

UNDP Montenegro

Development of National Protected Area Financial Plan (NPAFP) to assist in improving the cost-effectiveness of PA institutions.

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Acronyms, abbreviations and explanations

GDP	Gross domestic product
GEF	Global Environment Facility
GI	Global Investment
MSDT	Ministry of Sustainable Development and Tourism
NBSAP	National Biodiversity Strategy and Action Plan
PA	Protected Area
PAs	Protected Areas
PENP	Public Enterprise National Parks of Montenegro
SPM	Spatial plan of Montenegro
UNDP	United Nations Development Programme

1 Executive summary

Intraduction

Montenegro's protected areas (PAs) cover approximately 10% of the country and form the core strategy in ensuring a sound natural resource base as well as meeting the country's conservation obligations under the Convention of Biological Diversity. In addition, the protected area system contributes significant value to the national economy, primarily in that it underpins a large portion of the national tourism industry, which is the second largest contributor to national income and the fastest growing economic sector.

Economic value of and cost of managing protected areas

Montenegro is a small country (13,812 km² and 620,029 inhabitants) with one of the lowest population density in Europe (44.9 inhabitants/km²). The climate is Mediterranean, with more continental influences in the inner part of the country. Today Montenegro is at stage 2 of development out of the three stages (plus two transition stages) identified by the WEF and is positioned 49 in the Global Competitiveness Index 2010-2011, with significant weaknesses in infrastructures, market size and business sophistication that may have a negative impact on the economy. The tourism business show great potential and the Montenegro tourist masterplan sets ambitious targets for the year 2020 that may have a positive impact on the revenues of PAs. The expected accommodation capacity of 280,000 beds would be mostly satisfied by high level resorts, with a 18.1 million overnight stays increase. Agriculture account for 10% of the GDP, almost 12,000 labor force and 49,000 rural households.

The economic contribution of the protected area system was evaluated in 2011, and it indicates that the total contribution to GNI, which includes multiplier effects, was estimated to be € 68 million, or 2.2%. The value of tourism and recreational activities, other uses of PA lands and resources, water supply services and watershed/flood protection services is estimated at just under €68 million in 2010. In 2010, the quantified value of PAs equated to some 2.2% of GDP, or economic benefits of €106 generated per capita of Montenegro's population. In 2010, just under a half of PA values accrued to the general public (worth more than €32 million), more than a third generated earnings and cost savings to businesses and industries (€25 million), and around 15% earned revenues for the government (€11 million). PA goods and services supported the output of many different sectors of the economy, including tourism, energy, water, agriculture, and infrastructure and disaster risk reduction.

Choosing to "invest in natural capital" may create a steady, and increasing, value-added to Montenegro's economy and population over continuing "business as usual", generating incremental benefits worth more than €1.5 billion over the next 25 years.

Financing of PAs

Protected Areas and environment face critical threats which may be mitigated by the

opportunities that exist. The political will to expand the Protected Areas System and community engagement are two strengths which are important for the future implementation of additional parks. Yet an increase in protection requires more financing, which at the current number of protected areas is already lacking and thus a weakness. The fact that there are opportunities for increased tourism and increased eco-tourism specifically implies that more funding could be generated from users. A system wide user fee must then be implemented and enforced. More users however mean that more management capacity will be needed and again, current management capacity is low and weak.

A lack of financing and capacity are inter-related issues. Without proper funding, managers cannot train staff and build capacity of the government and of communities to better manage and participate in protected area management and conservation. Concurrently, without management capacity, available funding is not used as efficiently as possible, and financial planning and management are lacking. Also, additional funding may be hard to secure.

An important aspect of raising capital for protected areas and conservation is to understand the value of the resources that are being protected. This knowledge also helps us in preparing financial plan.

Financial gap

First, we can look at the revenues that are generated by PAs. It is only National Parks that earn revenues. According to the collected data from National Parks, average annual revenues that National Parks earned amounted around €1.09 million. In last four years, the level of the realized revenues didn't show significant changes. Average annual revenues that National Parks gained in 2007 amounted €1,071,323, while in 2011 it was €1,132,667.

About half of these revenues are earned from tourism. The rest comes from concessions and other uses of PA lands and resources.

Also taking into account indirect or occasional funding from the public budget, and considering all categories of PAs, increases this figure slightly. Total funding to all categories of PAs from all sources to be in the region of €2,4 million a year (including donations), or an average of €1,889/km². Just under half of this came from public budgets, with the balance funded through reinvested revenues.

Funding is also not sufficient to maintain the PA network. The on-the-ground reality is that the majority of PAs are operating on a budget that is effectively zero. Only National Parks are under active management and staffing – and even they face a pressing shortage of funds for essential conservation activities and investments. For other categories of PA, the situation is even more critical.

Lack of financing caused orientation on everyday operations, and neglecting capital investments. We can differentiate between two types of expenditures: operations and maintenance, and investments. Operations and maintenance requirements are those funds needed to carry out everyday operations at a park unit. On the other hand, investments are significant one-time costs that parks incur in order to fix current problems or provide for future park management. Investments may include projects such as a resource inventory necessary to establish a credible baseline before beginning a monitoring program, as well as constructing a new building.

Expenditures in PAs, have been increasing significantly since 2007 to 2011 year. This is result of endeavor of management to improve protection and surveillance function, and to improve the existing infrastructure. It is obvious that the government has been supported the management plans, and efforts of PAs management.

Total PAs expenditures increased from euro 1,500,000 to 2,200,000 between 2007 – 2011 year. Total personnel costs, including salary and benefits for full-time, part-time, term, and seasonal employees, averages 55% of total expenditures. The electricity, fuel, supplies, and other services categories represent relatively significant portions of total expenditures because of the high costs associated with getting staff and equipment to the field. These categories include the costs of fuel, other operation and maintenance, and transportation services. Significant fixed assets (maintenance) expenditures reflect the replacement of the existing vehicles, and accumulation for replacement fixed assets. Other expenditures include administrative, and others.

On the basis of empirical parameters and analysis of requirements of PAs, the basic scenario requirement for annually financing of national parks is €2,566,403, and for the optimal scenario. € €4,256,985. With taking into account and other protection areas, then the required level of funding of PAs for the basic scenario is €2,746,403, and for the optimal scenario is €4,506,985. With the total funding, the gap for the basic scenario is 1,008,058 (with excluding the direct government budget it is €1,958,058), and for the optimal scenario is 2,768,640 (or 3.66 million - when the central government funding is excluded).

Financial mechanisms

Because of the significant financial gap, PAs in Montenegro must find the appropriate financial mechanisms that will enable to achieve levels of revenues to finance that gap.

The identification or pre-selection of financial mechanisms requires conducting a basic analysis of the viability of different financial options using specific criteria such as level of complexity and potential impact. This analysis allow to:

- a) identify simple financial mechanisms not requiring detailed studies or any legal reform for their direct implementation;
- b) identify more complex financial mechanisms that require detailed economic, social, legal, and environmental viability analyses before making a definitive selection, even if the possibilities seem promising, and
- c) determine which financial mechanisms are not viable due to their high complexity and low impact.

Through the process of analysis, the financial mechanisms of low complexity were identified and selected first, which may produce significant effects in increasing revenue. These are the following mechanisms:

1. Increasing ticket price;
2. New entrances;
3. Souvenirs production;
4. Charging for the use of temporary and permanent facilities;
5. Fees for use of water from PAs;
6. The fee for the electrical facilities in PAs;
7. Billing for telecommunication facilities and installations, antenna installation fee;
8. Setting up billboards;

9. Fee for jeep tours;
10. Improving control of entrances;
11. Fees for transport infrastructure;
12. Improving marketing;
13. Project center, and development attractive projects in PAs;
14. Fees concession for tourist facilities;
15. Rafting, and
16. Logo and name.

The conducted analysis shows that environmental goods and services with high income-generation potential exist at the level of the protected area system or of a particular protected area. Tourism development was identified as the main complex mechanism for generating incomes, directly and indirectly to PAs. It might be followed up with agriculture as logistics, and other economic sectors. The selected mechanisms of this category are:

1. Tourist services;
2. The fee for the exploitation of water;
3. Voluntary contributions;
4. Public-Private Partnership in tourism;
5. Public-Private Partnership in agriculture;
6. Public-Private Partnership in fishing;
7. Other.

Income from own sources with implementing the less complex financial mechanisms increase to €975,000 compared to the current situation, which amounts to €2,000,035. The costs required for the basic scenario are €2,746,403. Funding basic scenario of PAs with these mechanisms reduce direct funding by the government on €266 368.

Revenue potential from implementing the high complex mechanisms is to €4,261,020.70. The costs required for the optimal scenario are €4,261,020.70. Funding optimal scenario on this way reduces direct funding of PAs from the government side to €318,985.70.

Other key facts for financial plan

It is important to understand that emphasise the next key facts:

- ✚ PAs in Montenegro are underfunding. However, protected area financing is about more than money; it involves mobilizing and managing funds to address a range of challenges associated with biodiversity conservation.
- ✚ It is necessary to provide secure sources of funds. Securing adequate funds is a necessary but not sufficient condition for PAs to be managed effectively and financed sustainably. It is also necessary to consider the quality, form, timing, targeting, uses and sources of funding.
- ✚ Assessing and achieving PA financial sustainability involves considering and addressing a wide range of issues, including:
 - Building a diverse funding portfolio, including multiple funding sources, is a key element of PA financial stability and sustainability. In this plan we have tried to determine the most achievable financial mechanisms.
 - This plan requires that funds are managed and administered in a way that promotes cost efficiency and management effectiveness, allows for long-term planning and security, and provides incentives and opportunities for managers to generate and retain funds at the PA level.
 - The board support of the government is necessary in considering indirect and opportunity costs as well as local development benefits as key elements of PA funding needs; targeting

cash and in-kind support to groups who incur PA costs, while also securing fair contributions from PA beneficiaries, is critical to PA financial and economic sustainability.

- Making PAs financially sustainable also means identifying and overcoming the broader market, price, policy and institutional distortions that act as obstacles to PA funding and financial sustainability.
- Factoring finance into PA planning and management processes, and ensuring that there is sufficient human capacity to use financial tools, is a key strategy for improving PA financial sustainability.

- ✚ PA financial sustainability can be defined as the ability to secure sufficient, stable and long-term financial resources, and to allocate them in a timely manner and in an appropriate form, to cover the full costs of PAs and to ensure that PAs are managed effectively and efficiently with respect to conservation and other objectives. In short, financial sustainability is not possible without strong and effective institutions for PA management.

2 Background

One of the greatest challenges facing governments and their partner organizations is the need to develop financially sustainable protected area systems and solid organizations able to efficiently manage these natural assets. Although some progress has been achieved over the past decades, to date most protected area systems around the world are still severely under funded. In most cases, protected areas are still dependent upon limited national budget allocations, support from international conservation organizations and short-term international funding through projects.

During the 7th Conference of the Parties of the Convention on Biological Diversity in February 2004, 188 national governments adopted the Global Program of Action on Protected Areas to support establishment of comprehensive, ecologically representative, and effectively financed and managed regional and national protected areas. This contributed to the three objectives on the Convention and the 2010 Goal to significantly reduce the rate of biodiversity loss.

Although the 2004 Global Program of Action on Protected Areas reinvigorated many government's commitments to finance protected areas, there has not been a significant increase in funding to protected areas.

In order to achieve the financial sustainability of national systems of protected areas it is critical to take into account the need to increase the capacity to self generate additional revenue at national levels, including market value of payments for ecosystems services such as water service, carbon sequestration, and scenic beauty. On the other hand, it is equally important to improve the institutional capacity to adequately manage financial resources and carry out the necessary legal and regulatory reform to enable reliable long-term funding.

Montenegro is also faced with the challenge to achieve the financial sustainability national systems of protected areas, and this project is undertake to contribute achieving the main objectives in this field. Based on the preliminary financial assessments undertaken during the preparatory phase, work under this output will focus on preparing a Financial Plan that is based on the realistic needs of the PAS, and the adoption of viable and diversified financial mechanisms to fund it. This business-oriented Financial Plan will be organized around three key aspects of the financial planning process: a) a detailed financial analysis that identifies funding needs and gaps, b) a pre-selection and analysis of different financial mechanisms, and an understanding of the legislative and regulatory framework for their implementation, and c) a formulation of the Financial Plan to guide the implementation of a sustainable financing strategy for the PAs.

With stakeholders support, the project will provide practical, accessible, and easy to use methods for improving financial planning, and a road map for the implementation of business-oriented financial plans for the national systems of protected areas.

In order to identify financial sustainability the project encompasses the next stages:

Stage 1. Examination the different aspects of financial analysis (the financial needs and gaps of protected areas). This phase includes the review of different income sources, the level of current and potential resource use, and identification of cost-reduction opportunities. These aspects determine the existing financial needs and gaps to cover conservation priorities.

Stage 2. Defining financial mechanisms and then focuses on the pre-selection, feasibility analysis, selection of financial mechanisms, and conceptual and practical aspects of the diversification of financing sources.

Stage 3. Analyze the conditions that enable the development of financial strategies. These conditions are based on the premise that financial gaps and the low returns of many financial mechanisms (such as national park entrance fees) are due largely to the low capacity to generate, administer, and distribute resources in an efficient manner, and to the existence of excessively complicated and outdated legal and institutional frameworks.

Stage 4. Development concepts and definitions of financial plans, examines business management principles that apply to financial plans, their components, and implementation.

Stage 5. This phase includes desk help.

3 Methodology

The general used methodology is financial analysis. It covers a number of aspects, the most important of which are the analysis of protected area costs, the review of different income sources, the determination of current and potential resource use, and the identification of cost-reduction opportunities; and determining the financial gap. These financial elements make it possible to establish the size of the existing financial gap that must be covered to meet conservation priorities; further, these financial elements facilitate the identification, design, and implementation of appropriate strategies for sustainable financing of protected areas.

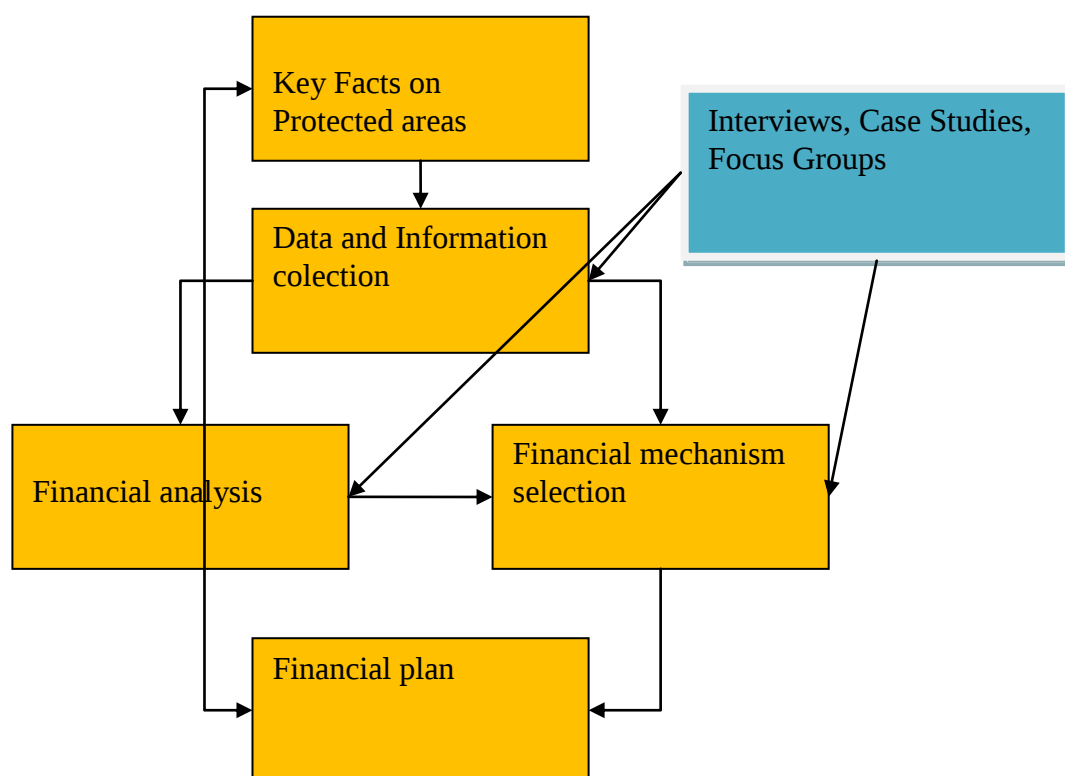
Financial analysis techniques allow us to understand financial opportunities and challenges, and improve decision-making. Applying financial analysis enables us to presents financial data in a form that can be used to evaluate the protected areas' financial position and to plan growth. For the purpose of this document, financial analysis consists of quantifying the financial needs and gaps of an individual protected area or protected area system. Accomplishing this financial analysis requires a comparison of the resources currently available with the resources needed for both a basic scenario (essential management programs to ensure protection of basic ecosystem functions) and an optimal scenario (a set of management programs for optimal ecosystem functioning).

In conducting financial analysis, the next research techniques have been implemented:

- Desk research: to gain the initial data and collect secondary data from different sources (existing databases and studies focusing on the legal and institutional framework, financial sources for PAs, needs of PAs, current gap between needs and current situation, potential mechanisms for financing,);
- Qualitative survey;
- In-depth interviews with key stakeholders, representatives PAS institution, local residents and business;
- Focus groups organization;
- Workshops were be used for discussing financial scenarios with all representatives all interested stakeholders.

The used methodological approach is illustrated in the chart 2-1.

Chart 2-1 - Methodology Chart



3.1 Data sources and collection: primary and secondary data, interviews, stakeholder consultations

The final plan is prepared after processing and consideration of data and observations that the project team had collected during the first three stages of the project. The financial analysis was based on a wide set of primary data and statistical information. The great attention was paid to collecting data which was sufficient to meet the requirements of our study.

Our sources of information comprise not only desk research but also statistical analyses and field works to provide primary data and information, including stakeholder interviews and consultations (see Table 2.3).

The team conducted interviewing and meeting with stakeholders to collect primary data and information for a complete description of the current situation and understanding of the basic needs of the protected areas. The summaries of the interviews are attached to this document. All primary data and information collected through the above systems were processed by the team specialists. Also, the necessary statistical information (secondary data) was considered and processed by the team specialists and data collected recorded.

For considering the data, focus groups, and workshops were conducted with stakeholders for validation of data collected and recorded.

Two focused group (first one for data validation and second one for discussion about financial scenarios) allowed wide consultations between the program team and the sector stakeholders.

We did first workshop in February to introduce stakeholders and policy makers the major outcomes from our first phase, with focusing on data validation. The main stakeholders attended this first workshop.

The second workshop introduced the sector stakeholders to the scenarios of our financial plan. This last workshop, held in April, was occasion for the GI team together with UNDP to choose the best scenario.

Table 2-3 – Expected major sources of information in relation to participants

Sources of information	
Desk Work	GI Team
Interviews	MSDT Ministry of Finance PAs institutions National parks Municipalities Business NGOs dealing with environmental issues
Stakeholder Consultation	MSDT Ministry of Finance PAs institutions National parks Municipalities Business NGOs dealing with environmental issues
Tree Focus Group	MSDT PAs institutions National parks Municipalities Business
Two Workshops	MSDT Ministry of Finance PAs institutions National parks Municipalities Business NGOs dealing with environmental issues

Very important role for the project played Financial Plan Working Group (known as Promoting Group). This Group includes one representative from the National Parks, from Ministry of finance, and one from Ministry of Sustainable Development and Tourism.

4 Outlook of the Protected Areas in Montenegro

4.1 General facts on Montenegro

Montenegro is a small republic in the Balkans peninsula. Montenegro has an area of 13,812 km². It borders Croatia (14 km boundaries), Bosnia and Herzegovina (225 km), Serbia (203 km) and Albania (172 km). See Table 9-2 - Geographic coordinates of Montenegro for the precise location of Montenegro.

Montenegro is mountainous, except around Podgorica city, Skadarsko lake and the southern Adriatic coast.

Chart 4.1 – Landscape of Montenegro



The small country of Montenegro holds a great variety of different and contrasting landscapes. It has a 293 km long coastline at the Adriatic Sea with 73 km of beaches (117 beaches). In 2006, 15 beaches were awarded with the “blue flag” for a very good quality of the water and the beach. Montenegro has 150 mountain peaks above 2,000 m and its biggest bay is the Bay of Kotor (where Herceg Novi is situated), which looks like a Fjord and is sheltered by the karstic mountains. Table 9-1 – Montenegro geographical highlights contains data about the major geographical features of Montenegro.

Montenegro territory ranges from high peaks along its borders with Serbia and Albania, a segment of the Karst of the western Balkan Peninsula, to a narrow coastal plain that is only one to four miles wide. The plain stops abruptly in the north, where Mount Lovćen and Mount Orjen plunge into the inlet of the Bay of Kotor.

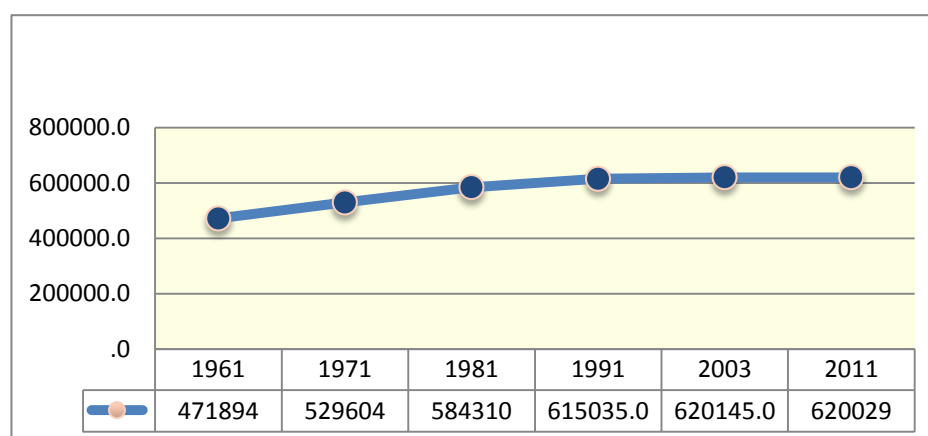
Montenegro became the world’s first ecological country in 1992. It holds three UNESCO World Heritage sites: The Bay of Kotor with the historic walled town of Kotor (natural and culture-

historical region of Kotor), the Tara River Canyon and the Durmitor National Park (Table 9-6 – National parks in Montenegro).

