

**PROGRESS REPORT**  
**ROMANIA FOREST DEVELOPMENT PROJECT**  
**MAY 2007**

**Introduction**

1. This progress report summarizes progress of the FDP up to date and outlines the issues for each component and the next steps to be taken further on.
2. The last progress report was submitted to the bank at the end of September 2006, before the last supervision mission of the Bank.
3. Considering the fact that the Mid Term review is the aim of the present supervision mission, this progress report will refer to all the period of the project, with a bigger emphasis on the period since the last September supervision mission.
4. The project passed a difficult phase considering the fact that the level of disbursements at the end of 2007 was under the forecasted values. This progress report will emphasize that this low rhythm of disbursement is due to facts that are independent from the management of the project. Also, the progress report will show the action undertaken to increase the rhythm of disbursement and commitment of the project.

**Overall status of the project**

5. *The objective* of the project is to maintain and improve environmentally sustainable management of state and private forest so as to increase the contribution to the national and rural economies derived from Romanian forest resources.
6. *The launch* of the Forest Development Project was made in Brasov, at the 16<sup>th</sup> of September 2004, in a festivity organized at the Faculty of Silviculture, by the World Bank Residence Mission in Romania, with a lot of participants: IBRD, MAFRD, NFA Romsilva, ONG's, representatives of forest owners associations, WWF Romania, Green Cross Romania.
7. The implementation of the project has been very slow in the first years. The many changes that have taken place in institutional environment (subordination of the Forest Territorial Inspectorates to the Ministry of Control followed by their reversion to MAFDF, management disruptions caused by the election cycle, changes in Government policies with respect to the restitution of the state forest) led to major delays in starting and implementing the project;
8. The Bank environment safeguard requirements requested the completion of the Best Practice Guidelines for Forest Roads Construction and Rehabilitation (BPG) before any measures could be undertaken regarding the roads rehabilitation component which is 2/3

of the loan. Thus, structural reasons are also an important matter when speaking about the project implementation delay;

9. The completion of the BPG was one of the major achievements of the project and all the processes regarding the roads rehabilitation followed, so the roads contract have been signed and there are 17 roads with works undergoing. Technical documentation and the SBD for another 7 roads to be rehabilitated are ready for a new tender.

10. As a result of the efforts of the management of the project, to date, almost 64 percent of the total funds have been committed. Procurement under way has an estimated value of 6,960,000 USD. So total committed and procurement under way percent is 85,4%. The situation of commitment can be seen in the following tables:

Table 1: Committed activities / total project

No.	Component	Planed costs	Committed		Procurement under way	Total committed or under way	
		000 USD	000 USD	%	000 USD	000 USD	%
1	Establish Systems to Ensure Sustainable Management of Private Forest Lands	9,875	5,470	55	1500*	6,970	71
2	Mitigate Consequences of Restitution on Management of State Forest Lands	19,306	12,900	67	5,400**	18300	95
3	Support for Increased Competitiveness of Forest Industries (FORSBIC)	715	0	0	0	0	0
4	Build Public Support for Sustainable Forest Management	789	789	100	0	789	100
5	Project Management and Coordination	1206	1120	93	60***	1180	98
<b>TOTAL</b>		<b>31891</b>	<b>20,279</b>	<b>64</b>	<b>6,960</b>	<b>27,238</b>	<b>85.4</b>
Notes:							
*- Procurement for the training program for DoF and Territorial Inspectorates and IT equipment related to FMIMS							
**-Procurement under way for the second tranche of roads;							
***-Procurement under way for the social and environmental monitoring in roads construction							

Table 2: Committed activities / Bank contribution

No.	Component	Planned costs	Committed		Procurement under way	Total committed or under way	
		000 USD	000 USD	%	000 USD	000 USD	%
1	Establish Systems to Ensure Sustainable Management of Private Forest Lands	8,400	4570	54	1440*	6010	72
2	Mitigate Consequences of Restitution on Management of State Forest Lands	14,500	9224	64	4500**	13724	95
3	Support for Increased Competitiveness of Forest Industries (FORSBIC)	400	0	0	0	0	0
4	Build Public Support for Sustainable Forest Management	662	662	100	0	662	100
5	Project Management and Coordination	1038	900	86	48***	948	91
<b>TOTAL</b>		<b>25,000</b>	<b>15356</b>	<b>61</b>	<b>4988</b>	<b>21344</b>	<b>85.4</b>
Notes:							
*- Procurement for the training program for DoF and Territorial Inspectorates and IT equipment related to FMIMS							
**-Procurement under way for the second tranche of roads;							
***-Procurement under way for the social and environmental monitoring in roads construction							

11.The distribution of the committed funds can be followed in appendix 1: Awarded Contracts Up to Date and Other Committed Funds;

12.Due to the implementation delay, also the disbursements are delayed. On the other hand, the funds commitment create the framework for the disbursements to rise, especially because the works underway in roads construction. This rise already appeared in the last two months in spite of winter working conditions. In the following tables the today disbursement and the remaining planned disbursement for 2007 can be followed. The distribution of the disbursement can be seen in appendix 2.

