

FOREST DEVELOPMENT PROJECT – ROMANIA

PROGRESS REPORT

A) The objective of the project, legal issues and the launch

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.

The law 400 was voted by the Romanian Parliament at the 27th of October 2003, the GPN which contains the general objectives of the project and procurement categories was published. This date is considered the birth date of the Forest Development Project.

The launch of the Forest Development Project was made in Brasov, at the 16th 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.

B) Progress of the project on components

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

(a) **Strengthening of the Department of Forests, with emphasis on nationwide Forest Inspectorate and support service**, within MAFRD to supervise, regulate and monitor sustainable forest management activities in private and state forest lands, as well as to provide extension and advisory services to meet the needs of the new private forest owners.

Till the date of this report the project provided to DOF and to DOF's Territorial Divisions physical resources needed for increasing the working capacity, as follows:

- a. office furniture and equipment including computers, software, printers, phone and fax machines for all the locations of those divisions with a total value of US\$ 296,909 from a total amount planned and estimated of US\$ 517,238;

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- b. field equipments, especially measurements instruments to be used in the field in controlling and monitoring activities with a total value of US\$ 64,952 from a total planned amount of US\$ 142,216.;
- c. 4WD drives and sedans with a total value of US\$ 830,090 from a total planned amount of US\$ 1,354,789.

For the 4wd drives and sedans procured for DOF and DOF's Territorial Divisions the project provided also all the necessary operational and maintenance costs. (All the data can be seen in Appendix 1).

Except the last US\$183,964 procurement (computers for the Territorial Divisions of the DOF) all the procurements described above were made before 2006. The computers coming from the last procurements were delivered in august 2006, and the payment will be made this month just after the DOF's Territorial Divisions will verify the equipment.

The Territorial Divisions are still in developing process in some of the locations. Even if there are more funds to be spent for supporting the capacity of the DOF, for the moment the level of the Territorial Divisions development does not allow new acquisition to be made. But in all cases there are SBDs approved and used in previous auctions and acquisition procedures and they can be used further more for new procurements. We assume that those procurements are to be realized in year 2007, but some of them can be done this year, if necessary.

In the same time, during the year 2005, a complete Human Resources Development Study was finished in order to give the DOF the necessary guidelines the necessary right staff. The contract was completed in June 2005. This study also contains the necessary guidelines for the DOF training activities that a programmed to be done in the beginning of the year 2007.

The training of the DOF and DOF's Territorial Divisions staff will be done in the years 2007 and 2008. All the plans for training and study tours to be initiated by PMU on bi-annual basis will be submitted to the Bank for agreement, prior to implementation.

(b) Support for the Development of National and Local Associations of Private Forest Owners, through MAFRD, by providing the basic needs for the establishment of the National Association of Private Forest Owners (NAPFO).

For the national office of this organization the project provided since the end of year 2005 office equipment (computers and non computer equipment), field equipment a 4WD drive together with the operation and maintenance cost spread in time during the life of the project. Auctions for those procurements were combined with the auctions for the physical resources necessary for the DOF.

The business plan of the National Association of Private Forest Owners was programmed to be ready in the year 2006. This business plan will include, on a 5 years basis, development of membership profiles, recruitment plan, service delivery profiles, financial and cash-flow analysis that will assure the financial sustainability of the national office of the NAPFO. The procedure for acquiring this service is to be developed in October 2006. So the amount of US\$ 18,552 will be spent this year, too.

The extension services for the National Association of Private Forest Owners were acquired in several phases. An amount of US\$ 21,600 was spent already for those services. The remaining from a total of US \$ 41,398 will be spent in year 2007.

At the beginning of the year 2006 was signed the contract for the establishment of the Associations of Local Forest Owners (ALFO). This contract is to be completed in the second semester of year 2007. For this year, considering the contractual clauses, an amount of US\$ 85,720 was already spent and, till the end of the year, we expect to spend another US\$ 171,423. The contractor submitted the reports according the contract. There are 9 pilot ALFO's created and for every each of them, the aim is to make a development plan. In 10th of October there will be a workshop concerning those matters in order to wrap up together with the major stakeholders the stage of the consultants work.

