



Republika e Kosovës
Republika Kosova - Republic of Kosovo
Qeveria - Vlada - Government

Ministria e Bujqësisë, Pylltarisë dhe Zhvillimit Rural
Ministarstvo Poljoprivrede, Šumarstva i Ruralnog Razvoja
Ministry of Agriculture, Forestry and Rural Development

Kosovo Forest Sector Think Tank

2nd Session

Background

Aiming to enable a continuation of the debate on a set of comprehensive measures and objectives identified in the Forestry Policy and Strategy Paper 2010-2020, the Ministry of Agriculture, Forestry and Rural Development, in cooperation with the FAO project “Support to implementation of the forest policy and strategy in Kosovo”, and other donors and implementing partners, has organized the Second Forest Sector Think Tank.

The last progress report on the implementation of the Forestry Policy and Strategy PSP 2010 – 2020 has identified current challenges in the sector, which are mainly related to the delay in the adoption of the new Draft Law on Forests, insufficient capacities for implementation of these policies and strategies, inter-institutional competition on mandates for the management of forest resources, lack of data (qualitative and quantitative) and difficulties in delegation of competencies from the process of decentralization. While long term challenges that remains still are related to sustainable financing for the sector, including financing for forestry education and training, then efficient use of , including infrastructure development, and ability to adapt to the changes due to the EU enlargement process as well as to the changes in the energy sector.

Forestry activities currently generate value added of EUR 20 to 40 million. The turnover of the Wood Processors Association member companies is about EUR 35 million. The production capacity of the entire forest industry is estimated to be around EUR 50 million. The roughly estimated gross value-added in Kosovo forest industries is EUR 15-20 million. This means that the Kosovo forestry sector currently accounts for about 1.0-1.7% of the GDP. In spite of significant increases in past years, government revenues from forestry activities implemented by the KFA still remain below expenditures.

Objectives of the second Session of the Forest Think Tank in Kosovo:

The primary objective for organization of the second session of the Think Tank was to raise discussions for identification of innovative ways and approaches that enable creation of conditions to increased capital investments in forestry sector. A special attention was paid to public financing and other subsidies in the forestry sector, including the implementation of the Afforestation and Reforestation Programme and provision of education and training on forestry. In order to address the concerns of the Government of Kosovo regarding the forest governance, the second Think Tank also elaborated the possibility of increasing private sector engagement in forest management (long-term concessions, management of degraded forests and less productive forest land) leading to improved forest management efficiency and reduced illegalities.

Topics presented for discussion:

1. Increasing private sector engagement in forest management and good governance
2. Financing of National Afforestation and Reforestation Programme, subsidies etc.
3. Education in Forestry, needs and capacities
4. Wood biomass and energy efficiency as driving forces

List of participants

Name	Position	Institutions
Memli Krasniqi	Minister	Ministry of Agriculture, Forestry and Rural Development
Blerand Stavileci	Minister	Ministry of Economic Development
Ferid Agani	Minister	Ministry of Environment and Spatial Planning
Anne Huhtamaki	Ambassador	Embassy of Finland in Kosovo
Vesa Kaarakka	Forestry Adviser	Ministry of Foreign Affairs in Finland
Jannina Kotojaki	Junior Adviser	Ministry of Foreign Affairs in Finland
Tamer Topaloglu	Adviser	Embassy of Turkey in Kosovo
Ozay Pinduk	Local expert	Embassy of Turkey in Kosovo
Valbona Bogujevci	Programme officer	UNDP
Aleksandar Rapaic	Local expert	UNDP
Vedat Sagonjeva	Policy Planning Officer	Prime minister office, Government of Kosovo
Kapllan Halimi	General Secretary	Ministry of Agriculture, Forestry and Rural Development
Ahmet Zejnullahu	Chief Executive	Kosovo Forest Agency
Tahir Ahmeti	Director	Department of Forestry, MAFRD
Bashkim Thaci	Adviser	Ministry of Agriculture, Forestry and Rural Development
Jehona Shyti	Adviser	Ministry of Agriculture, Forestry and Rural Development
Ekrem Gjokaj	Director	Department of Economic Analysis and Statistics - MAFRD
Ismail Hetemaj	Director	Division for Nature Protection - MESP
Bashkim Gashi	President	Association of Private Forest Owners
Sead Gashi	Member	Association of Private Forest Owners
Tapani Ruotsalainen	Consultant	FAO - GCP/KOS/005/FIN
Jukka Tissari	Consultant	FAO - GCP/KOS/005/FIN
Abit Hoxha	Consultant	FAO - GCP/KOS/005/FIN
Kitti Horvath	Consultant	FAO - REU
Aleksandar Nikolovski	CTA	FAO - GCP/KOS/005/FIN
Naser Krasniqi	NTL	FAO - GCP/KOS/005/FIN
Krenare Salihu	Junior Expert	FAO - GCP/KOS/005/FIN