Table 3: Disbursements / Total project

No	Component	Planned costs	Disbursed		Disbursement for 2007		Disbursement till the end of 2007	
		000 USD	000 USD	%	000 USD	%	000 USD	%
1	Establish Systems to Ensure Sustainable Management of Private Forest Lands	9,875	2,227	22	1,662	17.1	3,889	40
2	Mitigate Consequences of Restitution on Management of State Forest Lands	19,306	2,427	12	6,921	36	9,348	48
3	Support for Increased Competitiveness of Forest Industries (FORSBIC)	715	0	0	0	0	0	0
4	Build Public Support for Sustainable Forest Management	789	325	42	258	32	583	74
5	Project Management and Coordination	1,206	495	44	276	20	771	64
<b>TOTAL</b>		<b>31,891</b>	<b>5,474</b>	<b>17</b>	<b>9,117</b>	<b>29</b>	<b>14591</b>	<b>45</b>

Table 4: Disbursements / Bank contribution

No	Component	Planned costs	Disbursed		Disbursement for 2007		Disbursements till the end of 2007	
		000 USD	000 USD	%	000 USD	%	000 USD	%
1	Establish Systems to Ensure Sustainable Management of Private Forest Lands	8,400	1,783	21	1,349	16	3,132	37
2	Mitigate Consequences of Restitution on Management of State Forest Lands	14,500	1,934	13	5,904	41	7,838	54
3	Support for Increased Competitiveness of Forest Industries (FORSBIC)	400	0	0	0	0	0	0
4	Build Public Support for Sustainable Forest Management	662	272	41	210	32	482	73
5	Project Management and Coordination	1,083	396	39	243	20	639	59
TOTAL		25,000	4,386	18	7,705	31	12,091	48

### Steering Committee

13. Because of the changes in the top of the ministry a new Steering Committee (SC) was formed by ministerial order no. 819/28.12.2006, with the following members: Istvan Toke, secretary of state in MAFRD – president of the Committee, Dragos Ciprian Pahontu, director of the Forestry Development Directorate in the DoF, Catalin Tobescu, personal consultant of the secretary of state, Diana Peligrad, representative of the Ministry of Public Finance and Erika Stanciu, representative of WWF Danube Carpathian Program.

14. The first meeting of the new Steering Committee was held on the 17<sup>th</sup> of January with the following conclusions:

- The Steering Committee will meet every two months, the next meeting will be in the period 19<sup>th</sup> to 25<sup>th</sup> of March;
- A working group within the ministry is formed in order to establish a better coordination of the activities of the FDP with the strategies and the objectives of the ministry; for every important component in the FDP a representative of the ministry will keep the touch with the FDP and inform all the stakeholders in the ministry about the progress of every component; the leader of this group is Mr. Catalin Tobescu;
- The Steering Committee consider that the uncommitted roads rehabilitation works should be tendered in only one tranche, in order to avoid any more delays in the implementing of the project;
- The Steering Committee asked for a up to January Procurement Plan;
- The Steering Committee consider that the incremental for GIS is not a good option, considering the status of the project; this matter will be considered in another project that will be proposed by the MAFRD to the MPF for financing;
- Regarding the reallocation (dropping of FORSBIC and reallocate to other parts of the project) the steering Committee considered that the reallocation request should be delayed to mid 2007.

15. The second meeting of the Steering Committee was held on the 2<sup>nd</sup> of April with the following conclusions:

- Recommendations regarding the format of the report to be presented by the PMU to the SC;
- Recommendation regarding the obligation of the PMU to provide a detailed schedule for the commitments and expenditures to be realized during the next period till the next meeting;
- Review of the tendering documentation for the IT equipment related to the FMIMS;
- Analysis and recommendations regarding the way to pass the VAT reverse charge issue on works for the rehabilitation of the forest roads;
- Analysis of the agreed actions in the QPR, especially the withdrawal of the FORSBIC component. It was decided that the Loan Agreement Amendment proposal should include not only the withdrawal proposal but also the reallocation of the funds of the 3<sup>rd</sup> component to the GIS feasibility study; SC agreed that the Loan Agreement should also be amended in respect of the percent financed by the Bank for the works on roads (100% instead of 80%) in order to avoid any further complications related to the VAT reverse charge.
- The next meeting of the SC is programmed in the beginning of June.

#### **Last Quarterly Portfolio Review**

16. The January Quarterly IBRD Portfolio Review analyzed the implementation progress of the FDP the Bank showing disappointment regarding the low level of disbursement, especially on rehabilitation of the forest roads. The agreed actions and the results of that are shown in the table 5.

Table 5

Agreed action	Results
MAFRD and MoPF to request an amendment of the Loan Agreement to drop the FORSBIC component, by February 15	The amendment was subject for long discussions in the Ministry and SC. In the end, after the SC in April, the letter requesting the Amendment was submitted to the MoPF by the MAFRD. The Amendment is expected to be effective at mid June
MAFRD to prepare TOR's for GIS design and to send to the Bank for review, by March 1, 2007	The PMU created the TOR's and submitted it to the Bank. After several reviews, the final draft will be submitted till May 10, 2007. After the amendment becoming official, the bidding process will start
MAFRD to allocate \$ 100,000 and contract the feasibility study for GIS as an input for the FMIMS, by April 15	The amendment proposal include the intention to allocate all the loan dedicated to FORSBIC to the GIS feasibility study
MoPF and Bank to make a performance assessment of the first road package as of	A total amount of \$820,000 was paid and disbursed up to date. The expected invoices

May 30, 2007. The indicator for a satisfactory performance was defined as additional disbursement of \$1,000,000 value of works achieved under the contract this year, by May 30, 2007. If satisfactory, agree to go ahead with forest roads and sign the second roads package. If unsatisfactory, decide whether to reallocate to other activities (e.g. GIS implementation) or cancel the respective loan amount	for works done in April have a total value of \$ 500,000 to be paid till 25 <sup>th</sup> of May. So the objective was achieved.
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### September Bank Supervision Mission

17. In September 2006, the project was supervised by the Bank. The main agreed actions and the way they were accomplished are described in the table no 6:

Table 6

Component/Task	Responsible Party	Time frame/status	Remarks
<b><i>Component 1: Establish Systems to Ensure Sustainable Management of Private Forest Lands</i></b>			
Complete table outlining disposition of project-financed vehicles and equipment	PMU	November 30, 2006/ Done	PMU submitted the list to the Bank
Complete training plan for CY2007	PMU	November 15, 2006/ Done	After getting the feed back from the MAFRD the ToR's were made. QSBS in progress.
<b><i>2. Component 2: Mitigate the Consequences of Restitution on Management of State Forest Lands</i></b>			
Post Best Practice Guidelines (BPG) (long version) on Ministry and project website	PMU and MAFRD	October 30, 2006/ Done	The BPG are on the site of the FDP, with specified time for comments. On the site of the ministry they didn't allow us to put the BPG but there is a link to the FDP site. No comments this far.
Prepare ToR's for activity to increase local awareness of roads activities	PMU	November 15, 2006/ done	ToR's prepared under the Environmental and Social impact monitoring oversight
Send correspondence to roads contractor reminding them of	PMU	October 15, 2006/ Done	There are letters sent to all the contractors and NFA, regarding their contractual

<b>Component/Task</b>	<b>Responsible Party</b>	<b>Time frame/status</b>	<b>Remarks</b>
their contractual obligations to follow the BPG			obligations to follow the BPG
Prepare training activities in implementation of BPG	PMU	Training material prepared by November 30, 2006/ done Training provided by end-January 2007	Training provided in mid February Second training session in preparation
Prepare ToR's for environmental/social impact monitoring and oversight	PMU	December 15, 2006/ done	Acquisition in progress
Prepare tender documents for the Bank's review and NOB for second tranche of roads rehabilitation activities	Roads and Procurement Specialists	Mid-January 2007/ in progress	Working on it in close and permanent connection with the Bank
<b><i>Component 3: Support Increased Productivity and Competitiveness of Forest Industries.</i></b>			
Decide whether or not this component is going to be dropped	Ministry	October 30, 2006/ done	The decision came from the ministry early April. Amendment under way.
<b><i>Component 4: Building Public Support for Sustainable Forest Management</i></b>			
Revise inception report to take account of feedback received	Consultant firm	Done	The inception, first, second and third progress report submitted, revised and paid
<b><i>Component 5: Project Management and Monitoring</i></b>			
Finalize Monitoring and Evaluation framework	PMU with consultant inputs	November 30, 2006/ not done	Still waiting for Pat Hardcastle input, after the Midterm Review
Prepare proposals for reallocation and restructuring	Ministry with PMU	October 20, 2006/ done	Amendment proposal sent by the MAFRD to the MoPF.

### **Loan Agreement Amendment**

18. At the time of the Supervision mission in September 2006, three specific proposals have been discussed. These include:

- dropping planned support for the Forest Sector Business Information Center (FORSBIC) (budgeted at around \$700,000);

- reallocating all of these funds to expand on-going work with the associations of private forest owners (the ALFO program), in two ways: (i) training and support to enable them to better to sustainably manage forests as well as to prepare projects in order to access the EU agri-environment funds; and (ii) general management support, information and training to enable them to do forest certification;
- seeking supplemental funding, estimated at \$7 to \$10 million, for the development of a forestry GIS layer both for use in developing the forestry cadastre and linked to the Forest Management Information System. This would aid in improving the efficiency of forest management planning, and in improving the information management framework for use by the Forest Inspectorates. Work on this has already been piloted in the national parks, and can be extended to cover much of the rest of the country.

19. The Minister Flutur agreed with the last version but in the mean time the minister resigned and another minister replace minister Flutur. The discussion continued and, in the SC in January, the decision to restructure the funds of the project was delayed till the second roads tranche would have been tendered.

20. After de QPR the problem came into again. After the SC in April the decision was made based on the following:

- The financing for GIS implementation is a matter of the decision of the MoPF, and a discussion about a incremental funding from the Bank is considered to be a premature issue;
- There are no possibilities to sick for funding in the absence of a feasibility study to asses the possible impact, efficiency, effectiveness and cost of a country wide GIS systems;
- The funds of the ministry are limited so, financing such a feasibility study can be an issue;
- The best solution is to drop FORSBIC component and reallocate the funds to the GIS feasibility study.

21. The arising of the VAT European new regulation and the accordingly change in the Romanian Fiscal Code, new issues regarding the reversed charge of VAT influenced the fluency of payments in works; in order to finally achieve the project objectives and to avoid further delay an amendment connected with the percent of financing on the works was considered as being necessary.

22. Both the works percent financing and the reallocation of FORSBIC funds were included in a proposal letter delivered by the MAFRD to the MoPF in title to negotiate the amendment with the Bank. The negotiations will start soon and the Amendment is expected to be official in June.

## Progress on Components

### ***Component 1: Establish Systems to Ensure Sustainable Management of Private Forest Lands***

#### ***a) Strengthening of the Department of Forests, with emphasis on nation wide Forest Inspectorate and support service***

23. In December 2004 8 Sedans (Peugeot 307) and 22 4WD automobiles (Nissan Terrano) were delivered to the Territorial Inspectorates. All the costs for operations and maintenance for those automobiles will be covered by the FDP: 400 liter of gas for every month, assurance (mandatory and not mandatory), technical revisions, road taxes, vignette, etc. Depending on the necessities, in the funds allocated for FDP there are enough resources to increase the number of automobiles for territorial Inspectorates.

24. In August 2005 the office furniture for the Territorial Inspectorates was delivered. In September 2005 the necessary field equipment for their activity was delivered to the Territorial Inspectorates (especially instruments for tree measurements and surface measurements, but also photo-cameras). In November 2005 the Territorial Inspectorates received the non-computer office equipment: copy machines, projectors, scanners, magnetic tables, etc. In August 2006 The Territorial Inspectorates received the IT equipment: PC, laptops, printers, etc.