The PMU is working on creating the framework for the best communication possible between the ALFO establishment component and the public awareness component of the project, considering that the primary target of the public awareness campaign is the private forest ownership. In 6th of October, a meeting with the representatives of the two consultants (ALFO's and PR) will be held in the PMU office.

(c) Establishing a national forest management information and monitoring systems (FMIMS) consisting of a broad package of software, including both "of-the-shelf" packages and specialized to-be-designed, applications and associated hardware. The "in place" informational system of the DOF is not yet capable to provide reliable information, both for its own forestry policy and regulatory activity and for the economical

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operators in the field. This is why the FMIMS is needed by the DOF and the DOF's Territorial Divisions for supervision and control to ensure sustainable management and development of the forest sector.

Aiming to create the basis for the FMIMS, software and hardware consultancy was acquired and is active at this moment. Till the end of year 2005 a total amount of US\$ 27,699 was spent and we expect to spend the same amount in each year for the life of the project.

The FMIMS need new, special designed software to serve and to be served by the DOF, the DOF's Territorial Divisions and also by the NFA and private forest owners associations. In order to procure the design of this software, a procurement procedure was finished in the 18th of September this year. Considering the contract which will be signed, till the end of this year, the project will pay for software consultancy an amount of US\$ 322,086. The rest of US\$ 751,534 will be the cost for the software consultancy in the year 2007.

During the period the new software will be put in place, IT specialist will be hired in DOF's central and territorial offices and the project will provide their salaries, which means US\$ 72,000 till the end of this year, from a total amount of US\$ 1,00,245 to be paid till the end of the project. We also expect that the IT personal of the DOF's to be trained to use the new software system late this year.

Starting with next year the project aim to assure the operational and maintenance costs for the IT System and also to create a special interface between the NFA IT system and the FMIMS. The matter regarding the connection of the NFA internal information system and the FMIMS is also requested in the ToR for the NFA Strategy development.

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

(a) Supporting Reform and strategic Development of the NFA through preparing and assisting NFA to implement a strategic plan to develop and finance its role in managing State forests.

This will be achieved through: (i) identifying, quantifying and separating the costs and benefits of the public good and economic functions of NFA, and preparing a financial accounting system to ensure that all activities are adequately resourced; (ii) preparing and assisting with implementation of a plan for reforming and strengthening the institutional capacity to improve operational and commercial efficiency, thereby optimizing revenue generation from production forest, while safeguarding the public interest and ecological services provided by protection and production forests; (iii) developing a detailed, phased and coasted action plan for NFA's non core activities, for either privatization or development,

including provision of management services to the new private sector; (iv) assisting NFA to define its information management System requirements to support its strategic development, and providing the hardware and monitoring system that the project will establish within the Department of Forests (see above); (v) establishing an objective and auditable process for determining reserve pricing for timber auctions. All those objectives will be achieved with the help of the consultants hired through a consultancy contract signed in early 2006, which is suppose to be complete in November this year. US\$ 225,410 will be the cost of the consultancy activity in this matter, and it will occur till the completion of the contract. Till the date of this report the consultancy needed US\$ 22,540, considering the fact they have submitted the inception report. The payment of the three progress reports they submitted this month (northing US\$ 101,000) will be made till 15th of October.

There is one month delay in the development of the consultancy contract regarding the NFA strategy, but, in the end, the final report will be send in time for the entire amount of money to be spent this year.

The training for NFA strategy and NFA strategy implementation will start early in 2007. The plans for training will be submitted to the bank for agreement before starting the implementation.

In the year 2005 a study tour for RNP was organized. The value of this study tour was US\$2,500. More study tours will be made in the next year.