Date: 27.04.2016

Place: Hotel Amazona

Agenda

- 14:00 – 14:10 **Introduction**
Mr Jukka Tissari, International Forest Sector Development
Expert
Think Tank Facilitator
- 14:10 - 14:25 **Welcome speech and overview of forest sector**
Mr Memli Krasniqi, Minister of Agriculture, Forestry and Rural
Development
- 14:25 – 14:35 **Forest Sector in the National Development Strategy**
Mr Ferid Agani, Minister of Environment and Spatial Planning
Mr Blerand Stavileci, Minister of Economic Development
- 14:35 – 14:45 **Increasing private sector engagement in forest management**
Mr Ahmet Zejnullahu, CEO Kosovo Forest Agency
- 14:45– 15:05 **Break and informal discussion**
- 15:05 – 15:30 **Open discussion: Forest development financing** – the potential
and creating conditions for investment in forestry private/public
sector
Mr Jukka Tissari, Think Tank Facilitator
- 15:30 – 16:00 **Open discussion: Forest governance** – Can increased private
sector engagement in proper forest management (long-term
concessions, management of degraded forests land and less
productive forest land) lead to proper forest management and
reduced illegalities.
Mr Jukka Tissari, Think Tank Facilitator
- 16:00 – 16:20 **Open discussion: Financing of National Afforestation and
Reforestation Programme, subsidies, grants etc;**
Mr Jukka Tissari and Mr Abit Hoxha, Think Tank Facilitators
- 16:20 – 16:40 **Open discussion: Forestry Education and Training**, needs and
capacities,
Mr Jukka Tissari and Mr Abit Hoxha, Think Tank Facilitators
- 16:40 – 17:00 **Open discussion: Wood biomass and energy efficiency** as
driving forces,
Mr Jukka Tissari and Mr Abit Hoxha, Think Tank Facilitators
- 17:00 – 17:30 **Break and informal discussion**
- 17:30 – 18:00 **Conclusions and recommendations**

Summary of Discussions

Mr. Tissari opened the Think Tank, reiterated its purpose and objectives, and explained how important these type of dialogues and open discussion platforms are for easing the tensions among stakeholders. Meeting started with the hope that the second session of the Think Tank would become a recurring annual event.

He then invited Minister Krasniqi (MAFRD) to open the event, which was followed also by statements from Minister Ferid Agani (Ministry of Environment and Spatial Planning), Minister Blerand Stavileci (Minister of Economic Development), and Ambassador Huhtamäki (Embassy of Finland in Kosovo). After the opening statements an update on the current status of Kosovo Forest Sector and opportunities for increasing private sector engagement in forest management is given by Ahmet Zejnullahu (Kosovo Forest Agency).

It was a positive launch of the second Think Tank. The joint opening, and the consensus of language used to describe the challenges and opportunities in the forestry sector of Kosovo, was already fulfilling one of the objectives, namely to stimulate discussion and seek broader cross-sectoral solutions on the financing challenges. This was one of the very few times at which were present all three ministers of the key government portfolios for forest sector in Kosovo.

Agenda was followed through with most time spent on the financing of forestry development (Topic 1) and National Afforestation and Reforestation Program - NARP (Topic 4). This was acceptable in light of the flexibility reserved on the Think Tank Agenda.