The density of population of Montenegro is one of the lowest in Europe, as shown in Table 9-9 – Density of population in European countries, where a list of countries and dependencies are ranked by human population density and measured by the number of human inhabitants per square kilometer. The list includes sovereign states and self-governing dependent territories based upon the ISO standard ISO 3166-1. The figures in the attached table are based on areas including inland water bodies (lakes, reservoirs, rivers). Data are estimates for July 2005, taken from the United Nations World Prospects Report (2004 revision), unless noted otherwise. In comparison to the European Union, a supranational union possessing "country-like" characteristics composed of 27 member states with a population density that has been estimated at 112 people per km², and it would be ranked 93rd if it were included in the list (population: 494,070,000, area: 4,422,773 km²), Montenegro has a density of population of 44.9 inhabitants per square km.

Montenegro has a population of over 620,000 people (Table 9-10- Total population in Montenegro and selected countries / regions). The majority of Montenegro's population is female with 51.8% (49.2% male). 20.7% of the population is younger than 15 years, 67.2% are aged 15 – 64 years and 12.1% are aged 65 years or older. The overall population is growing as per the attached Chart 4.2 - Population growth in Montenegro, 1961 – 20 and Table 9-7 - Population growth by municipality, 1961 – 2003.

Chart 4.2 - Population growth in Montenegro, 1961 – 2011



Source: Statistical Yearbook 2006, Montenegro; last census in 2011

Montenegro comprises different ethnic groups. According to the last census in 2011, 44.97% declared themselves as Montenegrins, 28.72% as Serbs, 8.64% as Bosnians and 5.03% as Albanians (4.864% undeclared). Emigration from Montenegro is high. Montenegro has a Mediterranean climate. The vegetation is sub-tropical. Winters at the coast are mild and without snow, summers are hot and dry. Autumn is generally very mild and spring is coming early most times. In the backlands there is a more continental climate with snow during winter times, sometimes already as soon as September. In the summer half-year – from the end of April to early November – the bathing climate is identical with that of Majorca – the same air and water temperatures with the advantage for Montenegro: if it gets too hot at the coast the tourist can reach the much cooler highlands in a short time.

4.2 Economy

Montenegro GDP per capita amounts to €5.006 (2010, Table 9-12 - GDP per Capita at Current Prices and PPPs, US\$), which makes annual growth rate of 2.5%. Montenegro, as one of the least developed republics in former Yugoslavia, went through an accelerated process of industrialization that culminated with high growth rate of economic development in late 70s and at the beginning of 80s. In late 80s and during the 90s of the previous century, evident stagnation of economic development occurred. Economic sanctions UN imposed on Montenegro, war in the surrounding countries, hyperinflation, and a relatively long period of transition had an unfavorable influence on efficiency and competitiveness of the domestic economy, and created additional problems to stabilization of social turbulences: high share of unemployment, large number of retired people, etc.

After the period of economic stagnation caused by political turbulences on the territory of former Yugoslavia during the last decade of the previous century, Montenegro is starting an economic revival. In 2000-2008, the country is experiencing a significant positive trends, which was further frozen by the global economy crisis (Table 9-12 - GDP per Capita at Current Prices and PPPs, US\$) and has given the country a relatively good economy status (Table 9-16 - Montenegro, Percentage of the population falling below the poverty line).

Montenegro economy is on the path of expansion, with increased focus on attracting foreign investment. The Montenegrin government has privatized the nation's aluminium complex and financial sector, both of which are dominant contributors to Montenegro economy industry. Existing Montenegro laws treat foreign and domestic capital similarly. Also, starting a business in Montenegro takes 13 days on an average, in comparison to the world average of 38 days. This is reflective of the nation's highly conducive business environment.

Today Montenegro is at stage 2 of development out of the three stages (plus two transition stages) identified by the WEF and is positioned 49 in the Global Competitiveness Index 2010-2011 rankings, with excellent performances in macroeconomic environment and significant weaknesses in infrastructures, market size and business sophistication (WEF data and analysis). In 2009-2010 Montenegro was 62 in the same list of Global Competitiveness Index.

Prices in Montenegrin economy are largely determined by market forces. The government, however, exerts influences over prices of some commodities, including energy, utility and transport, through state-owned enterprises. The government also invests heavily in the economy. According to the 2010 Index of Economic Freedom, the government spending, including transfer payments and consumption, was about 39.0% of the nation's GDP. Relatively high consumer prices in comparison to the average net salary of Montenegrin workers, currently standing at about 450.00 Euro/month, are a concern in the development of the economy and of the sector. Despite persistent efforts, regional disparities and unemployment are key factors hindering Montenegrin economic growth. Also, the global financial crisis has weighed in heavily on the economy of Montenegro, primarily because of a decline in Montenegrin aluminium exports.

4.3 Tourism

Montenegro is one of the young, newly discovered tourism destinations on the international tourism market, which is at growth stage of its life cycle. Montenegro is a country with good international recognition, particularly thanks to tourist, nature and the performances of the national sports team in basketball, soccer, water polo, just to mention the most popular ones (Table 9-17 - Recognition of Montenegro per selected features (million of items, Google Internet

search, 14 October 2010) and Table 9-18 - Recognition Index of Montenegro per selected features (Country = 100, Google Internet search, 14 October 2010)). According to the WTTC Montenegro is currently the Europeans fastest growing tourism destination and worldwide among the top three. Hence, tourism, one of Montenegro's fastest growing sectors, is a primary contributor to the country's economic growth. The recorded arrivals per months over the period 2002–2007 point to the fact that, in addition to the considerable increase in the numbers of visitors each year, the season is also extending. The number of foreign tourists increased from 94.164 in 2001 to 437.301 in 2007 year (Table 9-19 - Tourist arrivals and nights, 2008 and 2009. For several years in a row summer tourism season starts earlier (March-April) and ends later (October–November). Furthermore, the resorts in the northern region are recording increased visits over the summer months, leading eventually to reduce seasonality of tourism sector (Table 9-20 - Tourist arrivals and nights by type of tourist resort, 2009..) In fact, only 10 percent of annual visitors travel to the North, which claims just a limited share of the tourist overnight stays.

The tourism sector has proven to be flexible and competitive, inspire of the negative impact of the global economic crisis, and managed to achieve good results in 2010, and 2011. year. The number of tourists who visited Montenegro in 2010 was higher by 4.6% compared to 2009, while the number of overnight stays increased by 5.5%. Thus, tourism has given a positive impetus to the development and numerous other fields such as transportation, telecommunications, commerce, etc.

Tourism is an activity that is realized in a multi-year period of high economic growth rates. Despite the difficulties at the global level, this sector has recorded positive statistics of tourist arrivals during the crisis 2009th year, and in 2010. year positive trends continued. According to preliminary estimates, WTTC all components of Montenegrin tourism, such as participation in the total GDP, workforce and investments in the next ten years (2011 to 2021) should be increased. Bearing in mind the pronounced potential, achieving the planned investment (Ada Bojana, Luštica), diversification of tourism products, strengthening promotional activities, tourism could be a driver of other complementary activities (agriculture, trade, transport).

The tourism sector, despite his resistance, he could not ignore the negative impacts of the global economic crisis and falling demand. Montenegrin tourism has demonstrated the flexibility and competitiveness. The structure of foreign tourist arrivals, most were tourists from Russia (11.9%), France (3.3%), Italy (3.2%) and tourists from neighboring countries: Serbia (24.9%), Bosnia and Herzegovina (8.2%), Kosovo (3.9%) and Albania (3%). Seaside resorts were visited with 89.5% of total arrivals, an increase of 4.5% over the previous year. The number of visits to the capital of Montenegro increased 10.2%, in mountainous areas by 13.1%, while the number of arrivals in other tourist areas fell by 11.8%, compared to arrivals from the previous year.

In 2010. years, achieved a 7964.9 thousand nights, which is 5,5% more in comparison with the previous. Domestic tourists accounted for 987 000 overnight stays, which is 15.3% more than in 2009. year, while foreign tourists accounted for 6977.9 thousand nights, representing a growth of 4.2%. In total overnights 96% referred to the coastal towns, while the mountain resorts represented from 1.5% capital at 1.4%, and other tourist sites with 1.1%. A number of overnight stays in 2010. year, compared to the previous year, were realized by tourists from Russia (14.9%), Ukraine (87.2%), France (20.6%), Germany (38.2%), Britain (45, 3%), as well as from neighboring countries: Kosovo (40.3%), Slovenia (25.3%), Macedonia (6.1%), Croatian (10.6%).

In 2010. year continued with a series of fair appearances and presentations on world markets and markets in the region. Continued and promotional campaigns through electronic media abroad

(CNN, Euronews, BBC, Travel Channel), as well as in the region. In joint promotional activities, the National Tourism Organization of Slovenia, Serbia and Montenegro were first performed together at the "Kanka Tabihaku 2010" which took place 27th and 28 March 2010. in Osaka. For this trade fair chance made a special joint tourism brochure Slovenia, Serbia and Montenegro in Japanese, which promotes tourism offer of the three countries. This regional integration is important, especially when it comes to promotional appearances in distant non-European markets.

4.4 Agriculture in the economy of Montenegro

Food production and agriculture still play an important role in the economic development of the Republic of Montenegro. Food production and agriculture play an important role in Montenegro's economy, with the primary sector alone providing (source: EUROSTAT) more than 10% of total GDP (GDP (EUR 2.95 Billion in 2009), with respect to 2% in the EU27, together with processing industry shares around 20% of GDP, and 4.9% of total exports (Source: MONSTAT).

The place agriculture takes in the economy is hard to evaluate due to obvious flaws in the sector statistics. The discrepancy between the share of agriculture in GDP and the share of employed people in agriculture is evident, since statistics monitor movements of employees in agricultural enterprises, but not in agricultural households. Some tendencies of labour market movement and structure of the active population are presented through data on the share of active agricultural population in total number of active population. According to these data in period between 1961 and 2003, the share of the active agricultural population in the total number of active population has been reduced from 53,6% to 8,8%. There are also considerable changes in labour force structure, as well as large-scale migrations of population from rural to urban areas of Montenegro, economically motivated, above all.

Surveys reveal an agricultural labor force of 11,902 (World Bank - Montenegro Institutional Development and Agriculture Strengthening - MIDAS), while official estimates point to a total of around 55,000 rural households in Montenegro (now 49,000 – Agri-Census preliminary data). Agriculture has been growing steadily at an average 2.4% annually from 2002 to 2006, with certain sub-sectors generating significantly higher growth, such as fruit at over 10%.

The role of Protected Areas is a very important in the Montenegrin economy, first of all for tourism development. The protected areas represent the best touristic resources in Montenegro, and their protection and maintenance as core of the Montenegrin nature is high priority of the state.

4.5 Introduction to protected areas in Montenegro

First event concerning the environment protection in Montenegro happend 1878. In 1878 King Nikola established a so called royal ban for the area of Biogradsko lake.¹ That area converges to the area of the current National Park of Biogradska gora. This can be taken as establishment of the second world's protected park and it happened just six years after proclamation of Yellowstone Park. Second important nature protection date is 1907, King Nikola proclaimed the Black Lake as

¹ Precisely, he was not king at the time as Kingdom was proclaimed in 1910. However, such title is being used in accordance to higher familiarity of that range comparing to the previous one.

royal ban area. In the modern times, another date is important – 1992 when Montenegro is being officially proclaimed as first ecological state in the world.

Nowadays, Montenegro is country in transition – from state planned to market oriented economy but also from sovereignty to supra-nationality. If we add ecological state trademark to these two transitions, we reach common denominator seen as protection of the nature i.e. specific areas.

Quite important question is how to preserve nature and its parts and how to make natures goods and services marketable. The balance between economic and environment issues is significantly important. Within such discussion it is important to determine whether some areas are financially sustainable. Such determination is crucial at least for two reasons. First, it will enable parts of limited disposable funds (central and local budgets, private initiatives, world nature protection organizations and etc.) to be used for other less sustainable areas. This is especially important in the crisis period. Second, it will identify that for some areas inclusion in respective world donor and partner organizations is essential and also the only viable solution.

4.5.1 Area of Protected areas in Montenegro

According to the International Union for Conservation of Nature (IUCN) *protected area* represents “an area of land and/or sea especially dedicated to the protection and maintenance of biological diversity and of natural and associated cultural resources and managed through legal or other effective means“. Each one of us can imagine the beauty of landscapes and scenery within such areas. Probably such places are among the most beautiful parts of the known world.

The key issue regarding protected areas is their preservation and overall contribution to the individuals and society either through education and research or visits in order to fulfill their needs. However, if it is possible it is important to establish their actual financial sustainability in order to achieve aforementioned preservation. Lack of success in this process may lead to the decrease of life quality in the society. Even though it is *meant* to be protector and manager of such areas state sometimes fails to do so. That is why reports on protected areas and their management system are crucial. They will even contribute to the debate about who should protect such places – state or maybe market itself because of further borderline business activities.

The list of protected areas in Montenegro is shown in the table 4-1. Our research encompasses, first of all, the national parks due to the availability of data.

Table 4-1 List of protected areas, surface and share in the national territory by category

Protected areas names (by national protection category)	Surface (ha)	Share of the total territory
<i>National parks</i>	85,695	6.2%
Skadarsko jezero	40,000	
Lovcen	6,400	
Durmitor	33,895	
Biogradska gora	5,400	
<i>Nature reserves</i>	610	0.044%
NP Skadar Lake: Manastirska tapija, Panceva oka, Crni zar, Grmozur, Omerova glavica	420	
NP Durmitor: Crna Poda	80	
Tivat Saltpans	150	
<i>Monuments of nature</i>	7,739	0.56%

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

TOTAL Pas	108,866	7.88%
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Source: Draft BSAP, January 2009

Establishing a National network of protected natural areas consisting of existing and planned areas for protection is an integral part of the policy of the Government of Montenegro, which aims to ensure the protection of representative habitats, ecosystems and plant and animal species. For a long time is the projection of national protected areas network have been connected to a system of spatial planning and its highest hierarchical planning document - the Spatial Plan of Montenegro (SPM).

In recent years, this issue has become a subject of interest and other official policies and strategies. In addition to screenings of protected natural areas in the Coastal Zone, which is defined in the spatial plan of special purposes for coastal region (MNE PPPPN MD), a national system of protected areas has been considered discussed and National Sustainable Development Strategy (hereafter NSOR) in which the first time was set the goal to increase the area under the protected natural areas to 10% of national territory and 10% protection of coastal areas in the 3-year planning period. For that purpose, NSOR pointed out priority areas for protection.

Otherwise, the nationwide network of protected natural areas currently covers 124,964.24 hectares, or 9.047 % Of the territory of Montenegro, of which the largest share (101 733 ha or 7.77% of the territory of Montenegro) has five national parks: Durmitor, Skadar Lake, Lovcen, Biogradska worse and recently declared National Prokletije. The remainder consists of more than 48 protected areas in categories: natural monument, a region of special natural features, and (general and special) (except Tivat lagoon (150ha) all reserves are located within the boundaries of two national parks - and Durmitor, Skadar Lake, and do their part). Network of protected areas in Montenegro is shown in Figure 4.3.

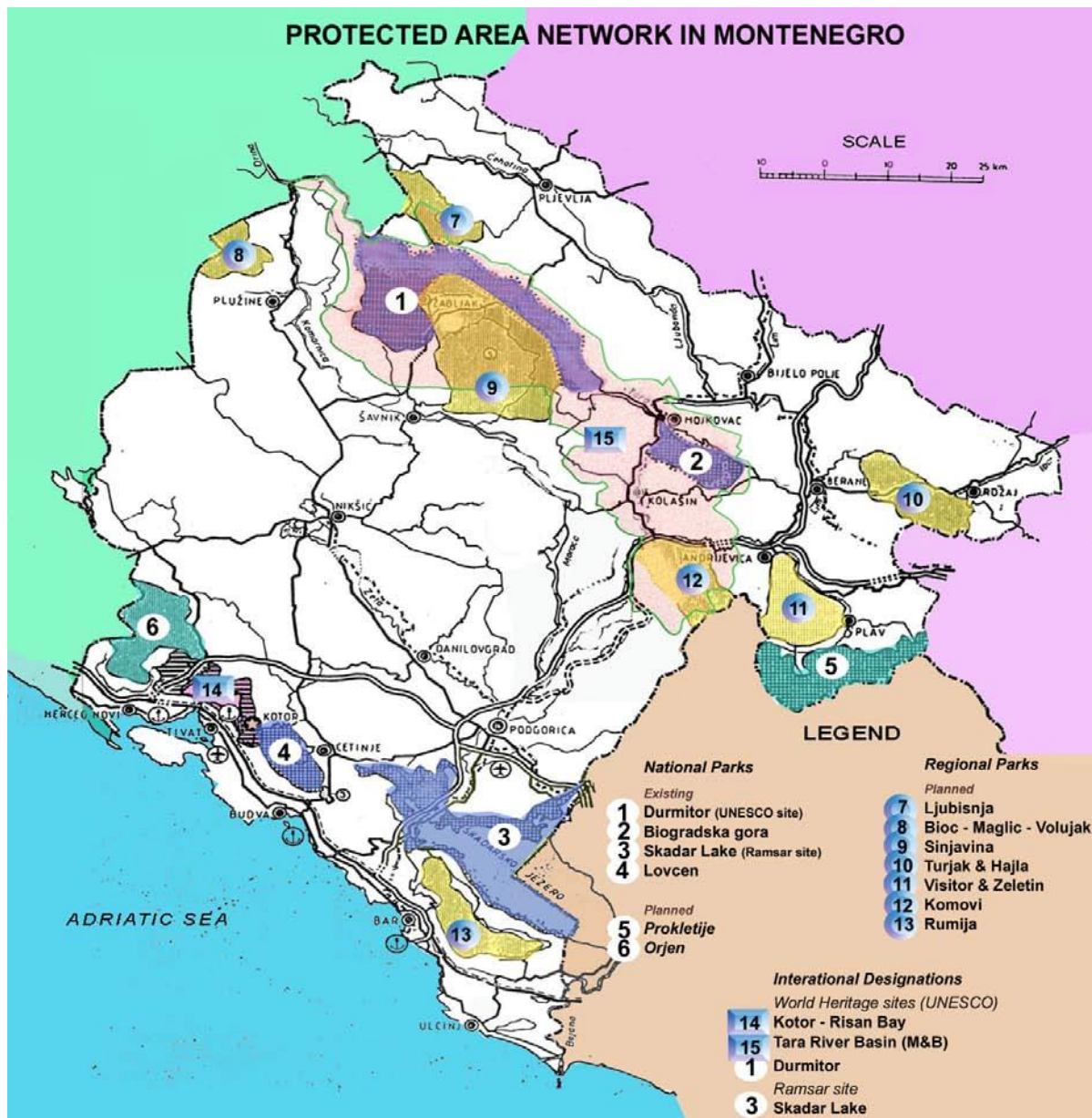


Chart 4.3. The network of protected areas in Montenegro (source: National Biodiversity Strategy Action Plan for the period 2010 to 2015. In, 2009 draft)

4.5.2 Management of protected areas

The system of protected areas in Montenegro has been facing many problems and weaknesses. Most of the protected areas has small area, and fragmented. The remaining unprotected ecologically valuable areas, especially on the coast, suffer high pressures due to intense urban and tourism development. Still not enough technical information on which can be reliably determined borders, the category and the regime of protection of new protected natural areas. Status, the regime of protection, and management of existing categories of protected areas, does not comply with the current state of biodiversity and the values that were previously the main reason for putting the protection of these areas. Other weaknesses in the system of protected natural areas are: lack of or incomplete inventories of biodiversity, lack of or inadequate profile of staff who often lack technical, operational and / or managerial capacity necessary for protected areas; disadvantage boundaries of protected areas in relation to proximity and directions of expansion of

settlements, infrastructure and other buildings. Revision status of existing protected areas, the formation control for all categories of protected natural areas, and defining the optimal management model (based on a participatory approach) are basic measures for the protection of biodiversity and nature conservation in general. In terms of management, only category of national parks has established management. For the categories of monument and nature area of special natural qualities for which the local government is nominally responsible for the establishment of control, development of management plans and implementing management controls were not established except in rare cases (Trebjesa, Arboretum in Grahovo, City Park in Tivat, etc.). On the other hand, the practice of involving local people in management structure of protected area has'nt been implemented.

In addition, protected areas are faced with a number of negative direct threats, including: the haphazard management of forests and illegal logging, illegal hunting, illegal trade and uncontrolled collection of medicinal plants; pressures stemming from more intense development (tourism, urbanization) in these areas and their surroundings especially at the coast. It has long been recognized conflict between the protection of biodiversity / nature conservation and development. This challenge is no easy and simple solutions. As it is not realistic to stop further development, so can not persevere in total - absolute protection of nature. The solution to this problem is recognized and Montenegro in sustainable development for which it was made a special strategies - National Strategy for Sustainable Development of Montenegro (NSOR).

4.5.3 SWOT analysis, and economic potential of PAs

In the stage of collecting data and information we tried to collect not only financial data but also to get the broader economic perspective of Pas. As a result of this approach figure out strengths, weaknesses, opportunities and threats facing the protected areas system, protected area management, natural resources and the environment. The summary of our finding is given in the Table 4-2.

