the PA.
(i) A system wide strategy and implementation plan for PES is complete and adopted by government	■				
(ii) Pilot PES schemes at select sites developed	■				
(iii) Operational performance of pilots is evaluated and reported	■				
(iv) Scale up of PES across the PA system is underway	■				
<i>Element 6 - Operational concessions within PAs</i>	None (0)	Partially (1)	Progressing (2)	Fully (3)	
(i) A system wide strategy and implementation plan complete and adopted by government for concessions	■				
(ii) Concession opportunities are identified at appropriate PA sites across the PA system		■			
(iii) Concession opportunities are operational at pilot sites			■		
(iv) Operational performance of pilots is evaluated, reported and acted upon	■				
<i>Element 7 - PA training programmes on revenue generation mechanisms</i>	None (0)	Limited (1)	Satisfactory (2)	Extensive (3)	Only few trainings/seminars (mainly international) have been attended by some representatives of PA management authorities
(i) Training courses run by the government and other competent organizations for PA managers on revenue mechanisms and financial administration		■			
Total Score for Component 3					Actual score: 19

					Total possible score: 57 #: 33%
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FINANCIAL SCORECARD – PART III – SCORING AND MEASURING PROGRESS

Total Score for PA System	54
Total Possible Score	196
Actual score as a percentage of the total possible score	27.6%
Percentage scored in previous year⁷	NA

Date: November 2009.

⁷ Insert NA if this is first year of completing scorecard.

ANNEX G: METT SCORES

Here is the METT General Information. Because of the size, the individual METT scorecards for the 21 sites are submitted separately through the PIMS system and are not included below.

Section One: Project General Information

1. Project Name: **Ensuring financial sustainability of the protected area system of Serbia**
2. Project Type (MSP or FSP): **MSP**
3. Project ID (GEF): **3946**
4. Project ID (IA): **4281**
5. Implementing Agency: **UNDP**
6. Country: **Serbia**

Name of reviewers completing tracking tool and completion dates:

	Name	Title	Agency
Work Program Inclusion	1. Milena Kozomara 2. Park managers for each of the 21 sites	1. Environmental Focal Point 2. Park managers at each of the 21 sites	1. UNDP 2. Park managers at each of the 21 sites
Project Mid-term			
Final Evaluation/project completion			

7. Project duration: *Planned* 4 years *Actual* _____ years

8. Lead Project Executing Agency (ies): **UNDP, Ministry of Environment and Spatial Planning**

9. GEF Strategic Program (choose 1): **Sustainable Financing of Protected Area Systems at the National Level (SP 1)**

10. Protected area coverage in hectares:

Targets and Timeframe	Foreseen at project start	Achievement at Mid-term Evaluation of Project	Achievement at Final Evaluation of Project
Total Extent in hectares of protected areas targeted by the project by biome type			
Forests	177,320.96		
Lakes	846.33		
Wetlands	25,297.26		
Rivers and river's canyons	77,106.00		
Cave	10.80		
Sand area	34,829.00a		
River island	210.80		

Name of Protected Area	A new PA?	Area, ha	Global designations	Local designations	IUCN Category ⁸					
					I	II	III	IV	V	VI
1. Carska bara	no	1,676 +7,520 (buffer zone)	IBA, IPA, Ramsar site.	Special nature reserve				X		
2. Deliblatska pescara		34,829		Special nature reserve					X	
3. Gornje Podunavlje		19,648		Special nature reserve	n/a	n/a	n/a	n/a	n/a	n/a
4. Jegricka		1,144. 81	IPA and IBA area	Nature Park					X	
5. Slano Kopovo		976.45	IBA, IPA, Ramsar site.	Special nature reserve				X		
6. Ludas		846.33	IBA, Ramsar site.	Special nature reserve				X		
7. Tresnjica		896	n/a	Special nature reserve				X		
8. Zasavica		1,852	IBA,IPA,Ramsar site	Special nature reserve				X		
9. Veliko ratno ostrvo		210.80		Landscape of extraordinary characteristics				X		
10. Golija		75,183.96		Nature park/Biosphere reserve					X	
11. Resavska pecina		10.80		Natural monument			X			
12. Sicevo		7,746		Nature park					X	
13. Ovcarsko-kablarska klisura		2,250		Landscape of extraordinary characteristics	n/a	n/a	n/a	n/a	n/a	n/a
14. Pcinja		2,606		Nature park					X	
15. Karadjordjevo		2,955		Special nature reserve	n/a	n/a	n/a	n/a	n/a	n/a
16. Mokra gora		3,678		Nature park	n/a	n/a	n/a	n/a	n/a	n/a
17. NP Sara		39,000		National park		X				
18. NP Fruska gora		25,520		National park					X	
19. NP Tara		19,175		National park		X				
20. NP Kopaonik		11,809 + 19,985 (buffer zone)		National park					X	
21. NP Djerdap		63,608		National park				X		
TOTAL		315.621.15								

METT Score summary table.

PA Name	Total	Maximum Possible	%
Karadjordjevo	18	102	18%
Pcinja	27	102	26%
Ludas	35	102	34%
NP Fruska Gora	44	102	43%
Veliko ratno ostrvo	55	102	54%
NP Sara	59	102	58%
Slano Kopovo	65	102	64%

⁸ The National Designation of PA is not fully harmonized with IUCN categorization but the following is a close approximation:

- I. Strict Nature Reserve/Wilderness Area: managed mainly for science or wilderness protection
- II. National Park: managed mainly for ecosystem protection and recreation
- III. Natural Monument: managed mainly for conservation of specific natural features
- IV. Habitat/Species Management Area: managed mainly for conservation through management intervention
- V. Protected Landscape/Seascape: managed mainly for landscape/seascape protection and recreation
- VI. Managed Resource Protected Area: managed mainly for the sustainable use of natural ecosystems

PA Name	Total	Maximum Possible	%
Ovcarsko-kablarska klisura	65	102	64%
NP Djerdap	66	102	65%
Golija	66	102	65%
Mokra Gora	67	102	66%
Sicevo	68	102	67%
NP Kopaonik	68	102	67%
Carska bara	69	102	68%
Delblatska pescara	69	102	68%
NP Tara	70	102	69%
Tresnjica	70	102	69%
Resavska pecina	71	102	70%
Gornje Podunavlje	72	102	71%
Jegricka	77	102	75%
Zasavica	86	102	84%