Some solid observations were drawn by the two Facilitators from the discussion on forest financing topic:

- Kosovo's budget financing to forestry seems grossly inadequate, and a higher level of ambition should guide government efforts, especially at Kosovo Forestry Agency, to replenish it. A rethink in the language and communications seems inevitable, as also the role of the government versus private sector in forest financing.
- Forestry receives a minuscule share of all MAFRD financing, after agriculture and rural development takes the lion's share; this seems to repeat itself also in the case of EU's IPA (Instrument for Pre-Accession Assistance), a major funding package available to Kosovo.
- New tools such as national ECOFUND, established under the Ministry of Economic Development; and KoSEP Programme (EBRD and the Government of Norway), should be reviewed for replication to kick-start forest sector financing.
- There is a lack of knowledge on external forest development financing, such as project, grant and loan offering from development banks and other international institutions.

Kosovo fulfills currently only two of the three eligibility rules of the Global Environmental Facility (GEF). This calls for the Government's immediate attention to open access to GEF project grants for sustainable forest management, biodiversity and climate change projects. GEF funds are however always complementary to national financing for these focal areas.

The dialogue between the government and the private sector forestry operators and wood processing industries has greatly improved: the private sector is nowadays much more welcomed to attend debates on the forest sector's future. In practical terms the improved dialogue calls now for more implementation steps to benefit concretely private sector forestry and industry.

On other main topics, forest education and training needs were discussed in some length, what duly reflected their importance to Kosovo's forest sector. Most participants were conversant and appreciative to affirmative action in this field. Facilitator asked consultant Mr. Ruotsalainen (FAO) to intervene, and he emphasized the pragmatic methodology in training needs assessment (TNA), and proper coordination between the MAFRD and the line Ministry on Education, Science and Technology.

On the issue of law enforcement and governance, the illegal logging situation and its consequences to the forest sector dominated the discussion. It became clear that the illegality in logging and trafficking of logs and firewood reigns in many parts of the country and within the region. But higher volume of the unrecorded wood flows in the informal firewood business, much of which is by done by the farmers. More responsibility has been allocated to the municipalities on forestry, and unfortunately governance problems of the sector have not improved. Legal procedures need to be speeded up, and more stern consequences handed to offenders by the jurisdiction.

Energy efficiency and biomass are potentially strong drivers for the forest sector in Kosovo. Currently the wood use for energy, i.e. firewood, chips, pellets and briquettes is a fast-growing subsector of the wood economy, but it needs better allocation of resources to function sustainably. Their integration with downstream wood processing enterprises and upstream forest growers and logging contractors is desirable. The role of domestic market-driven value chain development is important to emphasize. Fuel switch opportunities exist for example in public buildings and utilities, enterprises and on household level. KoSEP Programme has embarked on supporting the demand-side (energy switch by users), and forestry and wood industry operators should try to twin with eligible partners. The forest sector could propose and elaborate a similar supply-side support programme later on. Longer forest lease agreements with intensive sanitary and thinning operations would help mobilizing more biomass and wood residues to proper use in energy.

In the closing of the Think Tank, the two Facilitators summarized shortly each topic of discussion and reiterated the necessity to develop concrete implementation of various

proposals heard, and to keep the momentum of the Think Tank on a recurring basis. Facilitators and FAO Project CTA appealed to the decision-makers to stop the present downward trend which is driving the sector down, and to start replenishing the forests of Kosovo with a new vigor.

Recommendations of the second session of the

KOSOVO FOREST SECTOR THINK TANK

Topic 1. Innovative ways and enabling conditions to increase capital investments in the forestry sector:

- 1.1. The forestry sector in Kosovo needs to work on common platform and create long-term plans for attracting private investments for improving future of its forests. This should be done by re-writing the legal and policy instruments that allows long-term utilization of forests and forest land with the purpose of re-forestation and plantation forestry for economic benefit.
- 1.2. The three Ministries (Ministry of Agriculture, Forestry and Rural Development – MAFRD), Ministry of Environment and Spatial Planning - MESP, Ministry of Economic Development - MED) should jointly open a closer dialogue with Multilateral Development Banks (MDBs) such as the World Bank (WB), the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB), which are potential partners with donors in grant and loan schemes to the forestry and wood industry sectors in Kosovo. A closer integration of development potentials in multi-purpose forestry producing timber products and biomass for renewable energy, and collecting forest residues and non-wood forest products should be promoted in proposals to external financiers.
- 1.3. Sensitize and assist the farmers to apply for grants for forestry activities from the allocated funding lines for 2014-2020 under the EU Instrument for Pre-Accession Assistance (IPA II Programme). In total Euro 645,5 million is earmarked for Kosovo, of which a limited focus for forestry is embedded in funding allocated for Agriculture & Rural Development. Other two important funding areas of IPA II are Energy (inc. renewable energy with alignment with EU energy law), and Education, Employment & Social Policies.
- 1.4. Carry out a comprehensive economic and financial analysis, including a cost-benefit analysis, on the funding proposed to the National Afforestation and Reforestation Programme (NARP), so as to help communicating more convincingly its financing rationale and significance to economic development in rural areas. This analysis should provide a timeline of implementation and self-sustainability of the NARP.
- 1.5. Write a concise Business Plan type of flyer on forestry and wood industry to attract public awareness and a broader interest in forestry sector investments, and deploy it the implementation of the Public Awareness Strategy on the forest sector.
- 1.6. In more details, the Public Awareness Strategy should envisage the forestry sector and wood products industry in a more positive light under the aegis of the National Development Strategy (NDS), and with the momentum of the new Law on

Forests, emphasizing its capacity to generate economic returns from both public and private financing, collect revenues to the state which can be re-invested into the resource base, and sustain local jobs and livelihoods along the value chains.

- 1.7. With the adoption of the new Law on Forests, to facilitate the awarding of long-term leases (5-20 years) to the private investors and farmers who can intensify and improve the forest productivity on degraded lands, which will eventually lead to improved forest quality and enhanced natural capital of Kosovo.
- 1.8. Encourage the wood industry and the emerging wood chips and pellet/briquette industry in particular to tender for forest leases and mobilize low-quality wood for their raw material, and invest back into the resource replenishment with improved seedlings of high-quality trees.
- 1.9. Allow temporarily the extraction of larger volumes of low-quality mixed wood and residues from carefully planned sanitary and thinning operations, which will help supplying a growing amount of idle or under-utilized wood biomass for renewable energy users in either firewood, energy chips, or pellets and briquettes.
- 1.10. In full collaboration and coordination with the Ministry of Economic Development, ensure that the land concession contracts in mining, hydro-power and other extractive industries stipulate the Concession Holder to restore the deforested landscapes *in situ* or in relative size of area elsewhere on degraded forest land immediately after the concession expires, sanctions pending for non-compliance.
- 1.11. Establish the legal provisions for a Payment for Environmental Services (PES) system that enables the collection of revenues for all private and public bodies enlisted as beneficiaries of PES, in compensation for critical ecosystem services provided by forests under their custodianship, e.g. in stabilization of watersheds, protection against soil erosion, hosting endangered biodiversity, and in support to nature tourism.

2. Topic 2. Forest governance

- 2.1 The line ministries should coordinate among themselves to check for the obligations of private sector engagement in forestry. Conditions should meet in terms of sustainability of energy efficiency, environmental sustainability and forest management.
- 2.2 Step up the tendering procedures and awarding of long-term forest leases (20-40 years) in reflection of the forest rotation periods, especially to encourage investments on degraded forest lands by private investors and farmers, and mandate them to prepare and comply with appropriate Forest Management Plans which lead to multipurpose forestry.

- 2.3 Consequently, encourage and train the private forest owners to apply appropriate reforestation and sustainable forest management on leased forest lands, with the purpose of achieving substantive improvements in the composition, quality and productivity of the future private forest lands in Kosovo.
- 2.4 Strengthen cooperation and effective association-building between private forest owners, with the purpose of supporting their representation in policy making processes, and promote collaboration with wood industry to enable more efficient value chains.
- 2.5 Strengthen the enforcement of the Law on Forest and in particular empower the Forest Inspectorate by means of e.g. intensifying the training and application of Kosovo Forests Mobile Application in order to exercise stricter controls over illegal logging and transports of suspicious wood in the country.
- 2.6 Influence the national jurisdiction to fast-track action on forest sector illegality, and deploy the prosecution and court processes in a more timely manner. This will support the deterring impact against forest crime in conjunction with more stern measures to confiscate both illegal wood and means of its harvesting and transportation from the perpetrators.