Table 4-2 SWOT analysis of PA

Strengths: [1] Unique landscape [2] Natural beauty [3] Botanical diversity [4] Safety [5] Residents treasure the areas for recreation Well known and used beaches, dive sites [6] Some infrastructure exists: bars, dive shops, visitor centers, [7] Natural resources: forests, lake, watersheds, flora and fauna, fish, etc [8] Local community support for management Interest from foreign tourists [9] Return visitors, divers Stakeholder engagement process institutionalized thru Forest Policy [10] Commitment to expand Protected Areas	Weaknesses: [1] High use rates and associated littering and pollution [2] Stress on resources [3] Inappropriate and harmful development practices [4] Lack of touristic infrastructure [5] Lack of environmental education [6] Unpredictable treats (fire,..) [7] Lack of financing [8] Lack of incentives to generate revenue [9] Lack of funding transparency, accountability [10] not PA's Capacity: business planning, management, tourism skills and guide training, marketing [11] Inter-agency cooperation and communication [12] Lack of standards for PA's [13] Lack of law enforcement [14] Low # of visitors to levy fees [15] Lack of waste management Lack of awareness
Opportunities: [1] Increased tourism [2] Eco-tourism and community development [3] Increased revenue Research and education Youth engagement [4] Non-timber forest product development [5] Medicinal plants [6] Alternative livelihoods thru nature guide positions and park staff positions [7] Volunteering	Threats: [1] Overuse by both locals and tourists [2] Ignorance and inertia [3] Bureaucracy and government inefficiency [4] Local opposition from private landowners, fishermen and residents [5] Increased sewage and other discharge [6] Increased run-off [7] Lack of management capacity especially as system expands [8] Lack of inter-agency cooperation [9] Enforcement problems [10] Lack of buy-in regarding user fees [11] Lack of sustained funding [12] Over fishing, over hunting [13] Destruction of natural resources from

As evident from the above table, Protected Areas and environment face critical threats which may be mitigated by the opportunities that exist. The political will to expand the Protected Areas System and community engagement are two strengths which are important for the future implementation of additional parks. Yet an increase in protection requires more financing, which at the current number of protected areas is already lacking and thus a weakness. The fact that there are opportunities for increased tourism and increased eco-tourism specifically implies that more funding could be generated from users. A system wide user fee system must then be implemented and enforced. More users however mean that more

management capacity will be needed and again, current management capacity is low and weak.

A lack of financing and capacity are inter-related issues. Without proper funding, managers cannot train staff and build capacity of the government and of communities to better manage and participate in protected area management and conservation. Concurrently, without management capacity, available funding is not used as efficiently as possible, and financial planning and management are lacking. Also, additional funding may be hard to secure.

An important aspect of raising capital for protected areas and conservation is to understand the value of the resources that are being protected. This knowledge also helps us in preparing financial plan.

The results of the recent study² provides information for indentifying financial mechanisms for PAs, and direction towards it should go; should provide economic reasons for future investments in respective areas; should influence management authorities where to find new niches and opportunities and inform and educate broad audience. These results have shown current and to be financial sustainability of some protected areas. In addition, they have shown that few of them are not financially sustainable even in the long term. We point out the next finding:

- **PAs generate considerable values.** The value of tourism and recreational activities, other uses of PA lands and resources, water supply services and watershed/flood protection services is estimated at just under €68 million in 2010.
- **PAs play an appreciable role in the national economy and development.** In 2010, the quantified value of PAs equated to some 2.2% of GDP, or economic benefits of €106 generated per capita of Montenegro's population.
- **PA values accrue to multiple sectors, at many different levels of scale.** In 2010, just under a half of PA values accrued to the general public (worth more than €32 million), more than a third generated earnings and cost savings to businesses and industries (€25 million), and around 15% earned revenues for the government (€11 million). PA goods and services supported the output of many different sectors of the economy, including tourism, energy, water, agriculture, infrastructure and disaster risk reduction.
- **The values generated by PAs have a substantial multiplier effect across the economy.** For example, PAs protect the source of existing and planned hydropower generation worth almost €80 million a year in public revenues. PAs generate total income, investment and spending for the tourist sector of €172 (or 5.7% of GDP), including gross visitor spending of more than €220 million and capital investment in excess of €60 million, as well as some 7,700 full-time job equivalents.
- **There is significant public under-investment in Pas.** At €2 million a year in total or €1,800/km², current funding to the PAS is insufficient to manage the PA network effectively. It is lower than in many other Central and Eastern European countries, and less than half of the actual financing needs for effective PA management in Montenegro.
- **Continuing to accorded PAs a low policy and investment priority will incur economic losses.** Continuing to carry out "business as usual" may cost Montenegro's economy and population more than €30 million over the next 25 years.
- **Investing adequately in PAs will generate value-added to the economy.** Choosing to "invest in natural capital" may create a steady, and increasing, value-added to Montenegro's

² GEF-UNDP-ISSP, (2011), The economic value of protected areas in Montenegro

economy and population over continuing “business as usual”, generating incremental benefits worth more than €1.5 billion over the next 25 years.

- **There is a high economic return to public investment in Pas.** Although choosing to “invest in natural capital” implies a considerably higher level of public investment than continuing “business as usual”, these expenditures are far outweighed by the economic benefits generated. Net benefits will more than double over the next 25 years, and PAs will generate a total return of almost €29 per €1 of public funds invested.
- **PAs are not being managed to their full economic potential.** The public income earned from PAs is currently less than €1 million a year. There is low cost recovery – this equates to only around 15% of projected funding needs. In many cases there are unmet consumer demands for sustainable PA products and services, and the bulk of PA goods and services are being provided at a low or zero price to users. Increased public investment and policy action can help to realize these economic opportunities.
- **There remain untapped opportunities to increase the levels of revenues generated from Pas.** Tourists and recreational visitors are, for example, willing to contribute almost €19 million a year more than they are currently being charged as entry fees, and there is a potential market for PA authorities to provide hikes and guided tours which is worth up to €3 million a year in public earnings. Increased public investment and policy action is required to capture these potential revenue streams.

5 Financial Analysis (defining financial needs and gaps)

The first step in our planning processes is the financial analysis. The financial analysis we use to analyze of protected area costs, to review of different income sources, to determine of current and potential resource use, and to identify of cost-reduction opportunities; and to determine financial gap. These financial elements make it possible to establish the size of the existing financial gap that must be covered to meet conservation priorities; further, these financial elements facilitate the identification, design, and implementation of appropriate strategies for sustainable financing of protected areas.

For the purpose of this document, financial analysis consists of quantifying the financial needs and gaps of an individual protected area or protected area system. In the process of financial analysis, we conducted a comparison of the resources currently available with the resources needed for both a basic scenario (essential management programs to ensure protection of basic ecosystem functions) and an optimal scenario (a set of management programs for optimal ecosystem functioning).

The key information which we collected are:

1. Income by source: national or international;
2. Level of actual expenditures by activity, program, or subprogram;
3. Identification of cost-reduction opportunities;
4. Level of needs by activity, program, or subprogram, defined at both the basic and optimal levels; and,
5. Existing financial gaps by program, subprogram, or activity through the comparison of income vs. expenditures, and of needs vs. income. The financial gap is the difference between available funds and funds needed for basic or optimal levels of conservation.

These defined elements are used to quantify the investments needed and to optimize the strategic allocation of funds to close the financial gaps. Thus, a financial analysis is essential tool for selecting financing mechanisms and determine investment priorities (together with stakeholders).

Trough using the adequate method we located costs according to the organization of activities carried out in protected areas through functional areas and programs. The functional areas consist of the different categories of operational activities required to manage protected areas, which include programs and subprograms, with programs being the parts of the operation that require separate management. Using metrics, costs are allocated to each program and subprogram for basic and optimal levels of conservation; financial gaps are determined by comparing available resources with financial needs (basic and optimal).

We carried out a financial analysis through four steps: Planning and preparation, information gathering, processing and analysis and validation of results.

During the financial analysis, stakeholders have reached mutual agreement regarding the general conservation criteria for both basic and optimal scenario levels. Factors contributing to this agreement include diagnostic studies of biodiversity threats, ecosystem functions, current government policy, and international conservation standards, among others.

Generally, protected area conservation priorities are reflected in a protected area's management program, which have been evaluated - considering the financial needs and gaps analysis - by using scenario logic (for basic and optimal scenarios) to facilitate determination of resource

needs.

The analysis identifies and quantifies current funding sources and their specific contribution to different management programs. The analysis also identifies both current expenses and investments.

In the process of information collection the main stakeholders were included, from the government, private sector, cooperation agencies, and NGOs, among others. This process included the collection of primary and secondary information corresponding to the expenses, income, and needs of the protected areas. Gathering data has been done by appropriate techniques and forms for collecting information (interviews, focus groups, desk survey, matrices), as well as logistical coordination among the many stakeholders.

The process of information collection, was followed by stage aimed at organizing and consolidating information for the purpose of drawing conclusions, and included the coding, review, validation, and organization of data on operating expenses, investments, program implementation, financing mechanisms, and income sources.

All data has been processed adequately to facilitate comparisons with data from other protected areas. Through conducting the financial analysis, we examine the magnitude of the financial gap by comparing the income and expenses in the current situation with the needs defined in the basic and optimal scenarios. In order to facilitate the analysis of the current financial situation, the analysis did cross-check information (for example, primary vs. secondary sources), study patterns (for example, plans for income generation or decisions about expenditures), and find a balance between.

The planning team shares results with all participating stakeholders in order to validate and reach a common agreement on the results and refine conclusions. The team reviews the needs of the basic and optimal scenarios, and reaches an agreement on the financial gap and on current and future resource needs. Collection of financial information on PAs was done in order to encompass all planning levels (see table 5.1).

Table 5.1 Levels of financial information collection on PAs

Operating cost level	Investment level:
Planning documents: Management plans, period covered, and costs of preparation or updates.	Infrastructure, vehicles, and equipment: Type, quantity, date of acquisition or construction, and estimated useful life and unit costs.
Protected area staff: Number of workers by position, description of each position (manager, park rangers, legal counsel, etc.), net monthly and annual salaries received, and type of work.	Income level:
Operating costs in the field: Unit of measure for each resource, quantity, unit cost, and monthly and annual cost of each expense item (fuel, rent, per diem, messenger services, etc.).	Detailed information on all current and potential financing sources: State resources, own resources (self-financing), transfers and donations, international cooperation, and resources from private organizations, NGOs, foundations, etc.
Administrative costs: Monthly and annual cost of all necessary resources (water, electricity, telephone, insurance,	Current income from protected areas: Annualized amount by source and term of main financing agreements.

etc.).	
Training: Monthly and annual costs by type of training (carried out by the National System of Protected Areas or by other organizations).	Average income over the last five years: Annualized amount of historical income received.
Vehicle, infrastructure, and equipment maintenance: Monthly and annual costs of preventive and corrective maintenance, etc., and unit costs of maintenance.	Potential income from protected areas: Annualized amounts by source, dates when this income will become available, and potential cooperating organizations.

The analysis is based on conservation priorities. The analysis recognizes conservation objectives as key input for the development of financial estimates. Conservation priorities include criteria related to biodiversity, ecological balance, ecological gaps, and preservation. These priorities are translated into management programs (for example, administration, control and surveillance, expansion of conservation areas, participatory planning, community development, and environmental education), which are key elements of other important protected area management tools, such as the master plan or strategic plans.

The analysis defines a basic management scenario (basic level). The basic scenario is the minimum level of funding required to operate key conservation programs while meeting basic program's requirements to sustain the functions of the ecosystems in the protected areas.

The analysis defines an optimal management scenario (optimal level): The optimal scenario describes the ideal level of funding required to operate all programs to reach and sustain optimal functions of the ecosystems in the protected areas. It describes the ideal state of the programs if all necessary funding, personnel, equipment, and other resources were available to achieve that state (CPM, 2002). This ensures the achievement of short, medium, and long-term goals for the protected area, in accordance with the highest environmental, social and economic standards.

The analysis establishes a baseline (current situation or starting point). The analysis determines the current situation by considering financial needs and the availability of financial resources. The baseline is established by examining the management programs selected for both the basic and optimal scenarios. Because income levels are reviewed, the baseline also provides an initial mapping of funding sources and it is a concrete reference point to measure progress in financial terms.

The analysis established protected area management standards. Based on the different categories of expenses and investments, the financial analysis helps to define standards for efficient management of conservation programs. For example, this tool can be used to determine the number of park rangers required for basic or optimal patrolling, considering both existing threats and the need for greater cost effectiveness in terms of kilometers covered.

5.1 Baseline (current situation or starting point)

Historically, PAs in Montenegro have been funded through government subventions, PAs revenues, and projects financed from international donors. During last years financing of PAs is approximately 40-45 % from government subventions: The government direct subventions had been increasing since 2002 year (€ 200,000) to 2011 (€ 960,000). However, in 2012 the government subventions decreased to € 550,000. PAs gain revenues mainly from: tickets,

permissions for exploitation resources, selling souvenirs, concessions for part time objects (restaurants, hotels), camping, renting bungalows, fishing and other sources.

Main expenditures of the PAs are related to the next categories: salaries, fuel, electricity, phone, PTT costs, transport and marketing. Maintenance costs are significant due to fixed assets are very old, first of all, in National Parks (maintenance cost of buildings, vehicles, and equipments). During last five years PAs expenditures have increased around 6%.

Main donors of PAs funding were: GIZ, World Bank, UNESCO, and the office of Montenegro-Austria partnership. The role of UNDP in supporting a lot of PAs projects has been significant, together with initiatives of GEF.

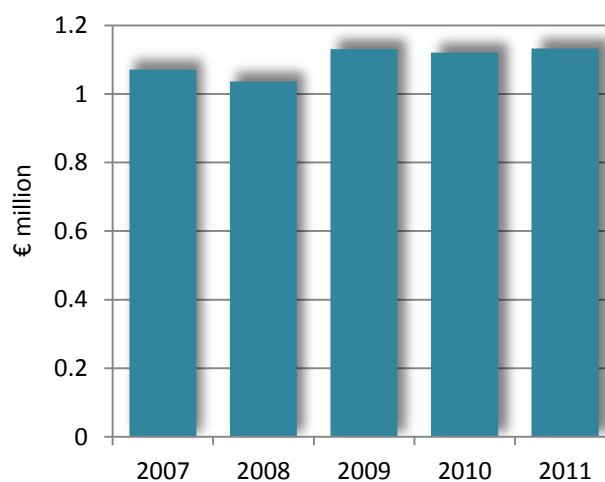
The data for recurrent and capital expenditure and project financing come from the published budget reports printed by the Ministry of Finance, and the National Parks. We have conducted analysis of collected data, and results will be presented and shown in below.

5.1.1 Trends in Protected Areas revenues and expenditures

5.1.1.1 Revenues

As we mentioned above, funding to PAs comes from two main sources: the State budget, and revenues generated from charges levied on the use of PA goods and services.

First, we can look at the revenues that are generated by PAs. It is only National Parks that earn revenues. According to the collected data from National Parks, average annual revenues that National Parks earned amounted around €1.09 million. In last four years, the level of the realized revenues didn't show significant changes. Average annual revenues that National Parks gained in 2007 amounted €1,071,323, while in 2011 it was €1,132,667 (de figure 5.1).



Source: GI, UNDP project

Chart 5.1: National Park revenues 2007-11

About half of these revenues are earned from tourism. The rest comes from concessions and other uses of PA lands and resources. The figure 5.2 shows the breakdown self generated average revenues by categories (in percentage), for 2010/11. The figure 5.3 shows main categories of average revenues for 2010/11 by value.

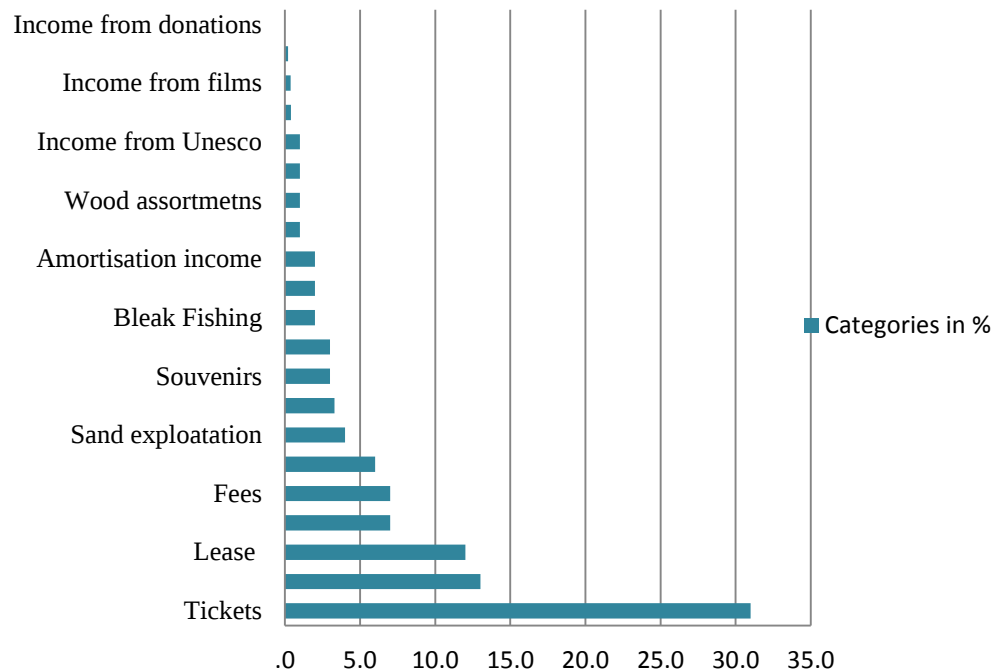


Chart 5.2: National Park revenues (average 2010/11), by parentage Source: GI,UNDP project

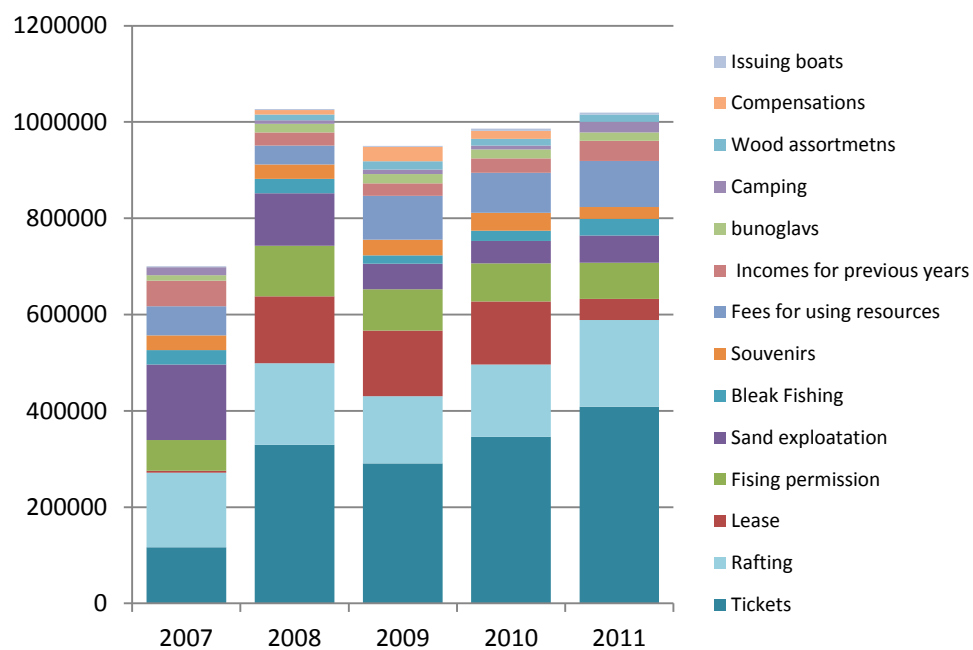


Chart 5.3: National Park average revenues by categories (in value) for 2010/11

5.1.1.2 Public budget transfers

PAs are funded from the public budget, including donor contributions. Again, it is only National Parks that receive direct transfers from national government, channeled through Public Enterprise National Parks of Montenegro (PENP). This averages just over € 0.75 million a year, and has increased quite considerably over the last four years.

Various other public funding sources also contribute towards the maintenance of the PAs a whole (i.e. including other categories of PAs than National Parks), although these are relatively small in comparison, and do not comprise regular, direct allocations. They include spending made by the Nature Protection Institute, and recent occasional allocations to activities such as (to take examples from 2009 year) the development of secondary legislation for Nature Protection Law, establishment of a framework for Natura 2000, implementation of the Law on National Parks, development of MPAs, and the initiation of Eco-Fund, among others. Data are not available on the exact amount or composition of this funding.

The Ministry of Sustainable Development and Tourism controls work of PAs, and provides legal infrastructure for PAs. Within the Ministry of Sustainable Development and Tourism, the environment program is monitored by the environmental unit for environment and communal development. The budget for this unit was € 1,443,565.30 in 2012 (include € 550,000 for national parks. Part of this amount have been usually allocated for other protected areas, it is approximately €100,000. The assessment was made on the basis of an analysis of available data for the last five years and validation of these data in a workshop with key stakeholders. Also, as previously stated, the Institute for Nature Protection implement programs relating to PAs. The budget of this Institute is an average of €280,000 per year. We estimate that part of that amount for funding of activities in protected areas is around €30,000. Total indirect financing of protected areas is estimated at annual average of €130,000.