25. A Human Resources Development Study (HRDS) has been prepared since June 2005 which outlines training and capacity building needs for Department of Forests within MAFRD and the Territorial Inspectorates (the study will be available on the FDP site soon) Based on the needs described in the HRDS the ToR's for this training program was designed and got the NOB from the Bank. The ToR's are extended containing not only the description of the training modules but also proposals for how the training companies are to be recruited and how the entire program will be schedule. The Intention letters were submitted and the short list will be ready soon.

#### ***b) Support for the Development of National and Local Associations of Private Forest Owners***

26. The field and office equipment for the National Association of Private Forest Owners has been procured and are being used in order to improve its capacity to engage with local forest owners associations. Services to assist the National Association to begin preparation of its own business plan are in progress of being procured. The ToR's for this activity are to be delivered to the Bank for review in the end of May 2007. The business plan will cover probably a 5 years forward plan, and will focus on the development of membership profiles, staffing, a service delivery profile, and financial and cash flow analyses. The internal fights in National Association seem to be ended now, so the Association is in its way of becoming a good discussion partner. With respect to this consideration, there are incentives for optimism in the matter of National Association of Private Forest Owners.

27. With respect to support for the development of local associations of private forest owners, a contract has been entered into to provide services to prepare an approach for supporting the establishment of ALFO's. In November 2006 the final report regarding the methodology for establishing ALFO's was delivered by the consultant – Savcor Indufor Oy from Helsinki. The report described the legal way and the action methodology for establishing an ALFO. In the same time, this report also describes the main categories of ALFO's that can be established in accord with Romanian Regulations. The Interim report containing the description of the steps made in order to establish 10 pilot ALFO's was also delivered in November 2006. Even if the ministry considered the report as being acceptable, there were a lot of comments coming from the Bank. The consultant answered the comments but also agreed that there is the necessity to closer monitor the activity by the PMU, with a special matrix based on the ToR's and the SAVCOR technical proposal. Other actions under this subcomponent:

- PMU visited several of the ALFO's created and considered that the work is going well; support from the territorial Inspectorates should be increased; also, the consultant should try to make a prior in depth analyze of the owners opinion regarding the forest ownership and the relations between different stakeholders;
- Two workshops regarding the progress of the ALFO subproject were held with participation of SAVCOR team, PMU, MAFRD and WWF representatives in November and January. Also, PMU deputy attended almost all the working meeting of the SAVCOR team.
- Two meetings between the team leaders of ALFO and Public awareness contractors were held. It was agreed that some materials produced in the ALFO project will be used in the awareness campaign: the guide for establishment of ALFO's and the brochures created for the all the areas of the established ALFO's. Experts of both teams established contacts between themselves.
- The ALFO's project team leader and deputy met Ms. Anna Lawrence, in order to exchange experience regarding their work on the private forest owners. There was the intension of developing a training session for the ALFO team, but this was not achieved yet due to the differences in the schedules.
- The Third Interim Progress Report was submitted, presented, agreed and paid. This Report also contains examples of Development Plans (Marsani ALFO) and a report regarding lesson learned.
- The working plan for ALFO subproject for the next quarter is presented in appendix 3.
- The progress in the pilot areas, as it was presented in the SAVCOR report is described in appendix 4.
- An important outcome of this subcomponent is the fact that finally, the National Association is now willing to collaborate with the consultant, and this will lead to a further speed of the contract implementation.

***c) Establishing a National Forest Management Information and Monitoring System (FMIMS)***

28. The Contract for FMIMS was signed in November 2006. The consultant provided the equipment and standard soft requirements for further development of the System ;

29. Based on the consultant requirements, the ToR's and the SBD were prepared and after Bank comments, it is now under refinement. Very soon, the bidding announcement will be made.

30. The MAFRD requested PMU to prepare ToR's for a system designed to follow the illegal logging using the digital record at all stages of processing and transporting the wood, all over the country. They intend to develop a regulation in which the all the players in the sector will be forced to use the system. The aim is to be able to create a comprehensive data base of all wood harvested and transported and also to be able to track the possible illegalities, starting from the harvesting site to the furniture producer (end user); they intend to include this under the FMIMS and to add it to the INDACO contract. The estimated value is around \$30,000. The PMU prepared the ToR's and will submit and discuss it with the Bank during the Mid Term Review.

***Component 2: Mitigate the Consequence of Restitution on the Management of State Forest Land***

***a) Supporting Reform and Strategic Development of NFA –ROMSILVA.***

31. The contract with the consultant Savcor Indufor Oy Helsinki regarding the Strategic Development of NFA is at its end. The interim reports, satisfactory to the PMU and the ministry was submitted in late September and will be found on the FDP site starting with early June. The final draft report was submitted on the 24<sup>th</sup> of November. The ministry considered the draft to be unsatisfactory and they requested a meeting with the consultant in order to communicate their needs, to explore the possibilities of Savcor to cover them and agree together on a implementing plan. The meeting took place on the 30<sup>th</sup> of January at the office of PMU. A series of issues are considered by the ministry as being a necessity in term of strategic development of NFA – Romsilva:

- Comparisons between the NFA – Romsilva and other state organization in charge with forest land administration across Europe – conclusions and benchmarking;
- A deeper analysis of the operational structures of NFA;
- Criteria for establishing the prices for the auction for timber and standing wood in NFA;
- Analysis and evaluation of the investments that were under work inside NFA with a special attention for the road network extension;
- Be more specific regarding the future functions of the NFA;
- Proposals about the regulatory framework change that should be made in order to facilitate the implementation of the strategic development;
- Proposals about the role of the NFA Administration Council;

- Proposals about the informational management system that should help the implementation of the strategy and the monitoring of the implementation process;
- Steps to be made in implementing the strategy – support programs that are necessary.