In order to provide logistical support in terms of vehicles and equipment to manage the protected area network, which is being developed with the assistance of the ongoing Biodiversity Conservation Management Project, the project provided 13 units of pick –up double caps for the NFA. The total value of this acquisition was US\$ 117,247. From the procurement day till the end of the project, the operational and maintenance costs for those vehicles will be covered. The necessary hardware, software and field equipment for the protected areas management was also provided.

(b) *Rehabilitating and extending the forest road network*, on a pilot basis, to improve the economic viability of wood harvesting in State-managed production forests, and to test approaches toward reducing the negative environmental impacts of forest roads construction.

A very important achievement of the project was the development of a “Best Practice Guidelines for Forest Roads”, made during 2005 and 2006. US\$ 50,760 were spent for the consultancy in the matter of the guidelines. The consultant ensured a wide participation (workshops in Brasov at the Forestry Faculty) of the

stakeholders involved in road construction and rehabilitation in Romania. An active input was received from the Forestry Faculty, too. Best Practice Guidelines was agreed by the Ministry and it was posted on FDP web site: www.forester.ro.

“Best practice Guidelines for Forest Roads” was included in the tender documents/contracts for international and national competitive bidding to ensure both competitive pricing and that environmentally sound construction and rehabilitation techniques are used. Compliance with these Guidelines will be independently monitored by mechanisms established by the projects. The development of Best Practice Guidelines through an open, participatory and consultative process (considering environmental and social concerns) sets an important precedent for road design and construction in Romania. The Guidelines will guide the design of all new and rehabilitated roads.

Actions sustaining the introduction of the innovative part in the BPG in the legal regulations concerning construction, rehabilitation, design and maintenance of the forest roads are to be taken by the PMU, NFA and the Ministry. An important PMU job for the future is to insure a wide dissemination of the BPG through a training program to be taken this winter and through dissemination of hardcopies inside NFA.