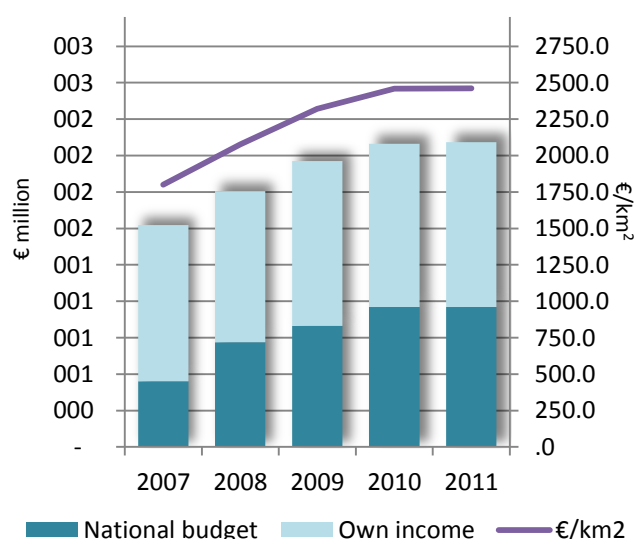
5.1.1.3 Total funding to PAs

Adding together, the earned income and direct transfers from national government shows that, in total, National Parks received in average direct investments of just under €2.1 million per year, or €1989/km² (for NP Skadarsko jezero, NP Lovćen, NP Biogradska Gora, NP Durmitor, NP Prokletije), or €2459/km² (for NP Skadarsko jezero, NP Lovćen, NP Biogradska Gora i NP Durmitor) between 2007 and 2010 (see figure 5.4).

Around 41% is typically contributed through transfers from the national budget, and 59 % from revenues and other contributions from PENP.

Also taking into account indirect or occasional funding from the public budget (as outlined above), and considering all categories of PAs, increases this figure slightly (see figure 5.5).

Total funding to all categories of PAs from all sources to be in the region of €2,4 million a year (including donations), or an average of €1,889/km². Just under half of this came from public budgets, with the balance funded through reinvested revenues.

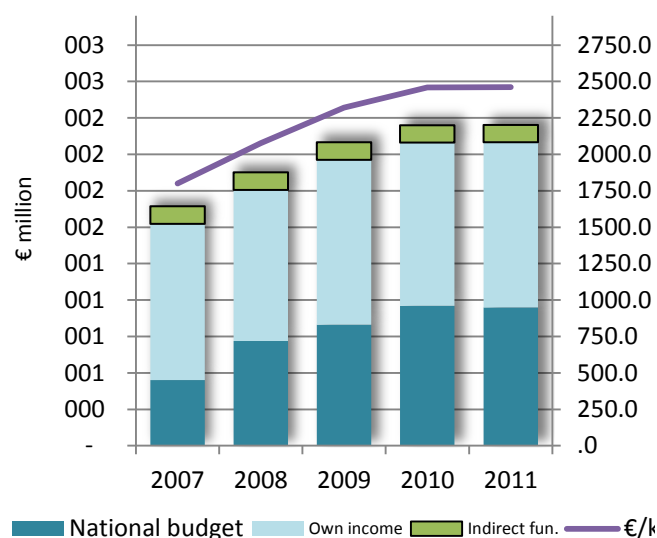


Source: calculated from GI-UNDP project
Chart 5.4: public investment in National Parks 2007-11

PA investment figures for Montenegro (an average of € 2.164/km² of funding to National Parks or a total of €1,889/km² across the entire PA system) do not compare particularly well with middle-income countries and economies in transition in the region. Data generated for other Central and Eastern European countries for example indicates that over recent years public funding to PAs averaged €4,170/km² in Hungary, €2,890/km² in the Czech Republic) (Mansourian and Dudley 2007).

Funding is also not sufficient to maintain the PA network. The on-the-ground reality is that the majority of PAs are operating on a budget that is effectively zero. Only National Parks are under active management and staffing – and even they face a pressing shortage of funds for essential conservation activities and investments. For other categories of PA, the situation is even more critical.

The preceding analysis covers the existing 1,270 km² national PAs network, without estimated new PAs. The recommendation is, from the financial point of view to stay on existing PAs territory.

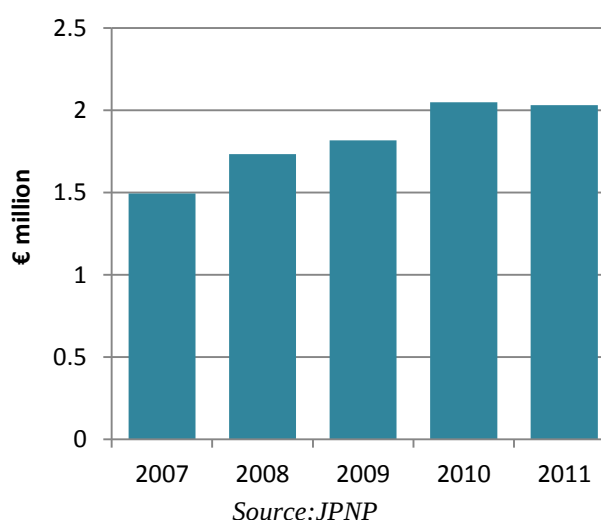


Source: calculated from GI-UNDP project
Chart 5.5: public investment in PAs 2007-11

5.1.2 Expenditures

Expenditures in PAs, have been increasing significantly since 2007 to 2011 year (see figure 5.6). This is result of endeavor of management to improve protection and surveillance function, and to improve the existing infrastructure. It is obvious that the government has been supported the management plans, and efforts of PAs management.

The Graf 5.8 depicts total park expenditures from all funding sources for 2011, including appropriated base, non-base, reimbursable, and revenue. Total park expenditures increased from euro 1,500.000 to 2,200,000 between 2007 – 2011 year. Total personnel costs, including salary and benefits for full- time, part-time, term, and seasonal employees, averages 55% of total expenditures (see figure 5.7). The electricity, fuel, supplies, and other services categories represent relatively significant portions of total expenditures because of the high costs associated with getting staff and equipment to the field. These categories include the costs of fuel, other operation and maintenance, and transportation services. Significant fixed assets (maintenance) expenditures reflect the replacement of the existing



Source: JPNP
Chart 5.6: National Park expenditures 2007-11

vehicles, and accumulation for replacement fixed assets. Other expenditures include administrative, and others. (see Figure 5.7, and 5.8)

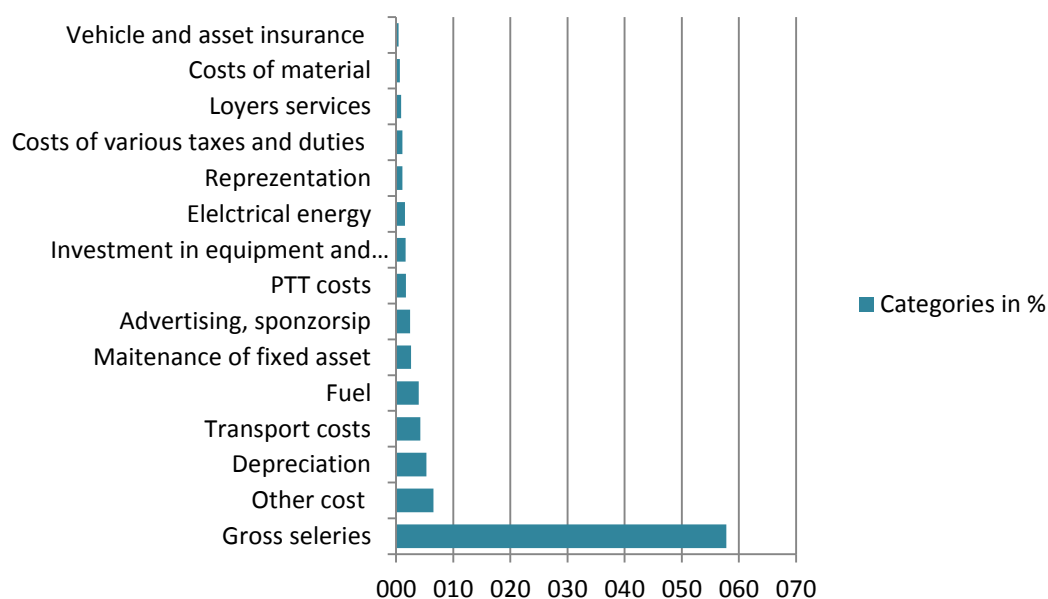


Chart 5.7. National parks expenditures for 2011 by percentage in total

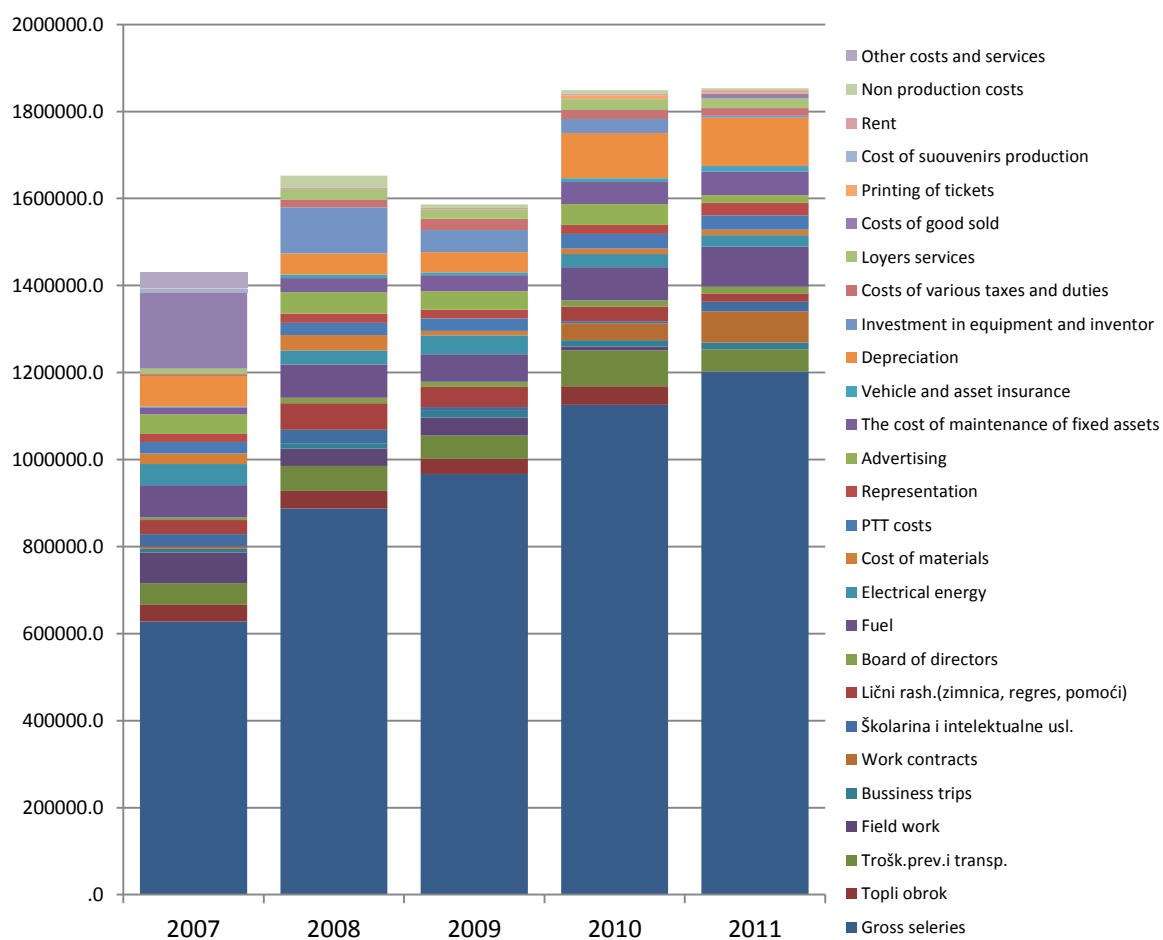


Chart 5.8 National Park expenditure s by categories 2007-11 by value

5.1.3 Current PAs operations (programs)

Current programs of PAs are: resource conservation, public use, and management support. These programs can be traced in the national parks, for other PAs is difficult to monitor programs and allocate income and expenses. Protection programs relate to the physical and technical protection. Professional care is carried out through monitoring programs of current state. In these programs, staff from national parks participates besides staff from Institute for Nature Protection and the Agency for Environmental Protection.

National parks make management plans for each national park. The planning basis for the development and adoption of national park management plan is contained in the provisions of article 13 and 14 of the Law on National Parks, which provided: " For national parks spatial plan of special purpose have to be prepared in accordance with law and management plan" to" management plans worked out Public Company National Parks" and" management plan for the National Parks approve the government for period of 5 years in accordance with the law".

Content of management plan is established by Article 66 of the Law on Nature Protection (Official Gazette of Montenegro 51/08) and Article 15 of the Law on National Parks Official Gazette of RM "56/09 which provides as follows:

- Measures for the protection, preservation, promotion and utilization of resources of the national park;
- Developing guidelines and priorities for the protection and preservation of national park resources while respecting the needs of local people;
- How to implement the protection, utilization and management of a national park;
- The protection and sustainable development;
- Analysis and evaluation of conditions for achieving the objectives of protection;
- Demonstration of natural resources and users of goods of national parks;
- Priority actions for the conservation, maintenance and monitoring of natural and other values and segments of the environment;
- Assessment of state of national park;
- Guidelines for scientific research;
- Planned activities on sustainable use of natural resources, development and spatial planning;
- Identification of spatial planning purposes and the regime of land use;
- Activities on the promotion and valorization of the national park resources;
- Forms of cooperation and partnership with local residents, owners and users of real estate;
- Dynamics and operators of implementation the plan and method of assessment of its realization;
- Financial resources to implement the management plan;
- Other elements of importance for the management of a national park in accordance with the law.

Management plans are made annually, and from the government of Montenegro. They are an essential input for the preparation of budget subsidies of the government for PAs. According to reports of National Public Parks programs of monitoring and protection have been performed to a large extent. In considering plans for the protection and appropriate reports can be seen that there is a significant gap that occurs in the inability to realize the basic requirements of physical and

technical protection of the full extent. In realization of physical protection are present the following problems:

- Insufficient number of trained workers to carry out protection activities;
- The supervisors for the protection of certain areas of the park is difficult to provide because there is no interest among the local population to perform this type of work;
- Inaccessibility of some localities makes it difficult to conduct fire protection and recording of illegal actions on the ground;
- Workers employed in the protection and environmental hygiene and infrastructure, when it is necessary perform other activities, that are not within their scope of work;
- Inappropriate behavior against supervisors of the park, by the perpetrators of illegal actions;
- Claims for the unlawful act process long time by the competent authority.

5.1.4 Focus on operating activities

Lack of financing causes orientation on everyday operations, and neglecting capital investments. We can differentiate between two types of expenditures: operations and maintenance, and investments. Operations and maintenance requirements are those funds needed to carryout everyday operations at a park unit. On the other hand, investments are significant one-time costs that parks incur in order to fix current problems or provide for future park management. Investments may include projects such as a resource inventory necessary to establish a credible baseline before beginning a monitoring program, as well as constructing a new building.

In order to get the more representative base for identifying financial gap, we allocated operating expenditures by programs, and subprograms. As key for allocation was staff allocation by programs, and direct allocation of some expenditures. This section of the plan focuses also to functional areas, and also to programs. Figure 5.9 shows the distribution by percentage of employees by program.

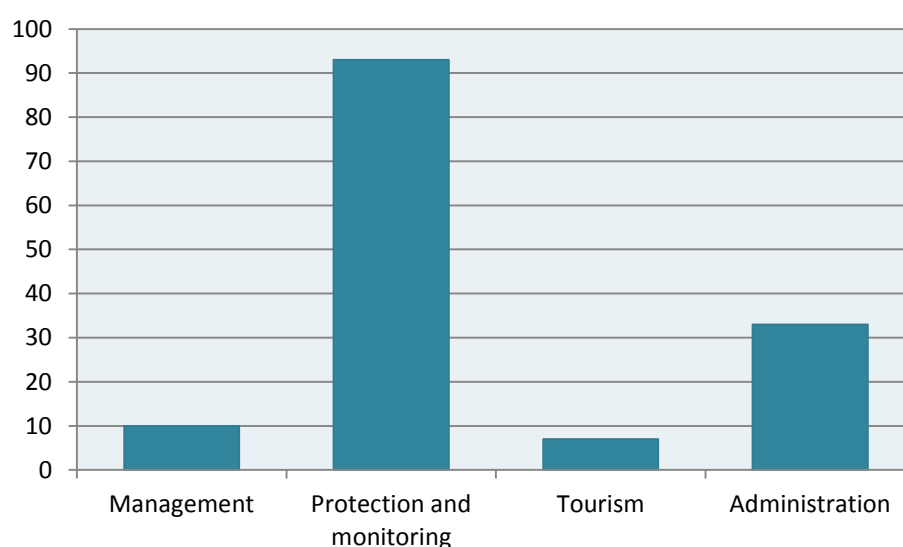


Chart 5.9 Employees by programs

Brokedown of average cost in 2010-2011 by the programs is as follow:

PROGRAMS AND SUBPROGRAMS	Available resources
Resource conversation	
Protection and surveillance	695,338.00
Resources management	399,819.35
Public use	
Tourist and recreational use	69,533.80
Environment education	17,383.45
Research	34,766.90
Management support	
Operations and administration	399,819.35
Planning and monitoring	69,533.80
Citizen participation	34,766.90
Total	1,738,345.00

5.2 Basic, and optimal scenario

5.2.1 Financial GAP Analysis

Due to financial constraints, there are limited investments by PA institutions in “pure” biodiversity conservation programs (e.g. habitat restoration, wildlife management), environmental education initiatives and tourism and visitor infrastructural development. A large proportion of current PA funds (~55%) are directed towards human resource costs and basic maintenance (e.g. path/road maintenance) and operational (e.g. functional enforcement) activities. Until today, PAs haven’t achieved sustainability.

5.2.2 Financial Sustainability of Protected Areas in Montenegro

PAs financial sustainability hasn’t been still achieved, therefore PA systems do not have secure sufficient and stable resources over the long term to meet its total management costs. PAs in Montenegro are ill-equipped to respond to income-generating opportunities that PAs provide through consumptive and non-consumptive uses of biodiversity.

Besides securing adequate funds, managers of PAs must also improve the quality, form, timing, targeting, uses, and sources of funding. This means that PA management must be two-pronged. One prong is a funding “supply” issue of generating more revenue across the system. The second prong, equally important, concerns a “demand” side challenge of managing PA financing needs (at sites and at a central level). PA financial sustainability needs to be addressed from both sides of this balanced financial equation.

For Montenegro to achieve financial sustainability for PAs and PA systems, the country needs strong and effective institutions to generate, manage, and invest funds in the national PA systems. In the long term, financial sustainability should go beyond ensuring resources to bridge the financial gap; PA systems should seek the possibility to allow and facilitate effective participation and benefit sharing with the different stakeholders of PA systems.

5.2.3 The Importance of Protected Area System-Level Financing

In Montenegro, PAs are recognized to be cornerstones of biodiversity conservation and of the ecosystem services these crucial natural areas provide. We recognize that in Montenegro PAs have serious management deficiencies, due in large part to underfunding. Partly, funds are not used in a cost-effective manner. The reasons for this is lack of planning on how to fund PAs. In Montenegro: staff and other resources are stretched ever more thinly in many places; all the while, available funds fail to meet the minimum — or basic scenario — needs. Even with professional development of current staff, more staff are needed, which necessarily means increased annual operation costs for salaries, vehicles, offices, and equipment. Beyond the

annual budget process looms a need for capital budgeting: PAs require vital capital investment to improve PA infrastructure, both for wildlife management and tourism needs.

Hence, PA financing is critical for sound PA management and for the development of long-term financing systems; together, financing and management reform are required for PA sustainability. The system-level focus is important, when considering and addressing PA financing because:

- Many constructive activities are required at a national level and not just at site levels, such as policy reform, fund management, and setting of PA fees. These activities form the context in which many decisions are made, like setting conservation and financial targets, which can affect all PAs.
- Many pro-PA activities require coordinated efforts and support from several government institutions, particularly the Ministry of Finance. This coordination is best achieved through a centralized management and financing system. We found that the biggest problem is separation of management of PAs, and lack of coordination.
- Sites will often require similar activities like training and monitoring; providing these activities centrally is cost effective.
- Fundraising can be more effective if coordinated centrally.
- System-level planning allows cross-subsidization between sites.
- Harmonized fee systems can reduce competition issues between sites.

5.2.4 What has to be financed?

We have tried to give an accurate and comprehensive assessment of management needs for the basic scenario across a PA system enables informed decisions on funding needs, priorities, and opportunities for savings. The following six expenditure categories were used to group a number of different items and resources needed for PA management:

Human resources: salaries for directors, managers, park guards, scientists, community liaison officers, tourism specialists, and a financial specialist.

Recurrent Costs (Operational)

- Maintenance: office and vehicular maintenance, path maintenance,
- Utilities: water, electricity, and communications,
- Basic equipment: GPS devices, boots, uniforms, machetes, torches, etc.

Capital Costs (Investment)

- Infrastructure, capital equipment, and vehicles; these include paths, visitor centers, ranger towers, demarcation posts, roads, gates, etc;
- Professional services for one-time base-level studies and ongoing training events;
- These operation and capital costs are typically incurred at both a central system level and at the PA site level.

We can classify necessary cost-based protected area Management activities by program type:

Protection and surveillance and resource management. Considers activities aimed at ensuring the enforcement of law within PA limits, with the objective to prevent threats and negative impacts to PA integrity. This program includes activities and projects that prevent or limit major negative impacts to ecosystems. When environmental impacts occur, this program coordinates activities to repair and restore the damage.

Tourist and recreational use - Sustainable use of resources (tourism, etc): Ensures that PA resources are used in sustainable ways, according to several criteria: management plans, national regulations, zoning, and impact tools such as carrying capacity analysis. This program type also promotes a framework for sustainable, economical use of PA natural features and resources.

Environment education. The involvement of the public as a major stakeholder is critical to PA management. This program is important in empowering the public to act in ways that protect biological diversity. Such program engage the public in planning and management of PAs.

Research. This program is very important for involving professional community, and attracting it for discovering and explaining values of PAs.