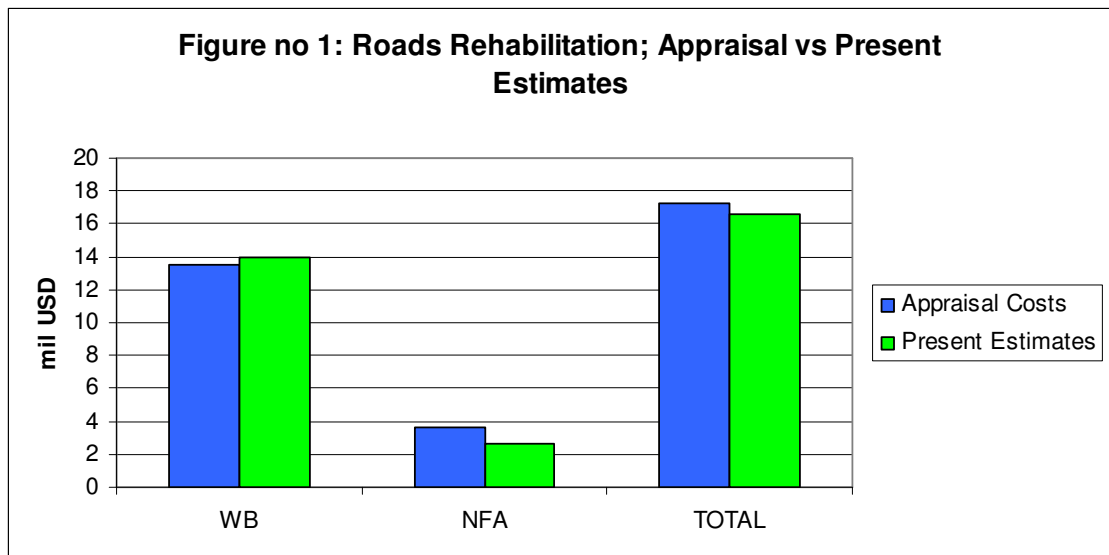
32.The PMU summarized the discussions between the representatives from the ministry and SAVCOR and the working plan agreed and took care with achievements of the actions by both parties.

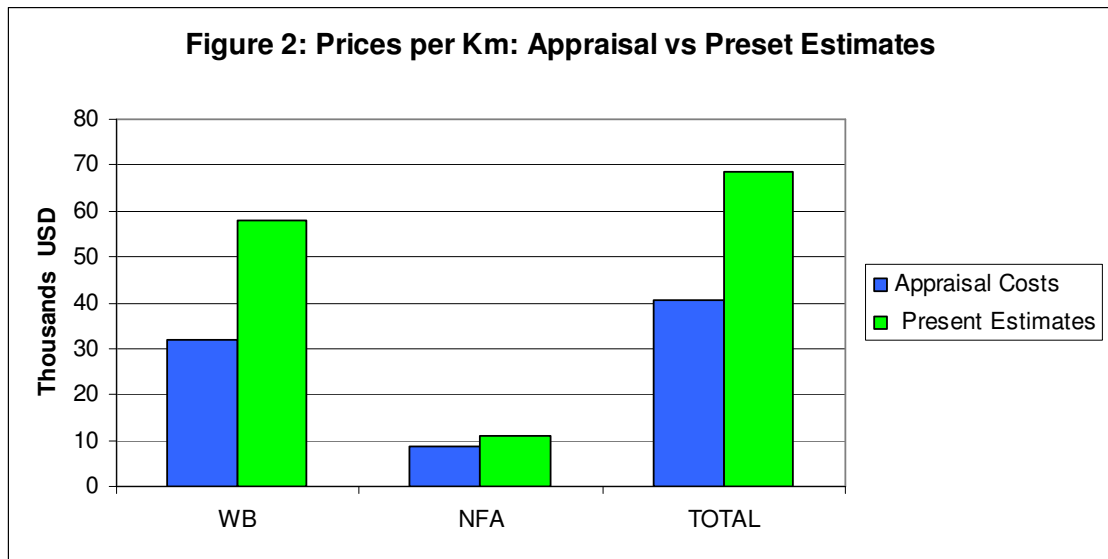
33.The consultant kept in touch with the PMU all this period. First draft was submitted to the PMU, and the comments were sent to SAVCOR on the 15<sup>th</sup> of April. SAVCOR gave the PMU assurance that the final revisited report will be submitted till the end of May.

***b) Rehabilitating and Expanding the Forest Road Network***

34.At the beginning of the Project 57 roads were selected (52 for rehabilitation). Due to objective causes, in the end, the decision of the MAFRD and the NFA was to rehabilitate roads of approximately length of 300 Km. There are some features that should be emphasized: i) because of the evolution of the exchange rate and because of the fact that the PAD estimates were somehow rough, the average price per Km for the 7 contracts in place is around US\$ 55,600 when the PAD estimates is around US\$ 32,000; ii) The total length of the roads that are under the contracts is 162,6 Km.

35.In Figure 1 there are some estimates about the funds to be spent in roads rehabilitation under the FDP, and a comparison with the PAD data. In Figure 2 there are some estimates about the price per Km, and comparisons with the PAD estimates





### Best Practice Guidelines

36. A very important achievement of the project was the development of a “Best Practice Guidelines for Forest Roads”, made during 2005 and 2006. The consultant selection procedure was started a little late, in December 2004, and in May 2005 *Coillte Teoranta Consult- Ireland* was declared winner. Because, in the meantime, this firm was dissolved the adjudication of the contract was accorded to the second consulting company: *OBf Consulting – Austria*. The contract was agreed in May 2005, and the final term was established in September 2005. The *OBf Consulting Firm* had as partner a team of specialists from Forestry Faculty Brasov.