3. Topic 3: Financing of National Afforestation and Reforestation Programme

- 3.1 Kosovo's National Afforestation and Reforestation Programme (NARP) should be followed up with the development of an Action Plan in form of business plan with the cost-benefit analysis and policy friendly communication for decision makers and stakeholders.
- 3.2 NARP should clearly state the multiple benefits, and income and job generating capacities, etc. versus the investments required. Additionally it should duly emphasize that the plan starts generating income and jobs when implementation starts - after the first year of investments - and not only after its complete implementation.
- 3.3 Subsidization of activities in the forestry sector should be done in coordination and harmonization with other line ministries such as Ministry of Economy and Finances and Ministry of Environment and Urban Planning to ensure the time limits are coordinated (the new law will address this issue). This will ensure the sustainability of investments and subsidies.
- 3.4 Additionally, raise the level of ambition for, and use more compelling language on, requests of higher and consistent long-term and project financing to the forest sector from the Multilateral Development Banks (MDBs).
- 3.5 Remembering the limitations of Government funding and availability of additional state subsidies to the forestry sector, learn from the experiences in other sectors who have successfully opened joint grant and loan schemes with MDBs.

- 3.6 Create enabling conditions by creating an efficient one-counter service for applying Government funding to forestry, and by appointing focal points for relations on forestry sector financing with the MDBs.
- 3.7 Coordinate the funding process in forestry amongst ministries and institutions to ensure maximum sustainability of the private and public investments.
- 3.8 The implementation of NARP through grants for private sector should be incentivized in such manner that promotes sustainability, employment and funding of the implementation.

Topic 4: Forestry Education and Training

- 4.1 Based on sector forecasts for both forestry and wood industry, the Kosovo Forestry Agency should assess the short, medium and long-term manpower needs, including numbers and qualifications for each occupation.
- 4.2 Alert on the observed critical gaps in the availability of new skills and educations in the highest demand by the forestry and wood processing.
- 4.3 Transfer these assessment inputs to the Agency for Vocational Education and Training and Adult Education under the Ministry of Education, Science and Technology for use in planning of the necessary interventions in forest sector education and training.
- 4.4 Leave the detailed planning, revision and implementation of education and training activities to the line ministry, i.e. Ministry of Education, Science and Technology (MEST).
- 4.5 To the extent possible, promote better dialogue, public-private partnerships and collaboration in assessing and implementing revisions of forest sector education and training.
- 4.6 Carry out public awareness campaigns directed to the general public on the forestry sector's vital role in generating sustainable development I environmental and socio-economic fields to the benefit of the society.

Topic 5: Wood Biomass and Energy Efficiency as driving forces for forestry sector

- 5.1 Under the leadership of the Ministry of Economic Development and the Ministry of Environment and Spatial Planning, seek additional measures to encourage energy efficiency, in the first place in public buildings and energy utilities, to increase the proportionate use of wood biomass and wood energy products of a higher calorific value for heating, cooling and electricity.
- 5.2 Allow an easy access with lowered fees and taxes to small rural enterprises and forestry contractors in the collection of biomass and forest residues, in exchange for its mobilization to further processing into energy chips, pellets and briquettes, and consequently to a wider use for fuel switch as a pathway to local economic development, public and forest health, and national energy cost saving.

- 5.3 Raise awareness on the Kosovo Sustainable Energy Projects (KoSEP) Programme and promote its grant and loan packages for improving energy efficiency e.g. in pellet and energy chips for burning in heat and power boilers, in machinery of the wood-working industries, and for fuel switch by the urban and rural households.
- 5.4 Embark of external technology transfer and exchange of know-how in mechanization of forest equipment and wood processing machinery through e.g. FINNFUND and similar export guarantees and private sector financing mechanisms provided by Kosovo's closest donor countries.
- 5.5 Carry out public awareness campaigns to induce change of attitudes among consumers, public institutions and industrial users of energy.