Operations and administration. Includes general management activities such as accounting and financial management, office and infrastructure maintenance, human resources management, communication with stakeholders, preparation of reports, etc. This program also involves participative processes to develop and monitor implementation of key planning tools such as management plans, annual operation plans, business plans, and management effectiveness assessments.

We are going to consider a first scenario, or basic scenario, and after that optimal scenario. Basic scenario is process of determining of the minimum level of investment needed to prevent the decline of the protected area's natural capital.

Optimal scenario is related to describing the ideal level of funding required to operate all programs to reach and sustain optimal functions of the ecosystems in the protected areas. It describes the ideal state of the programs if all necessary funding, personnel, equipment, and other resources were available to achieve that state. This ensures the achievement of short, medium, and long-term goals for the protected area, in accordance with the highest environmental, social and economic standards.

5.3 Determining the basic and the optimal scenario

Management of the PAs over years of development have been directed its efforts primarily on preserving the natural characteristics of the space. As we indicated in the preceding analysis, all that was not at the level of the basic scenario. To achieve the objectives and sustainability of PAs, and succesivally preservate of entire ecosystems, the future development strategy should be set as follows:

- respects primarily natural and cultural heritage, through the responsible use of resources, and provides support for increasing the adventures to visitors with quality interpretation of the space;
- be economically sustainable, so that the whole system works in the long run and gives long term benefit not only to businesses, and tourists, but also to positive impact on complementary forms of economy (e.g. agriculture) through multiplicative effect, and
- be socially responsible, through the involvement of local communities through cooperation and partnerships in order to promote the value of tourism, education about the importance of tourism,

and their inclusion in the optimization of benefits provided by tourism (economic, social, cultural, natural).

To achieve the above strategies, or achieve a basic scenario, and then the optimal scenario, it is necessary to eliminate current deficiencies and provide funding for: increasing the number of employees, purchase new vehicles and equipment, improve management and planning, to improve the protection and monitoring, as well as improve tourism infrastructure. It is necessary to improve human capital with specialists for PAs, and for management of them. To achieve that, it is necessary to increase the number of employees in the national parks for 25.

On the basis of empirical parameters and analysis of requirements of PAs, the basic scenario requirement for annually financing of national parks is €2,566,403, and for the optimal scenario. € €4,256,985 (see table 5.9, 5.10, 5.11). With taking takeing into account and other protection areas, then the required level of funding of PAs for the basic scenario is €2,746,403, and for the optimal scenario is €4.506.985. With the total funding, the gap for the basic scenario is 1,008,058 (excluding the direct government budget, it is €1.958.058), and for the optimal scenario is 2.768.640 (or 3.66 million - when the direct central government funding is excluded).

Table 5.9. Financial Gap for basic, and the optimal scenario for operations in national parks

Type of cost	Baseline	Basic scenario	Gap for basic scen.	Optimal scenario	Gap for optimal scenario
Gross salaries	1,125,959.00	1,351,150.80	225,191.80	1,824,053.58	698,094.58
Fuel	76,519.00	95,648.75	19,129.75	114,778.50	38,259.50
Electrical energy	30,381.00	37,976.25	7,595.25	45,571.50	15,190.50
Additional material	12,675.00	15,843.75	3,168.75	19,012.50	6,337.50
PTT	33,682.00	42,102.50	8,420.50	50,523.00	16,841.00
Representation	20,937.00	23,030.70	2,093.70	27,636.84	6,699.84
Advertising, sponsorship, journal	47,667.00	52,433.70	4,766.70	60,298.76	12,631.76
The cost of maintenance of fixed assets	50,885.00	55,973.50	5,088.50	64,369.53	13,484.53
Vehicle and asset insurance	8,594.00	9,453.40	859.40	10,871.41	2,277.41
depreciation	103,729.00	114,101.90	10,372.90	131,217.19	27,488.19
Investment in equipment and inventor	31,943.00	35,137.30	3,194.30	40,407.90	8,464.90
Costs of various taxes and duties	20,92.,00	23,014.20	2,092.20	26,466.33	5,544.33
Layers services	17,369.00	19,105.90	1,736.90	21,971.79	4,602.79
Printing of tickets	2,887.00	11,548.00	8,661.00	46,192.00	43,305.00
Cost of souvenirs	8,035.00	24,105.00	16,070.00	27,720.75	19,685.75
Cost of rent		0.00	0.00	0.00	0.00
Nonproduction services	4,165.00	4,581.50	416,50	5,268,73	1,103,73
Other costs	141,996.00	156,195.60	14,199,60	179,624,94	37,628,94
Total	1,738,345	2,071,403	333,058	2,695,985	957,640

Table 5:10 Capital investments required for the basic scenario in the national parks are:

Centers for visitors	70,000
Arrangement of terrenes and infrastructure	103,000
Investment in object	50,000
Investment in vehicles	66,000
Equipment	55,000
arrangement of raft area	6,000
Reconstruction of entrances	15,000
Building ontological station	50,000
Research in Biogradsko lake	30,000
Other investment	50,000
	495,000

Table 5:11 Capital investments required for the optimal scenario in the national parks are:

Development program of accessibility	170,000.00
Development program of public services and infrastructure	100,000.00
Improvement program of natural and socio-cultural resources	50,000.00
The concept of walking / hiking and biking routs	80,000.00
Municipal plans relating to the environment, aesthetics, attractions, etc,	25,000.00
The concept of viewpoints	150,000.00
Program of tourist signalization and interpretation	120,000.00
Tourist information system	50,000.00
System of internal mobility and parking	500,000.00
Destination management organization	100,000.00
Vehicles	66,000.00
Equipment	100,000.00
Other	50,000.00
Total	1,561,000.00

PAs needs for the basic scenario and the optimal scenario by programs, without the capital costs, are as follows:

PROGRAMS AND SUBPROGRAMS	Available resources	Basic Scenario	Gap for basic scenario	Optimal scenario	Gap for optimal scenario
Resource conservation					
Protection and surveillance	695,338.00	828,561.20	133,223.20	1,078,394.00	383,056.00
Resources management	399,819.35	476,422.69	76,603.34	620,076.55	220,257.20
Public use					
Tourist and recreational use	69,533.80	82,856.12	13,322.32	107,839.40	38,305.60
Environment education	17,383.45	20,714.03	3,330.58	26,959.85	9,576.40
Research	34,766.90	41,428.06	6,661.16	53,919.70	19,152.80
Management support					
Operations and administration	399,819.35	476,422.69	76,603.34	620,076.55	220,257.20
Planning and monitoring	69,533.80	82,856.12	13,322.32	134,799.25	65,265.45
Citizen participation	34,766.90	41,428.06	6,661.16	53,919.70	19,152.80
Total	1,738,345.00	2,071,403.00	323,066.26	2,695,985.00	955,870.65

The annual funding gaps for the ‘basic’ and ‘optimal’ management scenario for the current protected area system have been conservatively determined at €1,008,058 and €2,676,640 respectively. In both scenarios we assumed that protected area will stay on the level existing area, Expansion efforts are not acceptable regarding the moderately modest financing. Historic data, and current financial sources absolutely limit the PAs expansion. In addition, achieving the basic scenario results, requires minimum three years for current PAs, and almost 5 years for optimal scenario. Any expansion is not realistic. The expansion may result in further cuts to the range of basic operational management activities that may be funded within the PAs. Indications are that the national and local government budget allocations are, in the light of other more pressing demands on the national level, not likely to increase significantly from their current base level of less than €950,000 per annum to fill this financing gap. The state of economy in Montenegro is not optimistic regarding significant economic growth. Local government already have limited to no capacity or resources to undertake PA management functions, with the result that PAs under municipal management control will remain virtually unfunded unless these PAs can become more financially self-sustainable in future. Other public institutions (*Morsko dobro*, Forest Administration, Marine Biology Institute, NPI and NTO) have made little or no provision for PA planning and management costs in the national governments medium-term expenditure framework.

The primary source of income for the entire PAS is currently the five national parks (€1,071,323), of which only Durmitor NP generated a small surplus in 2008. These parks are rapidly reaching the limits of their income-generation potential using the current user-pays approaches. The remaining protected areas in the PAS, to date, generate no income from user fees or services and, without significant investment in appropriate infrastructure development; this situation will remain for the immediate future. Without ongoing donor funding to supplement existing government budget allocations, the legal reform, policy development, planning, expansion, research and monitoring support functions for the PAS will continue to remain under-resourced, in the absence of other funding options. Access to donor funding still remains opportunistic, and donor agencies tend to ‘drive’ the priorities for investment. There is currently limited capacity in the MODT to secure funding from multilateral development agencies, international conservation organizations and private donors for the PAs in a coordinated and structured way.

Requested funding for basic scenario is €3,246/km², and for optimal scenario is €5,327/km².

Funding basic and optimal scenarios can be based on enhancing existing and implementing new financial mechanisms that we analyze in the next section.

5.4 Use of the Results

In the financial planning process, the results of a financial analysis are used primarily as inputs for developing a financial plan. The results of this analysis also constitute a baseline that serves as a point of reference for both monitoring and evaluation during implementation of a financial sustainability plan. The financial figures from the financial analysis can be used to mobilize political will of public and private decision makers and the national cooperating agencies to increase protected area investments, and to secure their participation as short and long-term partners. The results can also be used to increase public awareness of need for financing PAs.

Realistic financial information in the financial analysis becomes a fundamental tool, not only for the design of a financial plan and improved financial management, but also to persuade potential donors of the verifiable and accurate financial needs of the protected areas and, thereby, to secure their financial support.

5.4.1 Lessons Learned

Assessing protected area management from a biological perspective only often results in limited attention to critical financial aspects. This, in turn, leads to uninformed decisions that undermine the achievement of critical conservation goals. Therefore, the training of planners involved in protected area management should include all aspects of financial planning. A financial analysis (needs and gaps) is a careful examination of needs and resources. This is not an academic exercise but, rather, a concrete process with practical findings and clear implementation guidelines. The findings of the financial analysis, if used strategically, can lead to improved protected areas' financial sustainability.

The national authority for protected areas must own the process of identifying current and future financial needs for the protected areas, as well as cost reduction opportunities. Their understanding of the usability of the financial analysis is indispensable for them to provide leadership in the process.

Broad and organized participation is important to compare and contrast approaches, and to improve the accuracy of the data used to determine funding needs and gaps.

Information provided by protected area staff in the field is indispensable because non-quantitative aspects are vital to understand the true significance of the financial information and data for the study.

A financial analysis helps to make members of the national system of protected areas aware of the current and future financial situation so that they can make informed decisions on how to improve protected area finance.

Clearly defined objectives and standards are indispensable for a successful financial analysis. Thus, it is critical to define who the primary clients of the analysis are and how the results will be used. Subsequently the stakeholders have agreed on the standards that will be applied during the study. In the absence of standards it is difficult to compare results from country to country and

aggregate regional data, which is useful for international cooperating agencies and donors. An absence of standards may also undermine the quality of the study and, consequently, its usability.

6 Financial Mechanisms:

Today, more and more protected areas are in function of sustainable development. Sustainable development is development that meets the needs of the present without threaten the ability of future generations to meet their needs. In protected areas can carry on economic activities that are consistent with sustainable development, which includes economic growth, but not any kind and not at any price. This is the harmonization of the protection and development.

Protected Areas in Montenegro have significant strengths and opportunities, as shown in the previous SWOT analysis. First of all, we emphasize the following strengths:

- [1] Unique Landscape,
- [2] Natural Beauty,
- [3] Botanical Diversity,
- [4] Safety, and
- [5] Residents treasure the areas for recreation. Well known and used beaches, dive sites.

Also, it should be noted - great economic value of protected areas. With many strengths and opportunities that exist in protected areas, particularly for tourism development, there are problems (constraints) that in the future must be considered, namely:

- Disconnection of the local community,
- Lack of subsidies and unsustainable private initiatives,
- Lack of supporting for tourism,
- Disconnection between many communities and tourist activities and
- Lack of marketing.

From the SWOT analysis and financial data presented, it is clear that the PAs in Montenegro, despite the existing tourist centers, are at the beginning of tourist development (a small number of tourists, low income from tourism), and it is reason for development and implementation programs of competitiveness of PAs. This applies to the projects / programs related to the construction of tourism infrastructure and supporting development projects, and as a starting point for the sustainable development of the entire tourism value chain in the coming period. These projects are mainly responsibility of public sector in this area, and the implementation of some of them in turn depends on the cooperation of public and private sectors.

Economic development in protected areas must be aligned with the management plans of protected areas in balance with programs of protection and nature conservation. National Parks and other protected areas are primarily committed to the protection and development programs. The objectives in this field are defined through the following strategic directions:

- Enhance the protection of the environment from devastation, pollution, poaching, degradation of the waters, the negative impacts of climate change and fire;
- Prevent uncontrolled building especially in protected areas,
- Encourage the development of environmental awareness,
- Pay more attention to organic food production,
- Pay more attention to balanced regional development.

At the internal level, the goal is to operationalize a multi-year and annual plans and programs of protection and development, and that protected areas are developing in the direction of sustainability. This requires coordinated action on the development of protected areas, in order to maximize revenue sources, improving the facilities and infrastructure.

All of these are starting points for finding the appropriate financial mechanisms that will enable to achieve levels of revenues to finance financial gap that was identified of the basis for the optimal scenario.

6.1 Pre-selection, Selection, and Diversification

The next step in the our methodological approach for financial planning process is identifying and selecting financial mechanisms that can maintain and increase income from existing sources and establish new alternative resources in order to reduce financial gaps. The identification and selection of financial mechanisms focuses not only on conventional options. We take into account the wide range of financial mechanisms. This section addresses the processes of pre-selection, selection, and diversification of financial mechanisms, considering market criteria, implementation complexity, and potential impact.

6.1.1 Financial mechanisms – advance practices

For the purpose of this project, financial mechanisms are tools designed to raise, generate, or mobilize funds to cover the different costs related to the implementation of conservation programs. Financial mechanisms also contribute to build financial management capacity because different sets of skills are required to design, assess, and implement the great variety of existing financial mechanisms. A solid connection between the allocation of funding from a diversified portfolio of financial mechanisms and priority investment programs is critical to reducing financial gaps and ensuring the long-term financial sustainability of the protected area system.

We used geographic, market, and non market criteria to classify financial mechanism in order to facilitate planning and selection of financial options. Geographic criteria — international, national, and local is used to indicate the origin of the source of income. Market and non-market criteria focus on environmental externalities.

There are international sources of financing such as Global initiatives (Global Environment Facility), Debt-for-nature swaps, Multilateral organizations (donations, cooperation), donations from foundations.

The Global Environment Fund (GEF), established in 1991, is an international mechanism attached to the Convention on Biological Diversity (CBD). Its purpose is to finance environmental protection projects in developing countries.

A national protected areas trust (endowment) fund illustrates a mechanism with a national scope when it supports the entire national protected area system. It generates resources through rates of return on stock market investments to finance the cost of conservation programs over time. “Environmental funds have been set up in many countries as a way of managing funding for protected areas. Such funds are typically established in conjunction with large, one-off contributions from donor agencies or NGOs. These funds may be supplemented or replenished by private sector contributions, fiscal revenues, and earnings from marketbased charges for PA goods and services. Three types of trust funds are common: endowment funds spend only income while attempting to maintain or enhance capital; sinking funds liquidate all of their assets over a specified period of time (for example, international projects or grants); while revolving funds are designed to receive regular replenishments often from various sources (for example, the GEF, which is replenished by donor governments every four years). Of these, only the first is truly a long-term or revenuegenerating financial mechanism” (IUCN, 2003). Individual protected area

entry fees and site-based tourism concessions that generate income which is retained by the protected area are examples of financial mechanisms with local scope.

Market and non-market criteria focus on environmental externalities³ generated by market failures. To this end, financial mechanisms aim to: a) cover the environmental costs of production or consumption activities that are not included in prices by imposing taxes or charges on products or processes, b) use property rights to establish environmental compensation or mitigation payments, and c) develop alternative markets for environmental services. Market-based mechanisms are expected to offer competitive alternatives and create special niches so that the different stakeholders can act in ways that most benefit them without deteriorating the environment. Mechanism such as government appropriations, trust funds, and grants are considered non-market mechanisms since they are designed not to deal with externalities. It should be noted that the above-mentioned classifications are inclusive and complementary; that is, in practice, mechanisms can be situated at the protected area level, but their financing comes from a combination of various sources. For example, a trust fund for a specific protected area can be financed by both national and international resources.

6.1.2 Pre-selection of Financial Mechanisms

The identification or pre-selection of financial mechanisms requires conducting a basic analysis of the viability of different financial options using specific criteria such as level of complexity and potential impact. This analysis allows us to:

- a) identify simple financial mechanisms not requiring detailed studies or any legal reform for their direct implementation;
- b) identify more complex financial mechanisms that require detailed economic, social, legal, and environmental viability analyses before making a definitive selection, even if the possibilities seem promising, and
- c) determine which financial mechanisms are not viable due to their high complexity and low impact.

The first level of analysis is based on the comparison of the expected financial impact and the complexity of implementing the mechanism. Financial impact is the capacity to generate financial resources, while respecting environmental and social standards. Complexity includes variables such as duration, multisectoral coordination required, and the need for legal, institutional and administrative reforms, among others. This first level of analysis makes it possible to identify which financial mechanisms would have a greater or lesser impact, and which would involve a greater or lesser complexity of implementation. Figure 6.1 presents an example of matrix for impact-complexity analysis.

³ Harm or benefit experienced by an individual or business as a result of actions taken by other persons or entities: Positive externalities are produced when an agent's actions increase the well-being of other agents of the economy. Negative externalities are generated when an agent's actions reduce the well-being of other agents of the economy. Examples of negative externalities are: pollutant emissions and tailings from mining extraction, which are not usually included in the costs and prices of the minerals, and, similarly, emissions and organic waste resulting from the production of fish meal, which are not generally included in fish meal costs and prices.

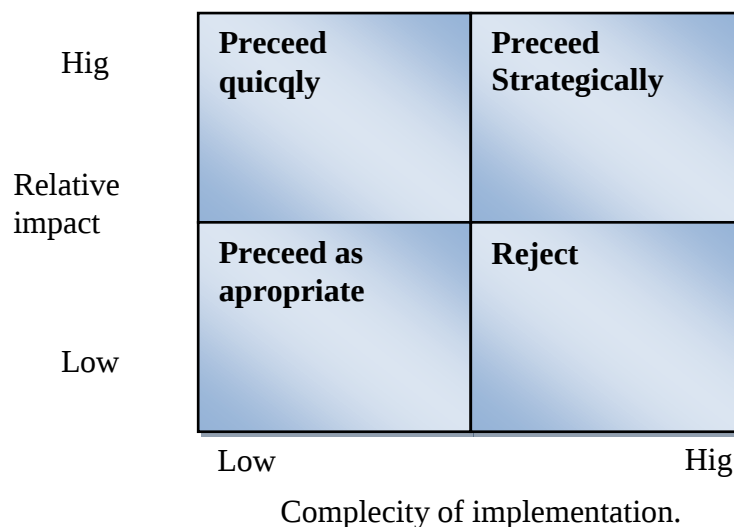


Chart 6.1. Pre-selection of financial mechanisms

The second level of analysis is based on the principle that it is possible to link a protected area's goods and services to potential investors through one or more appropriate financial mechanisms.

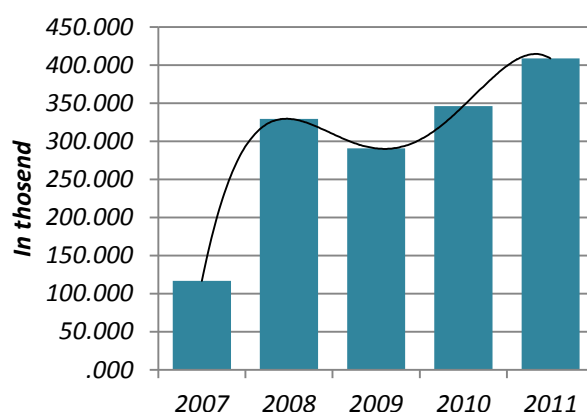
6.1.3 Consideration of financial mechanisms for PAs in Montenegro

6.1.3.1 Mechanisms of law complexity

First we consider the financial mechanisms of low complexity, which may produce significant effects in increasing revenue. These are the following mechanisms:

The increase in ticket prices

Increasing ticket prices is a sensitive mechanism. Entrance fee in National Parks (Durmitor, B.Gora and Lovćen) for a long time have not been changed, and the empirical data shows that they are below the levels in many European countries. In 2011 year revenue generated by selling tickets amount € 408,985, with a stable trend of growth of revenue on this basis (see graph 6.2). Increasing ticket prices by 15%, which would have no adverse effects on visitor numbers, revenue would increase by € 45,000. Number of visitors of PAs is now approximately € 150,000. Increasing ticket prices by 15% (average 0.30 cents per ticket), would have increased the income € 45,000 (calculation without change number of visitors).



Source:JPNP

Chart 6.2: National Park revenues from tickets 2007-11

Experiences in the region and Europe show that in many parks ticket's price is between €5 and €15. For example, NP Đerdap in Serbia charged separately for each viewpoint tickets at an average price of around € 4.00, Plitvice Lakes in Croatia holding a ticket price of €14, Mljet National Park (Hrvarska) has a ticket price for adults €12, while Krka (Croatia) prices range from €3.5 to €10. While in The National Parks of Montenegro, ticket prices range from € 2 to € 4.