37. The BPG have been elaborated within the FDP in a widely open manner, a participatory approach and by solutions agreed upon respective stakeholders. Stakeholders groups in four workshops were representatives from: Ministry of Agriculture, Forests and Rural Development (MAFRD), National Forest Administration (NFA), National Institute of WOOD (NWI), Environmental Protection Agency (EPA), Environmental Protection Agency – Protected Areas, WWF Danube Carpathian Project, Private Companies, Forestry Faculty in Suceava, and Forestry Faculty in Brasov. Three workshops at the University of Brasov have been performed with local and international experts participating; one additional meeting was done locally with members of several NGO’s: ECO Club Montan “Carol Lehmann”, Fundatia Carpati, Societatea Cinegetica Brasov, Fundatia Renaturupa, and UNESCO Pronatura. The FDP asked for the performance of BPG which does not mean that there was no legal background for forest road construction, or norms and regulations for planning and design available. It became obvious that there were too much regulations requested and most of them are outdated and do not meet requirements of modern ways and techniques of planning and construction.

38. The aim of elaboration of the Guidelines in hand was multiple:

- To safeguard that the design, the construction and maintenance of forest roads

will be done to acceptable international standards to minimize negative impacts generally. Simultaneously it should minimize potential future risks caused by improper construction works;

- To give professionals the possibility for a flexible use of their ability and skills according to their responsibility for performance of road traced and alignments which perfectly suits the landscape and the given situation in loco;
- To simplify the procedures of the whole “project life cycle” of a forest road, to speed up the process itself, and at least to lower the administrative costs of a road;
- To demonstrate one possible way of future guidance to secure the fulfillment of the forest code.

39. A very important input from the roads specialists in Forestry Faculty in Brasov resulted in the production of two versions of the Guidelines: a short version (which has been translated into English) and a longer version which includes more detailed descriptions of environmental mitigation measures, such as revegetation of slopes. The more complete document was printed as a Transilvania University production. As requested by the Environmental Management Plan, and agreed by all the stakeholders, the BPG were and will be disseminated.

40. The Guideline was analysed and approved by Forest Commission from Ministry of Agriculture, Forests and Rural Development (Notification No 199/December 12, 2005).

41. The BPGFR training session organized in Brasov in February 2007, was attended by more than 40 participants representing: the contractors, NFA branches, NFA and MAFRD headquarters, Territorial Inspectorates, roads designers, professors from Faculty of Forestry and others. The main conclusions of those meetings were:

- The BPGFR that was produced in the FDP is considered interesting by almost all the stakeholders of the forest roads environment in Romania;
- The participants appreciated the BPGFR as being useful, especially for the field engineers; they also consider that the dissemination of the BPGFR is a good opportunity to create the incentives to modify the regulatory framework in order to make the approval process easy and the construction process more efficient;
- The supervisory process is well organized, but regarding the rhythm of spending, financial milestones should be fixed in the future contracts;
- The environment and social monitoring is not considered to be a priority now because of the lack of the forest roads) but the tools for this oversight should be created for the future projects;
- Improving the BPGFR should be a permanent process in order to keep the technical and regulatory knowledge up date;
- The forest roads should not be seen as being a danger for the environment but a useful tool that can contribute to the environment conservation if put in the proper hands and with proper planning, design, execution and monitoring.
- The key indicators regarding the efficiency and effectiveness of the forest roads construction should not focus on the transportation or harvesting costs (data are collected by the companies there for not easily accessible) but on other

economical data like: the effect of the rehabilitation on the wood price in the area, the number of the companies that are interested in the wood in the area, returns on investments, net present values, etc.

- Exchanging experience between the site managers, the contractors and the designers is a great output of the training program.

### **Works on the forest roads sites**

42. The first package of 17 forest roads (rehabilitation) was submitted by the designers to the NFA Commission and approved on March 03, 2005. Following long and bureaucratic steps were taken:

- The feasibility studies and technical specifications for the 17 roads to be rehabilitated were submitted to the MAFRD in order to be analysed and approved in the internal TEC (Technical and Economic Committee). In the mean time, all the agreements and approvals of local authorities (including environmental consultation process) were obtained by the NFA. All additional taxes were paid, too. The TEC of MAFRD approved the technical specification of the 17 sites in 29 August 2005 (Approval no. 189-205/09.29.2007).
- The documents were submitted to the General Construction Inspectorate (GCI) for further analysis and approval. The final approval form (GCI) was obtained in October 2005. ;
- The Inter-ministry Committee (ImC) was the next step: after long analysis and comments (including some completion of the feasibility studies). The process was finalised in January the 5<sup>th</sup> when the Governmental Decision no.12 were issued containing the governmental approval for the rehabilitation of the 17 roads.

43. The bidding documentation preparation and the tendering process took several months from February to June 2006. After long negotiations and incorporation of Bank comments into the process the contracts were signed in mid September 2006.

44. Even if the contracts were signed very late, and the works on roads usually do not take place in winter, the PMU tried to make the contractors aware of the fact that the works should be done as quickly as possible. The contractors delivered the proposed schedules to the PMU in time, but, unfortunately, those schedules and programs proved to be to optimistic. In stead of respecting them, almost all the contractors submitted papers requesting delay approvals. The main justification of the delay of the start of the works was the fact that the contractors, having other contracts (outside the forest roads) did not accept to immobilize their machines during the winter, so decided to start early in the spring. In order to do so, the majority of them procured some of the materials needed, transported it to the site, so the start will be as early as possible in the spring.

45. Due to the facts presented above, the disbursements in 2006 were small and the project experienced the “unsatisfactory” gradation on the Quarterly Portfolio Review in January.