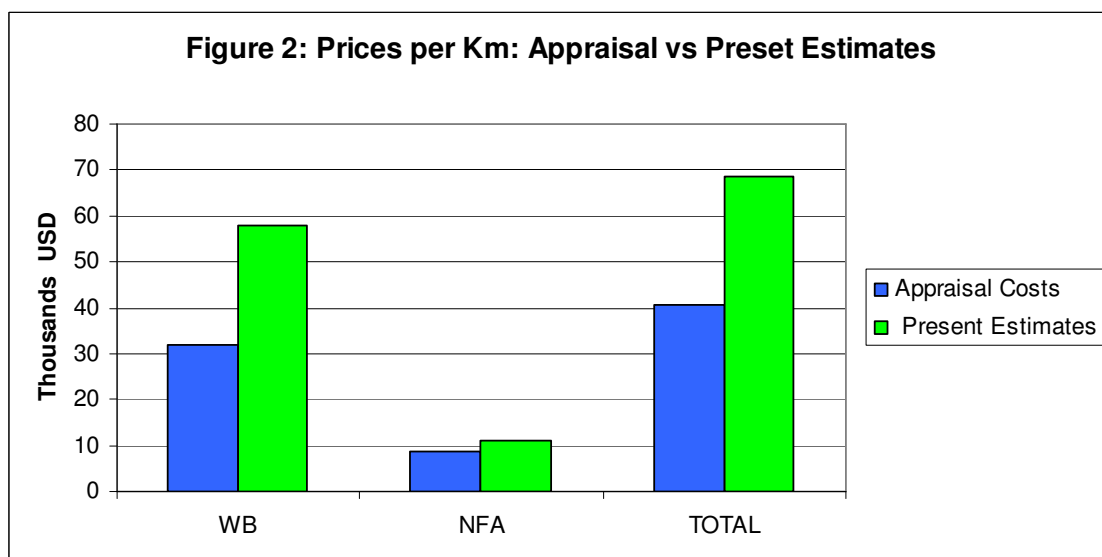
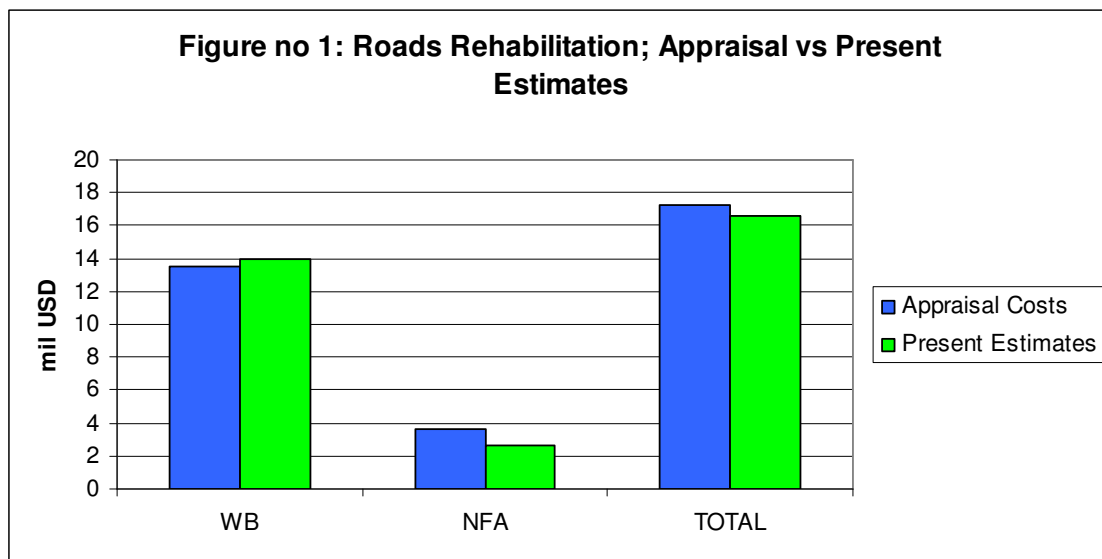
The development and use of the Best Practice Guidelines guided the engineering process for a series of roads rehabilitation and road extension subprojects. The total number of subprojects is 26. As a pilot activity, proposed roads subprojects represent a very small fraction of the total length of forest roads or associated harvesting and extraction infrastructure in Romania – less than 1.0 percent of the total existing network. The first pack of sub-projects, containing 17 roads, spread in 11 Romanian counties was the subject of an ICB in the 6th of July this year. The contracting of those works was preceded by a massive consultation process which included: announcements in local and national daily newspapers, announcements posted at the local authorities offices. All those announcements solicited public comments and concerns about the road works. The contracts for the first pack of road construction sub-projects were signed in the second decade of September for a total amount of US\$ 9,023,930. The estimated amount to be spent this year is US\$ 2,200,000. Anyway, the PMU is currently working to determine the monthly estimates for the works, together with the contractors, who got into the roads site last week. As soon as the monthly estimates will be negotiated, the PMU will send it to the Bank.

In Appendix 3 there are all the data about the forest roads rehabilitation in progress, including data about the price per 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;

As for the next period the NFA already designed another 9 subprojects (appendix 4). If all those subprojects will be put in place another 78.7 Km will be rehabilitated. The estimate value of that rehabilitation of roads is around US\$ 5,5000,000, but we consider that during the bidding process, the value of the future contract will be around US\$ 4,5000,000.

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.



The PMU propose that future 9 subprojects will be organized in two steps, as soon as possible, considering that, during the next period (because of the works and monitoring activities that will develop) we can get some more expertise regarding: i) BBP disseminated and transformed into formal regulation; ii) a public awareness approach will be used by the NFA in dealing with social issues; iii) development of the environmental monitoring system, regarding roads construction and monitoring; iv) creating the possibility for a wide number of foreign and Romanian companies to participate in the bidding process.

The very future actions to be taken in the field of road rehabilitations are: i) a better dissemination of the BPG; ii) organize a training regarding the BPG; iii) Formalize together with the NFA and the ministry the supervision system of the rehabilitation works; iv) Organizing the bidding for the second pack of road rehabilitation sub-projects and v) lobbying for the BPG transformation into formal regulation through a Ministry Order.