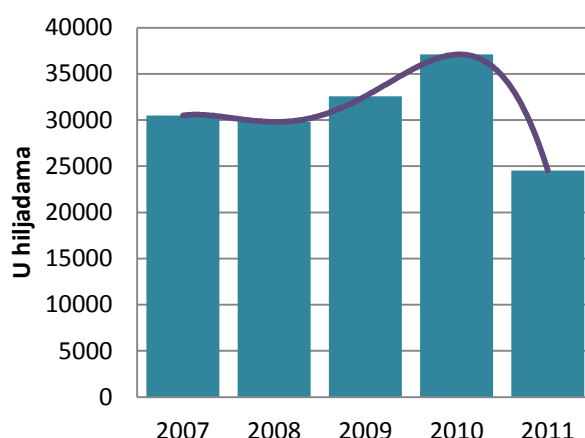
This mechanism should be combined with improved management of money on entrances (payment points) collection. At least 3 new entrances should be installed (for example, collection of payment in NP Durmitor to ski area). For now, in National Parks of Montenegro there are 7 places for collection money:

- Durmitor National Park: Black Lake, the second camp;
- NP Biogradska gora: Kraljevo kolo;
- NP Skadar Lake: Vranjina, Virpazar;
- NP Lovćen: Bjelos, Njegusi.

The expected increase in the number of registered visitors on this basis is 15,000, which generates around € 30000-40000 revenue annually.

Souvenirs production / sales.

Development of National Park's production of souvenirs can be the basis for the creation of new revenue. This could be an interesting mechanism for generating revenue, especially if the program is being implemented to improve tourism in the PA. Today, the revenue from the selling souvenirs is €35,000, with a quite stable trend in the period 2007-2011 (Figure 6.3) and 40% trading margin. Own production of souvenirs would provide additional revenues of at least €25 000 per year, with a tendency of growth.



Source:JPNP

Chart 6.3: National Park revenues from suvenirs 2007-10

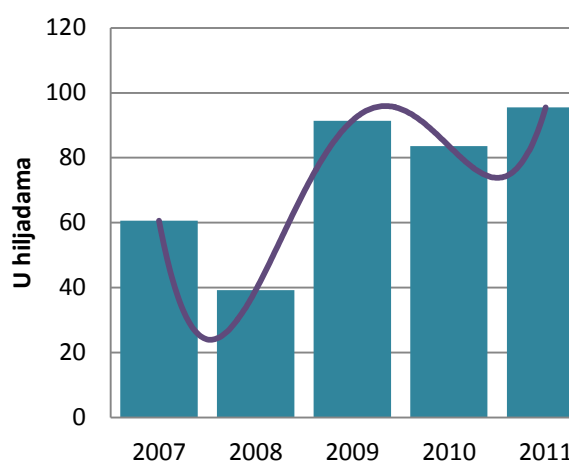
In the National Park Durmitor there is wood processing plant, which is not in operation. The plant is ownership of NPs. The existing wood processing plants with less reconstruction could be used for the production of souvenirs, with investment € 20,000 in machinery and working capital. At present, PENP purchase souvenirs made by local people or imported, and reselling them. However, putting the plant in operating could directly employ min. 4 workers, provide direct sales, and generate new revenue. Also, PENP can provide a wider distribution of souvenirs in cooperation with the Tourist Organization of Montenegro, tourist agencies, the Public Enterprise for Coast, etc. Also, this is occasion to develop mechanisms of cooperation with local people so that they earn income through PAs. Also, this mechanism would reduce import souvenirs in Montenegro.

Improve collection of fees for temporary and permanent objects that are not owned by NP

The current situation regarding the payment of rent for temporary and permanent objects in NP ownership is not satisfactory, especially for permanent ones. In the period 2007-2011, average revenue on this basis amounted to € 74,000 (see Chart 6.4). There are several permanent objects (facilities) where collection these fees is quite difficult, primarily because of poor behavior of renters, and complicated legal procedures to claim payment on this basis. In National Parks there are several interesting buildings: a ski resort in Durmitor; objects: Plavnica, Hotel 13 July, Voli Virpazar on Skadar Lake, Lovcen-Becici on Lovcen, Adventure Park on Lovcen; facilities: Broadcast Center on Bjelasica, Lovcen and Plavnica. The compensation amount is € 12 per m² of indoor and € 6 m² of open space. Total area of permanent objects is 9,000 m².

The projection is that with the improved management and strengthening the legal basis, revenues might increased by €50,000. The legal power to charge, and collect these fees exist through a Law on National Parks and the document - Decision on Rental Fees. However, it should improve the legal infrastructure that would enable the efficient collection of fees for the use of permanent objects (facilities).

For temporary objects is quite a good collection because the investors of these objects depend on the NP licensing process.



Source: JPNP

Chart 6.4: National Park revenues from using objects 2007-11

Collection of fees for water supply

Water from the national parks has been exploited, and user of this resource of NP, should pay the compensation for this use, especially for water from Lake Skadar National Park. This mechanism will be considered as a whole in the analysis of complex financial mechanisms. In this section we consider that if the collection of fees can be agreed with the Regional Water Supply Agency, this mechanism could be implemented relatively quickly.

The amount of the fee would be 0.03% of sales price, which is at the annual level € 375,000. Calculation is based on the price of water 0.50/m³ and exploitation of 25 million m³ of water annually.

Payment for use of water as well as for services of maintenance and improvement of water quality, and habitat restoration in the watershed, is common practice around the world and increasingly in developing countries. PAs essentially preserve watershed and waterways, maintain and improve water quality, reduce erosion, etc. Contracts payments are usually between private users of water and protected areas, or between governments and private landowners. This should also point out the impacts of industrial operations and other activities on watershed.

Today, there is no clear legal basis for this financial mechanism in Montenegro. We seem that the NP law should clearly define the NP collection of this type use resource. It is especially necessary for Skadar Lake, because a large amount of water used. Implementation of this mechanism requires the compliance of the Concessions Law, National Parks Law and the Water Law.

Collection of fee for electrical networks and installations

Until now there was no revenue on this basis. In the area of national parks, there are electrical networks, substations and other installations of electrical systems. This plant damaging environment of protected areas and have other negative impacts. In any case, these facilities have a negative externalities and they must be charged to the owners of these entities. We estimate that this mechanism could have generated revenue of at least €100,000 per year. This mechanism has been applied as a standard mechanism for funding PAs in many countries. Calculation is made based on the following fees:

- The fee for the electrical cables 220 kW 20 m width of corridor, 40 cents per m².
- The fee for electrical cable 110 kW corridor width of 15 m, 30 cents per m².
- Substation € 4 per m².
- Tower substation facilities at € 14 per object.

It is necessary to define the charge on this basis in the National Parks law.

Fees for telecommunication systems

In the area of national parks, there are facilities of telecommunication systems. They have a similar effect as electro systems and facilities. It is necessary to introduce a fee for such systems, which users would pay for these systems. There are diffuse radio systems on Lovcen, Bjelasici and Plavnica (Skadar Lake) that pay yearly compensation of €1,000 per transmitter. However, it is not sustainable. It should increase the fee on this basis. Proposal is 0.5% of the revenues of companies that use the space of PAs to perform telecommunication services. We estimate that this mechanism would allow the generation of significant revenues. However, due to the complexity of regulation of this mechanism as an interim solution can remain fixed fee per telecommunication radio broadcast facilities (objects), and fees for telecommunication objects. The largest telecommunication objects Lovćen, Bjelasica and Skadar Lake can be charged €2,000 by month. We estimate that on this way can be generate revenues of €72,000 by year.

Setting and renting advertising billboards

Thank to the fact that national PAs are the most attractive territories in Montenegro; it is possible along the road network to develop a system of placing billboards through the various options, which would be charged by an annual sum for users. We estimate that on this basis could be generate approximately €45,000 by year,

Assumptions for the calculation are: € 200 per billboard monthly. Really, it is expected to lay out at least 35 billboards per year, which generated €84,000 by year. This would be a direct revenue of PAs. The existing regulations are not a barrier, and with good marketing approach and adequate monitoring of this mechanism, it can be very fast implemented.

Collection of jeep tours

Jeep tours are a new type of activities in protected areas and is expected to be in the coming years significantly increase the interest for that, which would be significant source of revenue. We estimate that this mechanism would create income on the amount of € 15,000. (6 tour of € 2,500).

Improving the collection and control system

It is necessary as soon as possible technically equipped entrances in PAs with devices that would allow electronic monitoring of the entrances, what would contributed to higher revenues. We

estimate that this mechanism could have generated €50,000 , or 10% of current revenue from tickets.

Fees for infrastructure facilities (roads, railways)

If a road or railroad passes through the protected area, the usual practice is to be paid some compensation for the negative externalities from the side of owners of the facilities and transportation routes. In Montenegro, there is no legal basis for this mechanism, and it is necessary to implement it. We suggest introduction of a minimum the next fee per year:

- State road of the first and second category - € 500 per km.
- Municipal road - € 400 per km.
- Railway € - 1,800 per km.
- Lifts to transport people - € 270 per hectare of route.

This financial mechanism might generate revenue amounting to € 45,000 a year, but it has not been taken into account lift Kotor – Lovćen,

Advertising and promotion

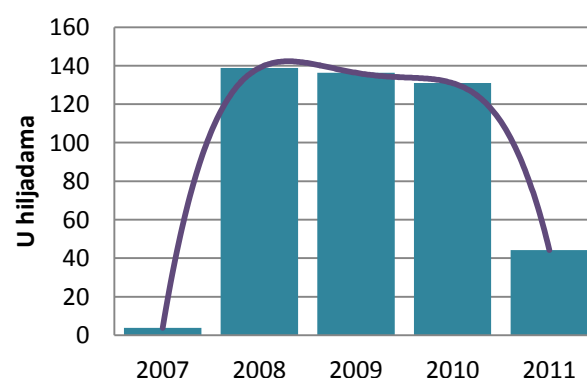
This mechanism influences indirectly many other mechanisms, particularly, it is important for programs in tourism. Indirect impact is estimated to increase revenue approximately €70,000, or 10% of current revenue from tourism services.

The reduction of duties and taxes

It is necessary to work on the exemption from payment of VAT on the use of resources of national parks which is a significant cost savings, and maintain the already achieved liberation is important. Now the PAs are exempt from paying VAT on the use of goods, and they pay VAT on the commercial activities of PAs.

Collection of fees for renting of its own facilities

PAs can supplement their budgets by operating concessions such as lodges, restaurants and gift shops within protected area boundaries. Royalties and fees generated from these concessions provide a predictable revenue stream to support the PAs 'long-term activities. We described it above. NPS also rent their own objects, and generate a significant sum of money (see figure 6.5). With improvement management of renting, it is possible to generate additional € 25,000.



Source:JPNP

Chart 6.5: National Park revenues from renting 2007-11

Use of name and logo the PAs

By using the names and logo is very attractive for many products, and it has potential to generate revenue for PAs.

Fees for use of name and logo of protected good, in the name of a legal person, business documents, product specification, advertising, etc. should be contracted with a legal entity. In the case of disagreement this fee would be determined to be 1% of total annual revenue generated by customers using logo and name. Potential income is € 30,000.

Preparation of projects for attracting donations

Donor funding in recent years are very important for PAs in Montenegro and cooperation with donors should not only continue, but in every possible measure improve. First, it is important to enhance administrative capacity of PAs, and beyond this it is important to treat these issues on systematic way not ad-hock. In order to achieve this objective, PAs have to stables permanent team for advance projects and to work in this area systematically. Other creative employees of course from all departments should be involved and support these projects. Donor funds must be used primarily for the protection and development programmers.

6.1.3.2 Mechanisms of high complexity

Through SWOT analysis, and considering economic value of PAs, we identify that environmental goods and services with high income-generation potential exist at the level of the protected area system or of a particular protected area. We identify tourism development as main complex mechanism of generating incomes, directly and indirectly to PAs. It might be followed up with agriculture, and other economis sectors.

6.1.4 Increasing number of visitors based on development touristic facilities

We outline development tourism as an important and rapidly-growing sector in Montenegro's economy, and one of the key development priorities. In 2009 and 2010, around 1.2 million visitors were recorded, accounting for 7.6 million and 8.0 million bednights respectively; 85% were international arrivals (MONSTAT 2011). Both domestic and international tourism is concentrated in the coastal region (Olters 2008, Tarchiani 2011) – in 2010 coastal resorts accounted for around 90% of visitors and 96% of bednights (MONSTAT 2011).

These positive trends in tourism have influenced increasing number of visitors in Protected areas as an important location for both domestic and international tourism. Visitor data are available for only six PAs: the four National Parks, Long Beach Ulcinj Monument of Nature and Kotor-Risan Bay World Heritage Site. Almost 275,000 visits were made to these PAs in 2009, and more than 308,000 in 2010 (ISSP 2011). We suppose that in reality, the number of people visiting PAs is far higher than this, as these calculations are based only on those sites for which visitor records are kept. If we take into account visitors of other PAs, such as beaches, caves and parks that are designated as Monuments of Nature, as well as Areas with Exceptional Natural Features, we estimate that PAs are visiting for just over one third of all domestic and international arrivals, according to MONSTAT figures.

Protected area entry fees provide a mechanism for raising tourism-based conservation revenue because fees are generally collected at certain protected area entry points. At the most basic level, entry fees require a collection post and collector.

Considering improvement of the existing program of protected area entry fees, we analyse a number of feasibility issues, such as the annual number and origin of tourists; the potential economic value of the species, habitat, scenic beauty, or other natural attributes; and the accessibility of the protected area. We seem that foreign tourists are generally willing to pay substantially higher fees than many protected areas charge. We propose implementation tiered systems in which foreign tourists, regional tourists, and national citizens are charged separate entry fees. By setting tiered fees according to visitors' ability to pay, rather than charging only foreign tourists, protected areas can increase the total amount of revenue collected.

However, the important question for PAs is how to attract visitors, and increase the number of visitors. Wild beauty and marvelous nature are not enough. PAs have to develop touristic infrastructure to provide tourists the contests.

6.1.4.1 Development of touristic infrastructure

In order to achieve sustainability of PAs, dominant role plays touristic exploitation of the PAs potential. In this sense, taking into account the key principles of development, should develop initiatives for development of touristic infrastructure, which would allow the use of tourism potential of protected areas, particularly national parks and so contributed to the overall tourism offer of Montenegro.

Increasing the number of visitors in protected areas and the exploitation of tourism opportunities in them is dependent on increasing the competitiveness of the PAs, or to overcome the key competitive disadvantages, namely:

- Lack of quality of general infrastructure (road infrastructure, water supply, electric power supply, etc.);
- Depopulation of area;
- Lack of valuation of natural resources in terms of tourism;
- Lack of tourism infrastructure;
- Lack of financial assistance / grants for tourism development;
- Lack of systems functioning of touristic promotion and commercialization from the side of public sector;
- Lack of additional tourist attractions, facilities and activities;
- Lack of interpretation center for visitors;
- Lack of integrated management of visitors and tourism development in general.

Taking all this into consideration, we find that for the basic scenario should realized the following programs:

- The concept of viewpoints,
- Program of tourist signaling and interpretation,
- Tourist information system,
- The system of internal mobility and parking and
- Destination management organization.

To achieve optimal scenario it is necessary to continue the implementation of the following programs:

- Program development of availability, and accessibility,
- Program development of public services and infrastructure,
- Improvement program of natural and socio-cultural resources,
- The concept of walking / hiking and biking ways,
- Municipal plans relating to the environment, aesthetics, attractions, etc,

The implementation of these programs makes it possible to significantly increase the income of protected areas from tourism and other activities that would be logistics of tourism. These investments are the assumption of full exploitation of mechanisms of financing of protected areas based on touristic products.

We estimate that the number of tourists would double in a period of 3 years after the implementation of these programs. Projected increase in revenue PAs on this basis is approximately €400-500,000 year. Calculation is made on the increased number of visitors to 150,000 and average ticket prices 3 euro. Taking into account the multiplicative effect that the number of visitors come to the amount of potential new revenue €700,000-800,000. It should be noted that the potential tourism in protected areas at the beginning and that financial sustainability of PAs can be based largely on the development of tourism facilities and services.

6.1.4.1 Water supply

The most important sources of water supplies located inside PAs are from Biogradska gora, Durmitor and Skadarsko jezero National Parks. The serious income generator is Skadar Lake.

- Skadarsko jezero National Park supplies water from Bolje sestre karstic spring on Skadar Lake to the coastal region. This is designed to overcome the water shortages which occur in the summer season, affecting both the tourism industry and the residents of Herceg Novi, Kotor, Budva, Tivat, Bar and Ulcinj (World Bank 2010). The affected resident population is currently some 170,000 people (ITSC 2006) and the number of tourist nights spent is up to 7.6 million (MONSTAT 2011). Exact supply figures are not available, but it has been estimated that the annual summer water deficit in the six coastal municipalities is in the region of 24.5 million m³, projected to rise to 27.5 million m³ in 2020 and 38 million m³ in 2033; meanwhile the scheme is planned with a 1,500 l/sec or 47.3 million m³ a year maximum capacity (ITSC 2006). Assuming that the new water supply system will be sufficient to meet this deficit, this will translate into water values worth €9.3 million when valued at tariff cost price and generate a consumer surplus of €5.5 million a year.

Implementation of fee for use of water from PAs would generate revenue €400,000-450,000. This fee can be implemented in two from: (1) as compensacion fee that would be charged from the end users and (2) as compensatin that would be charged directly to the company that exploited water from PAs. Proposal for this fee is 3% of the water tariff. We estimate that the average use 30 million cubic meters of water from protected areas over the next five years. Calculation of the average price of 0.50 cents per m³ gives the amount of income for protected area of €450,000 euros.

6.1.4.2 Private – public partnerships

Projects in tourism

Many of the parks have the capacity for increased numbers of beds, across a whole range from bottom-to-top-end establishments, including as luxury bush-camps. The development of this potential can yield significant benefits. The most efficient way to develop further tourism potential in the parks will be to enter into private-public partnerships with concessionaires. Ministry of sustainable development and tourism (MSDT) would have the responsibility of providing the necessary infrastructure such as road networks and water holes. The costs in setting this up might be reduced if development of potential can take place in clusters. Private operators would be responsible for the building and maintenance of the camps. Although this means a lower potential rental on these developments, it also means that the private entrepreneurs are the ones to carry the higher risks. A typical lease period for this type of arrangement is 15 to 45 years, with assets being handed back to the park at the end of the period. The expected royalty amounts to about 4 – 10% of turnover. This could increase once the lease period has expired and the assets are transferred to the parks.

It is important that there is a balance between the revenue generation and conservation objectives of the parks. Development for the generation of income should not compromise the conservation objectives of the parks. Factors that need to be taken into consideration include roads, water supply and electricity, the potential levels of congestion on the road networks. Revenue generation is not a simple function of the number of visitors. A strategy more compatible with conservation objectives is to concentrate on providing quality services, rather than quantity.

Implementation of the parks development vision will involve both renovations of the existing tourism facilities in the parks, as well as development of new tourism capacity within parks guided by the MSDTT concessions policy. Concessions policy implementation within parks will be guided by the management plans for specific parks. The concessions will pay rentals and royalties to the parks according to the joint venture agreements involved. Because the prospective concessionaires will compete for concessions via a tender process, it is anticipated that rentals and royalties will adequately capture the economic rent associated with park tourism concessions. The pattern of joint venture concession development envisioned with implementation of the policy within the parks development vision and expected revenues generated from these concessions (based on preliminary analysis of and planning for concessions) in the planned park are shown in the table 6.1.

Table 6.1. Numbers of new lodges/camps/catuns in PAs

Park	Year 1	Year 5
Lovcen	0	1
Durmitor	0	2
Biogradska gora	0	1
Prokletije		1
Total		
Estimated average income for 5 years after starting		=3,575,000 (715,000*5)
Estimated government rentals derived		375,000

Agriculture projects

Agriculture has a large and varied importance for Montenegro and it is rightly a priority in its overall development. The economic importance of this sector is reflected by the relatively high share in GDP (only primary production accounts for about 10%) and through the employment of labor (regular or supplemental source of income for more than 60,000 households living outside the urban area). However, the importance of agriculture is never seen only from the economic point of view, but must respect the other very significant benefits of agriculture. It is primarily the maintenance of rural areas and the active labor force in them, then the management of natural resources in a sustainable way, support the development of other sectors (tourism, manufacturing industry, related sectors of the economy - manufacturing equipment and packaging, transportation, services), preservation of cultural heritage in village, etc. All of these important functions of agriculture and its specificity to apply to Montenegro as a whole, and for the PAs.

The use of significant areas of available fields and pastures, which are now very little or no use, can be relatively very small inputs to create significant new value. Function support for tourism - particularly important for Montenegro complementarity of agriculture with tourism. Large selection high quality domestic products significantly improve its offer. Also, through the affirmation of national cuisine and specific Montenegrin tourism product can be a powerful generator of agricultural development.

In this context, the proposed business concept of development of the farm (livestock, fruit and vegetable) in a natural mountain conditions, and through active national projects supported by international funds. We suggest that the development of business plans for the three types of farms that would constitute a framework for the strategy Pas in that direction. Farms would be a function of the overall development of tourism and protected areas, and would pay compensation for the use of PA resources.

Concessionaires will pay a fee or rental to Pas under a contract of partnership. Since potentially concessionaires will be competing for the concession by the tender procedure it is expected to lease or compensation adequately reflect the economic rent of the concession. According to preliminary analysis we have done, the expected revenue generation from this concessions are as follows:

Table 6.2. Numbers of farms in PAs

Park	Year 1	Year 5
Lovćen	0	5
Durmitor	0	8
Biogradska gora	0	3
Prokletije	0	3
Total	0	
Estimated average income for 5 years after starting		=1,073,000 (19*53,000)
Estimated government rentals derived		100,000

6.1.4.3 Fishing Industry Revenues

One of the major economic activities in the protected area Skadar Lake is fishing. Fish resources of Skadar Lake represent more than 95% of the total freshwater fishery in Montenegro. By its bio production and fish weight Skadar Lake is far from other lakes in the Balkans. On the basis of

statistical data on annual catches, production of fish in the lake is 80kg/ha (8 t/km²)⁴. Fishing season for the bleak lasts for four months and fifteen days (from 31 October until 15 March) or 135 days. According to calculations of the Hydro meteorological Institute of Montenegro that 30% of these days are unfavourable for those and similar activities (bad weather) which brings us to a more realistic number of 95 days available for hunting bleak. The main fishing tackle for hunting bleak is net and the average catch of this tool for one day is 20 kg. The estimated number of fishermen on the lake is 30.024 and for setting up this network requires one or two fishermen. All of this provides the basis for the following calculation for the average bleak catch annually:

$$(95 \text{ fishing days}) \times (20 \text{ kg average daily catch}) \times (300 \text{ fishermen}) = 570.000 \text{ kg bleak per season}$$

However, much of the catches in the nets is not including bleak (in the words of local fishermen that amount of non bleak is usually 20% of catch) which brings us to the amount of 456.000kg of bleak annually. Average selling price of bleak in the market was €3 per 1kg. Having in mind that fact, local people earned €1,368,000 from overfishing the bleak during last season⁵.