46. Even if there were bad working conditions in the winter, the PMU considered measures to increase the disbursement in order to achieve the agreed actions of the QPR in this matter:

- All the contractors were invited in the PMU office at the end of January and asked to deliver realistic schedules of the works. Mr. Istvan Toke, the Secretary of State for Forests attended the meeting;
- All the contractors and the beneficiaries (NFA county branches) participated at the BPG Training in Brasov at mid February; The course included specific discussions and description of the working process in order to encourage both parties to increase the rhythm of the works immediately in the spring;
- All the sites were visited not only once by the representatives of the PMU in order to create incentives for increased rhythm of work.

47. Because of those activities, the works started with big effort in March (in other sites in April) and the present situation is presented in the appendix 5. NFA has disbursed some US\$ 661,000 of co-financing for those roads works, mainly in the form of VAT (US\$ 291,000) and other expenses (such as the technical design of the works, US\$ 370,000). The status of works in every lot is also presented below:

- **Lot 1** - The sites were visited by the PMU and MAFRD representatives in September, November and December 2006 and March 2007. In December 2007 the concrete tubes for tubular small bridges were procured. The conclusions regarding the Company was that, due to the fact that it was not used to the forest roads specificity in Romania, the contractor experienced difficulties in organizing the start of the works. The promises of the contractor become reality. At this moment, works are in serious progress for this lot.
- **Lot 2** - The sites were visited by the PMU and MAFRD representatives in September and October 2006 and March 2007. Modification of the field conditions appeared in the period between the design and the start of the works. Those changes will need the presence and work of the designer. Otherwise, the contractors are working with respect to their own schedule.
- **Lot 3** – The sites were supervised in September, October 2006 and March 2007. The materials for superstructure were procured and in the progress of putting them on the road. Also tubes for bridges were procured and some of them placed in the road structure. The company in charge with this lot is an experimented forest roads company. The PMU is confident with the fact that they will fulfill the presented schedule;
- **Lot 4** – visited in September, December 2006, April, March 2007. All the roads in this lot presented bad working conditions during the winter: frozen superstructure, snow, rain etc. nevertheless, the contractor managed to do some works like: embankments of earth and stone, tubular bridges emplacement, procurement and transport of

materials, etc). With a small delay at the beginning, the contractor is in its schedule.

- **Lot 5** – sites supervised in October 2006 and March 2007. In 2006 the only disbursements were made for the procurement of tubes for tubular small bridges. The works started only in April. The roads are facing earth sliding phenomenon. The works are somehow delayed but the contractors finished organizing the site and the works are in progress with a big team and all the necessary machines. There are incentives to believe that the contractor will recuperate and be in its schedule no later than May.
- **Lot 6** – sites supervised in September 2006, January, March 2006. Works are behind the schedule. After a decided start in autumn, the contractor experienced frozen weather in the mountain and because of low experience in forest roads, stopped work. They did not start working in the spring. This site/lot has to be carefully monitored.
- **Lot 7** – site visited in December 2006, March 2007. The road was completely interrupted, Comprehensive works were necessary in order to make it accessible. Because of the earth sliding, additional works are needed. We have incentives to believe that the contractor will finish its job within its schedule.

### **Supervising and monitoring the forest roads rehabilitation**

48. As agreed during the last mission, the PMU drafted, in consultation with the NFA, a Memorandum of Understanding (“Accord”), which clearly spells out the division of responsibility for implementing and monitoring the roads works. The initial MOU was signed by the NFA and PMU officials in November 2006, and an updated/refined version was signed at the beginning of March taking into account the new requirements regarding the VAT reversed charge. This MOU has effectively clarified and resolved many relationship issues with the NFA.

49. The PMU, with input from the NFA, National Institute of Wood (NIW) and from the BPG training workshop participants, has developed a set of impact indicators to be used to measure the true impact of the road rehabilitation work. There are 9 economic and technical indicators in the lists and the PMU also prepared some data collection sheets to be discussed with NFA. It is planned that the data collection will start as soon as possible. The list of technical and economic indicators is in the appendix 6.

50. A separate consultancy for social and environmental monitoring of the road rehabilitation work is currently being negotiated with the winning firm: “Inter-Development”; that contract should be signed by the end of May. Because of the importance given to improving social and environmental performance in implementing forest roads rehabilitation activities, the specific objectives of this consultancy is to: (i) provide an additional degree of environmental and social oversight during roads contract implementation; and (ii) to assist in the preparation bidding documents so that environmental and social issues are fully taken into account of during the tendering

process. Under the terms of that contract, the contractors will, inter alia: (i) review the social framework of the rural areas where the works are going on and to identify and contact all the major stakeholders; (ii) identify a list of indicators to be monitored; (iii) propose (and prepare an Environment and Social Monitoring Methodology Manual for) the most cost effective way of monitoring the social and environmental concerns using the agreed indicators; (iv) initiate a continuous monitoring program, through until the end of the project; (v) provide monitoring reports to the PMU each 6 months; and (vi) propose mitigation measures for any issues that may arise. The monitoring activity will be carried out in close collaboration with the site contractors and construction monitoring specialists, through a process that should include consultation with all major stakeholders and provides information to all interested parties. The output of this consultancy will also be used for improving and updating the BPG from time to time.

### New roads tranche preparation

51. The feasibility studies and the technical specifications for the final tranche of the roads rehabilitation sub-projects have now been completed and the bidding documents are now ready for the tender of some 58 km of additional roads works, at an estimated total cost of US\$5,400,000. All that is missing is the final approval by the ImC, which has been further delayed by the changes in government and the concomitant changes to the membership of that committee. As soon as those signatures can be obtained, and authorization by the WB is given (including an approval to move on to Tranche 2), the bidding process will begin. The table below lists the proposed roads, together with the forest area that they would service and the estimated costs per road/contract.