Component 3: Support Increased Productivity and Competitiveness of Forest Industry by: establishing the Forest Sector Business Information Center (ForsBIC), an independent business development and advisory service, which will establish linkages and coordination within the forest industry chain (i.e., silviculture, harvesting, transport, primary and secondary processing), and provide assistance to wood and related forest industries, through review and dissemination of information on new technologies, markets and prices, export and hygiene requirements, product promotion and branding, opportunities for joint venture partnerships, and the availability of grants and credit, etc.

No important actions were taken inside this component of the project.

Component 4: Building Public Support for Sustainable Forest Management through preparing and implementing a public awareness strategy and campaign targeting key stakeholders including the general public, with particular emphasis on communities living in forested areas; private forests owners; Forest Inspectorate Staff; NFA; Government decision makers, and other influential groups including the churches and NGO's.

For the development, implementation, monitoring the PR support and public awareness campaign the contract was signed in early 2006 and will be completed in the end of 2008. For this year US\$ 268,908 is expected to be spent. The remaining will be spent in yearly amounts till the end of the project. Till the date of this progress report, the consultants already submitted the inception and two of the progress reports. After the agreement of the ministry, the PMU will make the payments.

As concerning this component of the project, we consider that a very tight connection should be made between public awareness campaign and the progress of ALFO's establishment. This will be possible by bringing the consultants together in order to establish a proper timing between the two actions. In the same time, this connection will help the impacts of both campaigns to increase.

Awareness Campaign strategies will include: educating mass media; providing public relations guidance to Forest Inspectorate staff; developing educational and promotional materials for use in schools; organizing local education events; supporting awareness campaigns at the local level; involvement of environmental NGO's in educational projects; and support for the PMU to develop their public relations capacity and inform key decision makers of the status of project implementation. The public awareness campaign will undertake regular assessments of stakeholder perceptions, which will be used to refine the implementation of the campaign in line with changing requirements.

Component 5: Project Management and Monitoring 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.

In order to oversee and support implementation of all program activities in accordance with agreed monitorable indicators, The PMU spent from the very beginning of the project a total amount of US\$ 354,566, excepting the maintaining of the vehicles, as follows:

- US\$ 328,746 for operational activities (US\$ 250,611 till the end of year 2005 and US\$ 78,135 this year);
- US\$ 9,520 for financial management consultancy (2005);
- US\$ 16,300 for auditing activities.

A 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. We have reasons to believe that the work of the consultant will be complete till December this year, so another US\$ 30,873 will be disbursed this year.

B) Financial Wrap Up

As showed in Appendix 1, for the second semester of the year 2006 the project has for disbursement US\$ 3,638,157 included in the following contracts and activities:

- Forest road construction – the contracts for 17 sub-project are ready to be signed with a annual value for 2006 of US\$ 2,200,000, and a total value of US\$ 9,138,680;
- Software consultancy for the FMIMS, the bidding is to be organized this month, the estimated total value is US\$ 1,073,620, with an amount of US\$ 322,086 to be spent this year;
- Computers and other IT equipment for DOF and DOF's Territorial Division, contract signed, the equipment delivered in August his year - US\$ 183,964;
- Salaries for DOF Territorial Division IT specialists – US\$ 72,000;
- NFA strategy development – contract signed at the beginning of 2006 – additional US\$ 202,870 to be spent this year;
- ALFO Consultancy – contract signed early this year – additional US\$ 171,423 to be spent this year;
- National Association of Private Forest Owners business plan – contract to be signed this year – US\$ 18,552 to be spent till November 2006;
- Public Awareness Campaign – actions programmed for this year – US\$ 268,908;
- Monitoring and Evaluation Plan will be completed till the beginning of this year – US\$ 30,873;
- Consultancy in the Informational systems – US\$ 14,499;
- PMU operational costs and maintenance of all vehicles (Protected Areas, DOF vehicles, etc), including the audit – US\$ 152,982

As shown in Appendix 1, for a total amount of US\$ 1,269,291 there are approved SBD that can be used for further auctions (furniture, cars, field equipment, computers, training equipment, etc). This amount of many will be spent mainly when the DOF's Territorial Division will develop further more.