On the other hand, carp hunting season lasts nine months, from 1 June to 1 March or 270 days if the decline of this number is 30% of days that are not favorable for fishing, it gives us a number of 190 days for fishing. The most important legal tool for catching carp is a small net and the average catch per day of hunting is a 5kg fish. The total estimated number of fishermen who enroll carp hunting is smaller, around 100 and for this net requires one or two fishermen for its setting, which gives us the data for the calculation of the average annual catch of carp:

$$(190 \text{ fishing days}) \times (5 \text{ kg average daily catch}) \times (100 \text{ fishermen}) = 95.000 \text{ kg carp per season}$$

Market price of the carp is at average €5 per 1kg, which brings us to amount of €475.000 that local population earned from overfishing the carp. Bleak and carp represent 70% of the total catch on Kadar Lake⁶. Catch of other species is very difficult to assess in particular catch eels, which is the most expensive fish species that lives in the lake (price varies from 10-15 €).

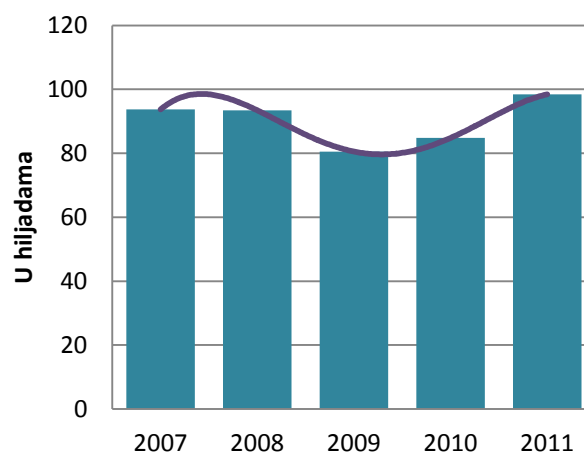
Having in mind that 596 households are living in the protected area of Skadar Lake, the average revenue per household of overfishing the bleak and the carp is around €3,093. Furthermore, each family is not involved in fishing activities. However, even if the revenue of the single family is higher, fishing is just secondary source of income for the whole family.

⁴ Drecun, Djordje (1983), Modified fish populations in Lake Skadar, CANU 9, Ttiograd, p.129-140

⁵ ISSP, Economic valuation of Montenegro's protected areas, 2011

⁶ ²⁴Mrdak, Danilo (2009), *Assessment of the environmental impact of dams on the fish fauna in Moraca River and Skadar Lake*, NGO Green Home, p. 30

The biggest industrial plant-processing factories and fish canning is in Rijeka Crnojevica. Fish production is an important issue but also some problems initiator because of large amounts of overfishing from the lake. From the factory depends around 70 households and 250 residents. Area Plan of the National Park Skadar Lake is planned to relocate factories to the area Velji lug, with the default technological modernization.



source:JPNP

Chart 6.6: National Park revenues from fishing permission and black catching 2007-11

Local people are engaged in commercial fishing, which for these purposes, until December 2011, have got 131 permits to

hunt carp with 10 driftnets and 5 permit to hunt carp with 20 driftnets. Also, there were 51 permits issued for the eel, 5 licenses for the bleak, 10 permits and 162 pairs per year for sport fishing license and daily fishing permits 85. Time, location and fishing tools for fishing have been identified enactment, where it should be noted limitations on the number of driftnets and the diameter of buds on them, which is in a function of Preserving and improving populations of economically important species (Carp, Bleak).

Harvesting and Bleak cage trout mresting is conducted by the company AD "Fishing the Rivers" Crnojevica, with whom he entered into contract granting rights of use of fishing on Lake Skadar, overfishing is Bleak and cage culture of rainbow trout, the total revenue generated in this way for 2011th year was € 30,000.00.

In addition to the Skadar Lake, sport fishing is also present in Lake Biograd (NP Biogradska Gora), Black Lake (NP Durtmitor). Total income earned on the basis of fishing in protected areas was in the period from 2007-2011 approximately € 100,000 (see Chart 6.6). We estimate that the potential in this, with appropriate organizations and cooperation through the form of partnerships with private companies, could've increased revenue by € 50,000.

6.1.5 Others mechanisms

6.1.5.1 Voluntary Contributions from Tourists and Tourism Operators

Through voluntary contributions, tourists and tourism operators can support the very places and species that render their vacations (or businesses) valuable. Mechanisms such as voluntary surcharges, supplementary donations on retail or resort bills, and even charitable research assistance can establish a direct financial link between a tourist's natural experience and the conservation of the place. Tourists are more likely to contribute if they can be assured that the funds collected will be disbursed transparently and allocated to the conservation of

the species or places they have viewed. Tourism operators generally contribute to conservation when it directly benefits business operations. Impact of this mechanism isn't easy for prediction.

6.1.5.2 Compensation Payments for pollution

Compensation payments are an effective way to hold companies accountable for the impact they have on ecosystems and biodiversity. They finance conservation by collecting revenue from fines for pollution, royalty fees for natural resource use, compensation for environmental impacts, or even voluntary contributions. Although compensation payments don't necessarily reflect the actual environmental impact or provide one-for-one compensation, they pay for the extraction or use of one natural resource by investing in the conservation of another. Compensation payments are also often referred to as biodiversity offsets. However, biodiversity offset payments rendered by private sector companies are designed to account for direct environmental impacts from a development project. In contrast, compensation payments are typically calculated as a percentage of project development costs.. This mechanism is perspective with future potential for generating revenues. However, its impact is difficult to prognose. There are good examples in the World, and it is for expect to be applied in Montenegro.

6.1.5.3 Bioprospecting

Bioprospecting is the systematic search for new sources of chemical compounds, genes, proteins, microorganisms, and other products with potential economic value. Through bioprospecting agreements, international pharmaceutical companies compensate developing countries for the property rights over useful compounds contained in the country's biodiversity. In return, the companies get exclusive rights to screen the biodiversity for pharmaceutical compounds. If such screening leads to the development of a major drug, the agreements provide the host country with a share of the profits, which may be used for biodiversity conservation.

6.1.6 Selection of Financial Mechanisms

For the purposes of this document, the selection of financial mechanisms is guided by the results of the feasibility analysis of preselected financial mechanisms. We seem that relying on just one or a small number of funding sources is risky

In general, PAs in Montenegro have opportunity of a diversified funding base. Combining different sources of funding is a key element of long-term PA financial sustainability. A diversified financial portfolio can better enable PA managers to cope with risk and uncertainty, and provide a measure of security should any single source of funding decline or fail.

Overcoming market, price and policy distortions that act as obstacles to funding is a key element of successful implementation of selected mechanisms. Without taking action at this broader level

it is difficult either to raise sufficient funds for PAs, to ensure that costs are adequately covered, or to foster an economic environment that encourages investment in PAs.

Also the important element of successful implementation of selecting mechanisms is building capacity to use financial tools and mechanisms. Just as managers in the private sector are expected to understand financing issues and tools, PA managers are increasingly required to develop the same competency. No private business manager could expect an enterprise to thrive without good information on costs, cash flow, investment strategies and potential sources of funds. PA managers and park system managers need a similarly detailed understanding of the financial implications of managing their site or system.

Selected mechanisms of lower complexity are given in Table 6.3.

Table 6.3 Less complex financial mechanisms

First Priority	Description	Yearly effect
Ticket price	Increase ticket price	45,000.00
New entrances	For new entrances (and points of ticket payment)	30,000.00
Souvenirs production	Production souvenirs in plant of PAs	25,000.00
Charging for the use of temporary and permanent facilities	The increase in revenues arising from the use of temporary and permanent facilities	50,000.00
Fees for use of water from PAs	Billing for the extraction of water from the ZP	375,000.00
The fee for the electrical facilities in PAs	Payment for the electrical grid, substations and other electrical installations in PA	100,000.00
Billing for telecommunication facilities and installations, antenna installation fee	Billing for telecommunication facilities in PA	72,000.00
Setting up billboards	Renting billboards, and collection fee	85,000.00
Fee for jeep tours	Fee for jeep tours through the territory of PAs	15,000.00
Improving control of entrances	Improving control with install modern equipment for the collection of entries in PAs	50,000.00
Fees for transport infrastructure	Compensation for the impact of transport infrastructure on biodiversity	45,000.00
Improving marketing	Improvement of marketing at the national level for protected areas	70,000.00
Project center	Preparation of attractive projects in PAs	100,000.00
Fees concession for tourist facilities	Transfer operation of tourist facilities to private firms	40,000.00
Rafting		40,000.00
Logo and name	Using of PAs logo, and name	40,000.00
	Total	1,182,000.00

Selected mechanisms of high complexity are shown in Table 6.4.

Tabela 6.4 Financial mechanisms of the higher complexity

First Priority	Description	Efekat po godini
tourist services	Increasing the number of visitors, number of nights	450,000.00
The fee for the exploitation of water	Use of water from PAs	400,000.00
voluntary contributions	Support from touristic operators on a voluntary basis	35,000.00
Public-Private Partnership	Public-Private Partnership in tourism	375,000.00
Public-Private Partnership	Public-Private Partnership in agriculture	100,000.00
Public-Private Partnership	Public-Private Partnership in fishing	50,000.00
Other	Bird-watching, education, films, others	100,000.00
	Ukupno	1,510,000.00

6.2 . Lessons Learned

Protected areas represent an important business opportunity for private investors. When identifying and selecting financial mechanisms, we focused on innovative options to complement traditional financing sources. Identifying and eliminating legal, regulatory, and administrative barriers that hinder existing and potential financial mechanisms is an important step in this process. Strategic allocation of the resources generated should also be promoted. Moreover, financial mechanisms can be designed to combine fiscal, social, and environmental benefits.

7 Legal and institutional frame

Legal frame that regulates the area of protected territories in Montenegro is related to several key laws and by-laws, as well as to two significant strategies. The following chapter reviews the legal frame regulating this area and competent institutions implementing the given legislation. Additionally, we will deal with the level of the given legislation adjustment with requirements set by the EU to Montenegro in relation to this area. The aim of this part of analysis is to establish the possibility to realize the proposal and solutions offered by the Finacial plan within the existing regulatory and institutional environment.

The basic law regulating the activity of the nature protection in Montenegro is the **Law on Nature Protection** which has been adopted by the Assembly of Montengro on August 22, 2008(Official Gazette of the republic of Montenegro 51/08). The law prescribes the general measures of protection and preservation of nature (article 7): protection and preservation of nature; protection of natural resources; sustainable usage of natural resources and natural assets and control of their usage; preservation of ecological networks and corridors; implementation of strategies, plans, programs, basics and other documents; moderation of harmful consequences caused by activities in nature, usage of natural assets of by natural disasters; incentives to protect and preserve natural assets. The Law defines protection of forest ecosystems, humid and water habitats, protection of sea and submarine, protection of habitats within the agroecosystems and other nonautonomous and semi autonomous ecosystems, protection of genetic diversity (articles 17-24 of the Law on nature protection).

The Law on Nature Protection establishes protected natural assets to be under special protection of Montenegro (article 37). Categories of protected areas of nature (protected sites) are divided as follows: stern and special reserves of nature, national parks, regional parks and parks of nature, monuments of nature, protected habitats and areas of extraordinary characteristics. Other protected natural assets are: protected types of plants, animals and fungi- strictly protected wild species and protected geological and paleontological structures.

The Law determines the establishment of the Red Book, that is, the list, and the list of strictly protected wild species of plants, animals and fungi (articles 45 and 46 of the law). The work on establishment of the Red Book has been in the progress. Until the establishment of the said list with reference to article 46 of the Law on Nature Protection, it has been applied the Decision on putting particular flora and fauna species under protection (Official Gazette of Montenegro No. 76/06).

Article 30 of the Law on Nature Protection, through establishment of ecological network NATURA 2000, has been regulated preservation of habitat types and ecologically significant sites. Habitat sites of interest to be protected are: habitats threatened by disappearance within their natural range, habitats that may have small natural areal as a consequence of regression or limited area of prevalence, habitats that represent main applications of typical characteritics of one or more biogeographic region (alpine, continental and Mediterranean). It is forbidden by the law to perform activities, actions within the protected natural area containing the habitat type or the habitat of protected wild species of plants, animals or fungi, according to the law and international contracts.

NATURA 2000 provides connection and preservation of habitat types in favorable condition, that is, renewal of habitats of detereiorated favorable condition, pursuant to article 31 of the same law. In the sense of this law (article 32) environmentally significant sites are sites of endangered and rare habitat types: preserved sites of extreme biological diversity and of international importance;

sites that contribute preservation of biological and landscape diversity; sites of habitat types which are endangered and rare in Montenegro, Europe and the world; habitats of wild species of plants, animals and fungi of Montenegro; sites that contribute to connection of populations of biologically wild species of plants, animals and fungi (ecological corridors); migratory paths, rest places of animals and natural broods; preserved forest sections.

Surveillance over the implementation of this law is made by the Ministry of Sustainable Development and Tourism and municipalities or other form of local self-government (article 114). The inspection surveillance within the competence of the Ministry is made by the ecological inspection, pursuant to this law and the law regulating the inspection surveillance (article 114).

Chapter XVI of the law defines penalties including fines of one hundred times to three hundred times amount of minimum wage in Montenegro for offences made by the legal persons and entrepreneurs when performing activities with reference to article 119.

Protection of nature is regulated by the **Law on National Parks** (Official Gazette of Montenegro No. 56/09 dated August 14, 2009). The said law protects and upgrades national parks through the following: providing of conditions to protect, upgrade and rational usage of natural parks assets, making of favourable conditions to maintain and develop the plant and animal species of fungi and their habitats, preservation and upgrading of special natural values; examination and usage of national parks for the purposes of science, education, tourism, culture and recreation development, prevention of activities that may deteriorate basic characteristics and features of national parks and preservation of environment, (article 4).

Natural parks are governed by the Public Company for National Parks of Montenegro founded by the Assembly of Montenegro (article 5). Facilities for protection and development of national parks are provided by the Budget of Montenegro, incomes realized by performing activities of the public company, fee for usage of national parks assets, compensation for damage made to the national park's assets, pooling of companies, institutions and other legal persons' funds out of loans, donations, legacies and similar, penalties for offences determined by the law and other funds, (article 32).

When we speak about the development of protected areas, it is unavoidable to mention the law on development of structures and construction of structures (Official Gazette 51/08 dated August 22, 2008) prescribing by the article 21 passing of the special purpose spatial plan to be adopted by the Assembly of Montenegro. It is an important remedy providing the sustainable usage of potentials and sustainable development of the areas of national parks, sea wealth, natural reserves. Special purpose spatial plan establishes, among the other things, the regime of usage and development of space and borders of zones towards those regimes (article 21, paragraph 2). Also, management plans and annual plan of management are also brought. Park management plans are made by the government for the period of five years. Annual plan of the national park management is made by the Public company, according to the special purpose spatial plan and management plan (article 14 of the law on national parks; article 65 of the Law on Nature Protection).

Apart from the above laws, the area of protected territories is affected by the following legal acts:

- ✓ The Rulebook on Species and Criteria to define the habitat types, manner of the habitat map making, manner of monitoring the condition and vulnerability of the habitat, content of annual report on the vulnerability and condition of habitat types, measures of protection and preservation of habitat types (Official Gazette of Montenegro No 80/08).
- ✓ Decision on putting under protection of certain plants and animals (Official Gazette of Montenegro No. 76/06). This Decision has been made prior to putting into effect of the Law on Nature Protection and shall be applied

- ✓ The Decision as Regards the Controlling list in Relation to Export, Import and Transit of Goods (Official Gazette of Montenegro No. 82/08) according to which the Agency for Environmental Protection issues export, import and transit of endangered wild plants and animals licenses, pursuant to the Law on Confirmation of CITES convention on international trade in endangered species of wild flora and fauna (Official Gazette of Montenegro, international agreements, No. 11/01) and licences to export species of the decision on putting under protection of certain plants and animals (Official Gazette of Montenegro No. 76/06); Declaration on the Protection of the River Tara (Official Gazette of Montenegro No. 78/04) is aimed to provide compliance with the Declaration on the Ecological State of Montenegro and regulations in relation to the environmental protection. This Declaration, as regards any attempt to change the river Tara, requests free making statements of all citizens of Montenegro and the only fair making decision as regards the destiny on the river Tara would be made at the referendum.
- ✓ The National Strategy of Sustainable Development of Montenegro with the action plan (January 2007). The Strategy predicts integration of international standards within the national legal frame and the system of protected areas management.

Apart from the above regulations, protection of natural resources is regulated by the Freshwater Fisheries Act (Official Gazette of Montenegro No. 011/07-9), Law on Hunting (Official Gazette of Montenegro No. 052/08-1), Law on Forests (Official Gazette of Montenegro No. 055/00-39), The Law on marine fisheries and mariculture (Official Gazette of Montenegro No. 56/09), as well as by regulations within the area of the environmental protection: The Environmental Law (Official Gazette of Montenegro No. 48/08), Law on Strategic Evaluation of Environmental Protection (Official Gazette of Montenegro No. 80/05), Law on Environmental Impact Evaluation (Official Gazette of Montenegro No. 80/05).

Additionally, the most significant strategic document as regards the nature protection is the **National Strategy of Biodiversity** with the action plan which was adopted in 2009. The project of making the “Strategy of biodiversity with the Action plan” in Montenegro has been financed by GEF (Global Environmental Fund) while the EU Program for development has been engaged as the implementation agency. This is the first Strategy that has been made as regards the area of biodiversity in Montenegro. The Strategy determines the condition of biological diversity, analysis reasons and makes strategic guidelines with concrete action plans required for their protection consolidating all available data on the condition of biological diversity and establishes priority action plans.

The Strategy has been made according to legislation of Montenegro and based on conditions and requests of the Convention of biological diversity: protection of biological diversity, sustainable usage of its components and fair distribution of genetic resources usage benefits. On the basis of knowledge and findings of the Country study and other official documents relating to the protection of biodiversity and pursuant to recommendations given in numerous documents under the Convention on biological diversity, the Strategy formulates basic principles and the long term and operational objectives of biodiversity protection. Principles and aims of the Strategy are the frame defining the requirements and possibilities to take activities for the purposes of protection of biological diversity in Montenegro.

The Strategy predicts the following:

1) Making and strengthening of documentation basis in the biological diversity: Flora of Montenegro; Vegetation map of Montenegro; Birds fauna of Montenegro; Making of the Program of the long term research of biological diversity in Montenegro; Review of the volume and increasing of funds for the purposes of realization of the program of monitoring of biodiversity; inventory and mapping of distribution of endemic and law protected plants and (optionally)

animals; Identification and making of the National network of area Natura 2000; Collection and analysis of data in relation to fair distribution of benefits of genetic diversity; Making if the National classification of habitats (catalogue); Inventory of invasive species.

2) Making and strengthening of institutional and personnel capacities for protection of biological diversity/nature protection;

3) Increasing of efficiency of legal and institutional frame of the area of biodiversity/ nature protection;

4) Prevention and moderation of pressures to the ecosystems;

5) Integration of the biological diversity protection into sectors: (i) tourism, (ii) spatial planning and (iii) making of major infrastructure;

6) Putting under protection of new protected areas of nature;

7) Increasing of efficient management of the protected areas of nature.

7.1 Instruments to preserve nature for protected areas

Pursuant to article 62 of the law on nature protection, protected natural resources are managed by the manager fulfilling condition as regards professional and organizational capacity to perform works of protection, upgrading, promotion and sustainable development of protected natural resource.

Protected natural resource located at the forest sites or is a part of those sites is managed by the administrative body responsible for forests. Significant instrument in relation to planning of management of especially protected areas are:

Special purpose spatial plans: basis of land usage planning and execution of current measures are regulated by the Special purpose spatial plans. Special purpose spatial plan provides guidelines of special regime of development and usage (Law on space development and construction of structures, article 21);

Plans of protected areas management are brought for the period of five years. Management plan Provides guidelines based on which the following are passed:

Annual management plans which are to be adjusted with the Management Plans and Spatial Plans of Spatial Purpose (article 65 of the law on nature protection).

Apart from special purpose spatial plans, management plans and annual programs of protected areas management, instruments of nature preservation, control of land usage planning and execution of current measures for protected areas are also: reports on realization of the nature protection program prepared by the Institute for nature protection of Montenegro and adopted by the Government of Montenegro, compensation measures (financial compensation, establishment of the new location with same or similar features as damaged locations) for damage of nature determined by the Agency for Environmental Protection and implemented by the legal or physical person causing the harmful consequences within the protected area of nature.

Works of management and upgrading of national parks are performed by the Public company for national parks. In order to provide the proposal in relation to making decisions on professional issues and to provide professional help in the procedure of making decision and preparation of regulations of the protection of national parks it has been established the Council for National parks (article 33). With reference to the execution of the national parks management, the law defines rights and obligations of the national parks service (article 31).

Supervision over the legality of the Public company work as regards the national parks management is performed by the Ministry of sustainable development and tourism (article 29 of the law on national parks). The inspection within the competence of the Ministry is made by the ecological inspection, pursuant to the Law on the nature protection (article 114) and the law regulating the inspection supervision. Ecological inspection is part of the Agency for the environmental protection.