Table 7

Name of Road	County	length (km)	Forest area served (ha)	Contract period (mo)	Estimated Contract value (US\$)	PAD estimated value (US\$)
Crucea lui Vadinici	Buzau	7	1,400	12	808,269	222,810
Lunca cu Flori	Buzau	5,5	600	12	607,397	175,065
Nera Axial	Caras Severin	15,10	14,840	17	1,457,355	480,633
TIS	Caras Severin	2,52	945	8	263,094	80,211
Calu	Neamt	5,8	505	12	274,313	184,614
Piatra Soimului	Neamt	8	1,964	17	547,031	254,640
Crasna 2	Prahova	13,3	1,244	16	1,487,709	423,339
TOTAL		57,22	21,498		5,445,168	1,821,312

### ***Component 3: Support Increased Productivity and Competitiveness of Forest Industry***

52. This component will be a subject for reallocation. The whole amount of funds was proposed to be used for a GIS comprehensive feasibility study. As soon as the amendment of the Loan Agreement will be official, the consultancy acquisition process in GIS feasibility study will be initiated.

### ***Component 4: Building Public Support for Sustainable Forest Management***

53. The main work during the reporting period was concentrated to define the content and subject to be developed for each material / activity. After the refining of the message of the campaign, the focus moved on to the visual identity of the campaign.

54. The web site has been designed and approved by the PMU who chose a selection of photos (with copyright licenses) to be posted under each chapter. The web site is a HTML platform adapted to the existing site, [www.forestier.ro](http://www.forestier.ro).

55. The issues to be promulgated to the rural population, through the churches were discussed by the Consultant' experts with Romanian Orthodox Church Cultural Officer who expressed his full support for the FDP and the flyer, and offered the use of all images belonging to the church for its illustration. The flyer was validated by the PMU/MAFRD before the 15th of March. Following layout and printing (500 000 copies), it is then to be distributed throughout the country.

56. A draft framework for the forest protection leaflet was devised with the assistance of the project's local environmental expert. The leaflet which is targeted at all stakeholders is to be distributed through the bias of environmental NGOs. As such, a seminar was organised in which NGOs were be able to give their feedback as to their perceived requirements for such a document. Therefore, invitations to discuss the content of the forest protection leaflet and the FDP in general during a seminar to be held in Bucharest were sent out to some 60 environmental NGOs throughout the country in early February. Unfortunately, due principally to logistical problems only a handful of NGOs were present at the seminar. Despite some useful feedback from this small group, in order to reach a wider audience it was decided to send the draft leaflet for comment by email to those NGOs that were not able to attend the seminar. Although those NGOs present were generally in agreement with the proposed content of the leaflet, they stressed however that the message should be conveyed in a very simplistic manner using as many images as possible. The draft leaflet for the NGOs were be finalised by mid March and send the PMU approved it.

57. The Forest Information Brochure (FIB) was completed and circulated for comments to all experts. The FIB is to be between 30-40 pages long, concise and well illustrated. It is to serve as a general information tool for those wishing to understand about forests and forestry in Romania (in particular forest owners), as such it is well endowed with local examples and has been based around the Romanian context as far as possible. Once completed, the FIB will then be subject to review and eventual validation by the Project

Monitoring Unit (PMU). All eventual updates etc are to be completed before the end of May, prior to the layout and printing of the document.

58. The project was scheduled to be launched during 22-28 of March, having as host the Ministry of Agriculture, Forests and Rural Development, and the Secretary of State, Mr. Istvan Toke. The event took place with success, more than 10 newspapers and 2 TV stations presented articles and productions over the subject.

59. The forecasted actions planned by the consultant during this reporting period are in appendix 7.

#### ***Component 5: Project Management and Monitoring***

60. This component is undertaken by the Project Management Unit (PMU) including a manager, two technical specialists (road and public awareness), a procurement officer, a financial management specialist and an assistant. Since September 2006 the PMU include a deputy team leader, too.

61. Considering the fact that the Steering Committee is now effectively in action, the PMU activity is much more organized and planned. The Steering Committee asked for detailed plans for spending and commitments to be delivered to its members every two months.

62. In order to establish a better connection with the MAFRD, the Steering Committee decided to establish a working group inside the ministry for supervising the PMU activity, for helping the project activities and, most important, to integrate the achievements under FDP in the general activity of the ministry.

63. Monitoring and Evaluation Plan is in progress on a contractual basis. The consultants elaborated the draft final report and now are waiting for the comments of the PMU on his work. The detailed comments provided by the bank in this matter were delivered to the consultant. Unfortunately, PMU loses contact with the consultant and only in March 2007 the relationships were again established. The consultant is expected to visit Romania and PMU offices for another 7 days in June to complete his work.

#### **Key issues**

64. As a consequence of the amendment request of the MAFRD, the MoPF will start the negotiations with the Bank. As soon as the amendment will be official, the PMU will take all the subsequent measures.

65. The approval of the government on the second roads tranche feasibility studies, after analysis performed in the Inter-ministry committee, is one of the most important bottleneck of the project at this moment. We express our hopes that the process will not

be to long, and the tender procedures will start in order to have the contracts signed in late summer so the works would start in early September.

66. PMU, together with the ministry and the NFA is permanently supervising the progress of works on roads rehabilitation sites. Permanent incentives are given to the contractors to speed their activity aiming for a sustained rhythm of disbursement.

67. The ongoing process of procurement of consultancy for training program for the territorial inspectorates and DoF has to be speeded up. The final short list will be ready till the end of the month and the proposals will be waited after a month.