As shown in Appendix 1 and 2 there are US\$ 1,570,518 in reserve which can be spent in the next years.

We estimate that at the end of year 2006 no less than 23 % of the loan will be spent. Considering that the first amount of money coming from the loan was spent in November 2004, after 2 effective year of the project implementation, this percent is within a normal interval.

If the normal implementation of the project will continue, we expect that at the end of this year all the actions and procurements will be completed with the exception of the second part of the forest road construction sub-projects, which

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will be realized in the spring of the year 2007 (Appendix 2) After that we will follow the contracts and made the necessary payments till the end of the project.

D) Key issues

1. Changes in policy for forest restitution

After the launch of the project in September 2004, the new government (in place since January 2005) approved a new restitution law. In the matter of forest restitution this new law enabled the former forest owners to clame and to obtain all their former lands, regardless the size of the lands.

In the table below there are some data describing the forest situation before and after the implementation of this law. Considering that the restitution of the forest is at its peak at this moment, the reliability of those data is limited.

Forest Area of Romania by Category

Ownership	Per cent			million ha		
	1948	2004	Possible future	1948	2004	Possible future
Reference Year →						
<i>State</i>	28	65	40	1.8	4.1	2.5
<i>Towns and Villages</i>	na	15	21	na	0.9	1.3
<i>Institutions</i>	na	1	3	na	0.1	0.2
<i>Undivided Communal</i>	49 ¹	7	21	3.1	0.4	1.3
<i>Individuals</i>	23	12	16	1.5	0.8	1.0
Total	100	100	100	6.3	6.3	6.3

More than that, 95% of the individuals will own only up to 7% of the forest land.

All those changes can seriously affect the development of the project:

- a) Bigger emphases on ALFO's establishment should be considered;
- b) Some actions should be made to determine the Government to enforce the legal issues regarding the private owners;
- c) NFA strategic development and reform may be more dramatic;
- d) The importance of PR campaign is increasing together with the number of forest owners;
- e) The danger of forest over cutting is increasing so does the possible environmental damages;

¹ Includes all forest except state and individually owned for 1948

- f) The regulatory and controlling capacity of the DOF's Territorial Divisions may be not enough;
- g) The certification of private forest should also be considered, in order to establish a pilot area for the forest owners to be able to learn the positive consequences;
- h) Implementing the GIS into both private and state owned forests tend to become more and more important and necessary;
- i) The work in forest roads rehabilitation can be delayed because of the incertitude of the former owner of the land or by the restitution progress itself.

All those matters should be in the center of our attention in order to be able to raise all the necessary arguments for some reallocation proposal to be made both to the Ministry or the Bank.

2. Development of the NAPFO (APPR)

Because of some internal misunderstandings, the NAPFO is not functional at this moment. All the agreements concerning the project that are related to NAPFO are not valid because of that. This may cause a serial of delays in the implementation of the project regarding this organization. Their consultants (SAVCOR) are also in a difficult position of not being able to work with NAPFO. We expect this situation will cam to an end till the end of January 2007, and than get in touch with the organization again. In the mean time, the PMU intend to organize some meeting with the representatives of APPR to maintain the close touch with this organization.

3. Delays in roads rehabilitation

Considering that the roads rehabilitation is one of the major parts of this project, considering also that this component of the project started pretty late in project life, any delay in roads rehabilitation can cause serious damage to the project general development. PMU is working now for the negotiations with the contractors concerning the monthly estimates of the works and thereafter of the disbursement. Even if the amount of disbursement estimates will not be enough for the plan of this year, there are some possibilities to overcome the difference. A serious attention should be paid to ensure the rhythm of the road construction through a close permanent connection with the NFA and the contractors.