On the basis of the new Law on nature protection (Official Gazette of Montenegro No. 51/08) it has been passed a Decision on establishment of the Institute for nature protection (Official Gazette of Montenegro No 15/09 dated February 27, 2009) assigning the control of the Institute work legality to the competence of the Ministry responsible for the environmental protection, that is, the Ministry of sustainable development and tourism.

The steering committee manages the Public company (article 29). The Public company has been financed from the state budget, and partly by self financing. All incomes on the basis of services rendering and usage of resources at the area of national parks are allocated to the budget of PC “National parks of Montenegro”.

As regards four national parks in Montenegro (not including the newly proclaimed NP “Prokletije”), there are current Special purpose spatial plans (for NP Durmitor- Official Gazette of Montenegro No. 20/97; for NP “Biogradska gora- Official Gazette of Montenegro No. 44/98; for NP “Skadarsko jezero”- Official Gazette of Montenegro No. 46/01; for NP “Lovćen”- Official Gazette of Montenegro No. 19/97) providing general guidelines to manage and preserve nature in national parks.

Protected natural resources located on forest locations or parts of those locations are managed by the administrative authority competent for forests.

Protected natural resources located at the area of the national park, bordering it or located along the border, are managed by the national park manager (Law on the nature protection, article 62).

Other, lower categories of protected natural resources are managed by the units of local self government. Based on the current experience, management of those areas are mainly unsatisfactory, weak and incomplete. Mostly, there are no appointed and established managers at the local level, but measures of protection are implemented by the secretariats of local self governments (organizational units within the local self governments) responsible for the environmental protection.

Considering that multi disciplinary character of issues of the area of protected territories, in pursuing policy within this area, it is important to provide the intersectoral approach. Apart from the Ministry of sustainable development and tourism, as regards making, implementation and monitoring of policies and measures of importance in relation to given area, the key responsibilities have the following:

- Ministry of Economy
- Ministry of Finance
- Ministry of Transport, Maritime Affairs and Telecommunications,
- Ministry of Agriculture, Forestry and Water Management.

Apart from ministries, the most significant other institutions of state governance in relation to the subject area are:

- Agency for the Environmental Protection
- PE National Parks
- PE for Management of the Sea Wealth
- Real Estate Directorate
- Water Management Office
- and Public Works Directorate.

7.2 Protection of nature and EU

In order to apply the integrated approach of the nature protection, numerous international conventions have been ratified. Together with current activities aimed to transposition of relevant regulations of the area of environmental protection to national legislation, it is also performed transposition of provisions of ratified multilateral agreements of this area. By making the Law on environmental protection, the most significant legal acts of EU in relation to the environmental protection have been incorporated to the national legislative frame: Council Directive on the conservation of natural habitats and of wild fauna and flora, 9 December 1996 (Council Directive 92/43/EEC - Habitats Directive), Council Directive on the Conservation of wild birds, of 2 April 1979 (Council Directive 79/409/EEC - Birds Directive) and (31997R0338) - Council Regulation on the protection of species of wild fauna and flora by regulating trade therein (EC) No 338/97 (Council Regulation 338/97/EC). The law prescribes the transposition of regulations 1999/22/EC, 3254/91/EEC, 865/2006/EC, 1037/2007/EC by passing by-laws within the Law on environmental protection. It shall provide upgrading of the protected parts of nature management and prescribe the manner of their usage. Relevant international conventions and multi lateral agreements of the environmental protection which have been ratified/taken over by Montenegro by means of succession are:

- Convention of Biological Diversity
- Cartagena Protocol of biological diversity
- Convention on Conservation of Migratory Species of Wild Animals (Bonn convention)
- Convention on the Conservation on European Wildlife and Natural Habitats (Berne convention)
- Convention on Humid Areas (Ramsar convention)
- Convention on Protection of World Cultural and Natural Heritage
- European landscape convention
- Convention on International Trade in Endangered Species of Flora and Fauna (CITES Convention)
- The United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, especially in Africa
- Agreement on the Conservation of Cetaceans in the Black Sea, Mediterranean Sea and Contiguous Atlantic Area (ACCOBAMS)

The Law on Environmental Protection has made partial harmonization of national legislation with relevant regulations of European:

Council Directive on the conservation of natural habitats and of wild fauna and flora, 9 december 1996 (Council Directive 92/43/EEC) - Habitats Directive, which has been amended by a Directive 97/62/EC and Regulation (EC) 1882/2003, Council Directive on the Conservation of wild birds, of 2 april 1979 (Council Directive 79/409/EEC) - Birds Directive) and Council Regulation on the protection of species of wild fauna and flora by regulating trade therein (EC) No 338/97 (Council Regulation 338/97/EC).

The new Law on Environmental Protection ensures preservation of biological and landscape diversity. By this regulation, mechanisms and instruments contained in EU directives and relevant international agreements and convention of environmental protection Montenegro has approached to have been transposed to national legislative frame. Mechanisms creating pre conditions to establish ecological network, prescribing red lists, prescribing habitat types maps and necessary basis for spatial purpose planning and necessary implementation of conditions and measures of environmental protection to all spatial plans and sector planning documents are of importance(articles 30-34; articles 44-47).

Within the context of the national- legislative- institutional frame adjustment, it shall be important to respond to the following challenges:

- ✓ Provide continual upgrading of capacities to implement regulations previously complied with European legislative frame and implementation of capacities to perform by laws.
- ✓ Upgrading of the system of protected area management according to current adjustment of legislative frame, within the context of establishment of integrated approach to environmental protection, especially taking into consideration currently divided competences of this area among several authorities of state government. It is significant to provide application of the principle of sustainable usage of natural resources at national and local level. A very significant element refers to provision of the system of sustainable financing starting from the principle of sustainable valorization of biological diversity value and potentials of protected areas in a manner providing preservation of biological diversity as regards all specificities placing Montenegro to one of hot spot locations of biodiversity globally.

Challenges may be marked as: systemic (there are no integrated approach to management of the natural resources/area of the environmental protection, fragmentation of competence...); institutional (inappropriate and insufficient human resources for harmonization and monitoring of legal acts implementation); financial (dependability on public finance, unsustainable models of natural resources usage insufficient investment into conservation measures..).

7.3 Suitability of current legislation to implement proposed mechanisms

This part of analysis shows financial solutions whose realization does not require changing of current legislation and proposed solutions the realization of which would require making of new and/or change of current legislative.

Proposed solutions which do not require changing of current legislation:

- Increase in ticket price ,
- Production and sale of souvenirs,
- Placing and renting of advertising boards,

- Jeep tours payment,
- Announcement and promotions,
- Payment of fees for structures rent,
- Usage of name and designation of NP,
- Preparation of attractive projects to attract donations,
- Increase of number of visitors based on a development of tourist facilities,
- Development of tourist infrastructure,
- Voluntary contributions of tourists and tour operators,
- Bioprospecting,
- Public-private partnership in agriculture,
- Public-private partnership (drinking water bottling),
- Fishing incomes.

Proposed solutions requiring changing of current and making of new legislation:

- Better collection of fees for temporary structures which are not in the possession of NP,
- Collection of water supply fee,
- Collection from electrical network and facilities,
- Better collection from telecommunicational systems,
- Collection of fee for infrastructural structures,
- Decreasing of taxes and charges,
- Water supply.

As we may see, there are no limits as regards numerous mechanisms in relation to implementation of current legislative. On the other side, for mechanisms relating to collection of water supply charges, electrical network and facilities, telecommunicational systems, infrastructural structures, water supply, which understand collection of fees not currently collected, it is necessary to make the completely new legislation. For the existing mechanisms which should be upgraded, such as collection of fees for temporary and permanent structures and decreasing of fees and taxes, it is required to change the current legislation and better implementation of it.

For usage of National park, companies and other legal persons, entrepreneurs and citizens using benefits of the National park as protected natural resource and its values, performing activities at the park or otherwise using this protected resource, should pay the appropriate fee to the National park.

The fee should be collected for: performance of certain activities in the National park, usage of specially developed terrains in the National parks or appropriate terrains for certain purposes, usage of the name and designation of the National park, usage of services provided by the Public company (fee is paid by those services users), entering into the protected area.....

Lack of or inadequate legislation may be the significant barrier as regards the implementation of proposed mechanisms. It is of crucial importance in relation to upgrading of business and development of NP to make/change and adopt the necessary regulations.

8 Synthesis of the financial plan

This document establishes lines of strategic action to mobilize financial resources and build financial management capacity to support a network of protected areas. In this sense, a financial plan evaluates the financial condition of protected area operations, provides information on current and future needs, and defines options for leveraging resources from both the public and private sectors.

In the process of considering presumptions for the financial plan we took into account the next key facts:

- PAs in Montenegro are underfunding. However, protected area financing is about more than money; it involves mobilizing and managing funds to address a range of challenges associated with biodiversity conservation.
- It is necessary to provide secure sources of funds. Securing adequate funds is a necessary but not sufficient condition for PAs to be managed effectively and financed sustainably. It is also necessary to consider the quality, form, timing, targeting, uses and sources of funding.
- Assessing and achieving PA financial sustainability involves considering and addressing a wide range of issues, including:
 - Building a diverse funding portfolio, including multiple funding sources, is a key element of PA financial stability and sustainability. In this plan we have tried to determine the most achievable financial mechanisms.
 - This plan requires that funds are managed and administered in a way that promotes cost efficiency and management effectiveness, allows for long-term planning and security, and provides incentives and opportunities for managers to generate and retain funds at the PA level.
 - The board support of the government is necessary in considering indirect and opportunity costs as well as local development benefits as key elements of PA funding needs; targeting cash and in-kind support to groups who incur PA costs, while also securing fair contributions from PA beneficiaries, is critical to PA financial and economic sustainability.
 - Making PAs financially sustainable also means identifying and overcoming the broader market, price, policy and institutional distortions that act as obstacles to PA funding and financial sustainability.
 - Factoring finance into PA planning and management processes, and ensuring that there is sufficient human capacity to use financial tools, is a key strategy for improving PA financial sustainability.
- PA financial sustainability can be defined as the ability to secure sufficient, stable and long-term financial resources, and to allocate them in a timely manner and in an appropriate form, to cover the full costs of PAs and to ensure that PAs are managed effectively and efficiently with respect to conservation and other objectives. In short, financial sustainability is not possible without strong and effective institutions for PA management.

Building a diverse, stable and secure funding portfolio

PAs in Montenegro rely heavily on central government allocations to cover the bulk of their operating costs. Foreign donor grants are another important source of funding, mainly used for development projects. Some but not all PAs are able to supplement their budgets by earnings from tourism and other resource use charges.

Relying on just one or a small number of funding sources is risky. PAs compete against many other demands for government and donor funding, and they are rarely considered a high priority

when difficult budget decisions must be made. In the face of public sector cutbacks and budget constraints, and in the context of an overall trend of declining development spending on the environment, funding for PAs has sometimes declined dramatically. That happens in 2012 year, the budget for PAs declines from E 950.000 to 550.000.

Earnings from tourist visits, a staple element of PA funding in Montenegro, can also be insecure and subject to fluctuations.

For these reasons, combining different sources of funding is a key element of long-term PA financial sustainability. A diversified financial portfolio can better enable PA managers to cope with risk and uncertainty, and provide a measure of security should any single source of funding decline or fail.

Improving financial administration, effectiveness and efficiency

Financial flows are not always managed effectively, either in relation to PA financing needs or conservation priorities. In many cases, PA funding is skewed towards recurrent costs, especially staffing, while critical investment needs remain under-funded. In many instances, the priority given to recurrent costs means that few funds are available for core conservation investments, such as buildings and infrastructure, the purchase of vehicles and other equipment, wildlife inventories, etc. This practice have to be changed.

Changes in overall patterns of public expenditure can likewise affect both recurrent and capital spending by PAs.

PAs operate on an annual budget cycle. Yet cash flow requirements for conservation finance rarely conform neatly to an annual budget or project calendar. Similarly, donor-funded projects may involve very irregular or delayed transfers of funds. When combined with uncertainty about the level of funding that can be expected in the future, this means that it is often difficult to match cash availability to actual needs, or to undertake long-term planning and investment. In many cases the release of funding does not coincide with the timing of PA costs and financial needs.

PA financial sustainability thus requires funding to be released in a timely manner, and to be administered and allocated in ways which supports long-term conservation goals. Financial sustainability can also be enhanced by increasing PA financial autonomy, i.e. the opportunity to generate and retain funds at the PA level.

Another challenge of PA financing is ensuring that funds are used efficiently. Financial resources will always be limited and it is therefore imperative that funds are allocated strategically and used as efficiently as possible.

Taking a comprehensive view of PA costs and benefits

PA financing has focused on meeting direct operational and management costs – in other words funding the salaries, infrastructure, equipment and maintenance required to establish and run PAs. The total cost of a PA, however, is far greater than this, while those bearing the costs of PAs are not limited to the entity charged with managing it. PA costs also include the various benefits or economic opportunities that are diminished or lost due to the establishment of the PAs, such as the value of foregone output from prohibited resource uses or from potential conversion of the area to an alternative use, as well as possible wildlife damage and congestion

effects on other sites and stocks that remain available for extractive uses and alternative developments.

Creating an enabling financial and economic framework

A wide range of external factors influence PA funding opportunities and financial status. These include market, price, policy and institutional conditions in economic sectors that have indirect but often significant impacts on PAs. It is serious challenge in Montenegro.

A more fundamental challenge is that many PA goods and services are seriously under-priced, or not priced at all, by the market. At the same time there are often weak incentives provided for investment in PAs. This can have a major impact on the ability of PAs to generate funds. For example, PAs provide valuable watershed protection services to downstream towns and cities. However, PAs are not able to capitalize on the value of their contribution to secure water supplies.

Overcoming market, price and policy distortions that act as obstacles to funding is a key element of PA financial sustainability. Without taking action at this broader level it is often difficult either to raise sufficient funds for PAs, to ensure that costs are adequately covered, or to foster an economic environment that encourages investment in PAs.

Building capacity to use financial tools and mechanisms

Just as managers in the private sector are expected to understand financing issues and tools, PA managers are increasingly required to develop the same competency. No private business manager could expect an enterprise to thrive without good information on costs, cash flow, investment strategies and potential sources of funds. PA managers and park system managers need a similarly detailed understanding of the financial implications of managing their site or system.

In the phase of desk-help of this project this issue will be treated, and will be proposed system of improving financial, and business competencies of staff in PAs.

8.1 Financial Plan - projections of revenues and expenses

Detailed revenue projections - with less complex financial mechanisms and costs for the base scenario

Income from own sources with implementing the less complex financial mechanisms increase to 975 000 compared to the current situation, which amounts to 2,000,035. The costs required for the basic scenario are 2,746,403. Funding basic scenario of PAs reduced direct funding by the government on 266 368, as shown in the following table.

Revenues	2,746,403.00
Central Government direct	266.368
Central government and municipalities (indirect)	130,000.00
Own sources	2,000,035.00
Donations	350,000.00
Costs	2,746,403.00
operative	2,251,403.00
Capital	495,000.00
Revenues – costs	0

Detailed revenue projections is given in Table 8.1, a detailed projection of operating costs in Table 8.2, a detailed projection of capital costs in Table 8.3.

Table 8.1 Details of revenue projections - with the implementation of more complex financial mechanisms

Income Sources	Baseline	Income projection	Financial mechanism effect	
Municipal				
Central Government Direct	950,000.00	850,000.00	-100,000.00	
Central Government Indirect	130,000.00	130,000.00		
Private Sources				
Self-Generated Funds				
	346,178.00			
Tickets		451,178.00	105,000.00	Includes ticket price increasing, new entrances, and modern equipment on entrances.
Rafting	150,074.00	190,074.00	40,000.00	
Payment for permanent and partime objects	95,000.00	145,000.00	50,000.00	
Fishing permission	79,006.00	79,006.00		
Mineral extraction	46,504.00	46,504.00		

Bleak Fishing	21,66.00	21,366.00		
Souvenirs	37,092.00	62,092.00	25,000.00	
Renting of own objects	45,000.00	90,000.00	45,000.00	
Bungalows	18,229.00	18,229.00		
Camping	8,325.00	8,325.00		
Wood assortments	14,097.00	14,097.00		
Issuing boats	5,043.00	5,043.00		
Parking	2,623.00	2,623.00		
Amortization income	20,274.00	20,274.00		
Income from Unesco	6,785.00	6,785.00		
Income from films	4,274.00	4,274.00		
Incomes from restaurants	36,992.00	36,992.00		
Billboards		45,000.00	45,000.00	
Jeep relies		18,000.00	18,000.00	
Marketing (indirect effect)		100,000.00	100,000.00	
Fees for electrical networks, substations and other electrical facilities		100,000.00	100,000.00	
Fees for use of water		375,000.00	375,000.00	
Fee for telecommunication facilities		72,000.00	72,000.00	
Other incomes	88,173.00	88,173.00		
Total National sources	1,025,035.00	2,000,035.00	975,000.00	
International sources				
Bilateral and Multilateral Entries (donations)	250,000.00	350,000.00	100,000.00	
Total	2,355,035.00	3,330,035.00	1,950,000.00	

Table 8.2 Projected operating costs for the basic scenario of national parks

Type of cost	Baseline	Basic scenario	Gap for basic scen.
Gross salaries	1,125,959.00	1,351,150.80	225,191.80
Fuel	76,519.00	95,648.75	19,129.75
Electrical energy	30,381.00	37,976.25	7,595.25
Additional material	12,675.00	15,843.75	3,168.75
PTT	33,682.00	42,102.50	8,420.50
Representation	20,937.00	23,030.70	2,093.70
Advertising, sponsorship, journal	47,667.00	52,433.70	4,766.70

The cost of maintenance of fixed assets	50,885.00	55.973.50	5,088.50
Vehicle and asset insurance	8,594.00	9.453.40	859,40
Depreciation	103,729.00	114.101.90	10,372.90
Investment in equipment and inventor	31,943.00	35.137.30	3,194.30
Costs of various taxes and duties	20,922.00	23,014.20	2,092.20
Layers services	17,369.00	19,105.90	1,736.90
Printing of tickets	2,887.00	11,548.00	8,661.00
Cost of souvenirs	8,035.00	24,105.00	16,070.00
Nonproduction services	4,165.00	4,581.50	416.50
Other costs	141,996.00	156,195.60	14,199.60
Total	1,738,345.00	2,071,403.00	333,058

Table 8.3 Capital costs for the base scenario

Centers for visitors	70,000
Arrangement of terrenes and infrastructure	103,000
Investment in object	50,000
Investment in vehicles	66,000
Equipment	55,000
arrangement of raft area	6,000
Reconstruction of entrances	15,000
Building ontological station	50,000
Research in Biogradsko lake	30,000
Other investment	50,000
	495,000

Detailed revenue projections - the mechanisms of high complexity and cost of the optimal scenario

Revenues with implementing new mechanisms are €4,156.985. The costs required for the optimal scenario are €4,506,985. Funding basic scenario reduced direct funding of PAs from the government side of €425.985, as shown in the following table.

Income	4,506,985
Income Sources	
Central Government Direct	425,049
Central Government Indirect	130,000
Total National sources	3,601,936
Donations	350,000

Expenditures	4,506,985
Recurrent	2,945,985
Capital	1.561.000
Income-expenditure	0,00

Detailed revenue projections from the financial mechanisms of high complexity is shown in Table 8.4, a detailed projection of costs is given in Table 8.5 and 8.6.

Table 8.4. Projected revenues from the financial mechanisms of the high complexity

	Basic scenario	Optimal scenario	New financial mechanisms	
Income Sources				
Municipal				
Central Government				
Direct	850,000.00	850,000.00		
Central Government Indirect	130,000.00	130,000.00		
Private Sources				
Self-Generated Funds				
Tickets	451,178.00	901,178.00	450,000.00	Includes ticket price increasing, new entrances, and modern equipment on entrances.
Rafting	190,074.00	290,074.00	100,000.00	
Payment for permanent and partime objects	145,000.00	195,000.00	50,000.00	
Fishing permission	79,006.00	118,006.00	39.000.00	
Mineral extraction	46,504.00	46,504.00		
Bleak Fishing	21,366.00	21,366.00		
Souvenirs	62,092.00	62,092.00		
Fees for using resources	128,633.00	128,633.00		
bungalows	18,229.00	118,229.00	100,000.00	
Camping	8,325.00	33,325.00	25,000.00	
Wood assortments	14,097.00	14,097.00		
Compensations fees	101,268.00	101,268.00		
Issuing boats	5,043.00	5,043.00		
Parking	2,623.00	2,623.00		
Amortization income	20,274.00	20,274.00		
Income from Unesco	6,785.00	6,785.00		
Income from films	4,274.00	4,274.00		
Incomes from restaurants	36,992.00	36,992.00		

Billboards	45,000.00	95,000.00	50,000.00	
Jeep relies	18,000.00	18,000.00		
Marketing (indirect effect)	100,000.00	100,000.00		
Fees for electrical networks, substations and other electrical facilities	100,000.00	100,000.00		
Fees for use of water	375,000.00	375,000.00		
Fee for telecommunication facilities	720,000.00	720,000.00		
Other incomes	88,173.00	88,173.00		
Total National sources	2,787,936.00	3,601,936.00	814,000.00	
International sources				
Bilateral and Multilateral Entries (donations)	350,000.00	350,000.00		
Total	4,117,936.00	4,931,936.00	814,000.00	

Table 8.5 Projected operating costs for the optimal scenario

Type of cost	Baseline	Optimal scenario	Gap for optimal scenario
Gross salaries	1,125,959.00	1,824,053.58	698,094.58
Fuel	76,519.00	114,778.50	38,259.50
Electrical energy	30,381.00	45,571.50	15,190.50
Additional material	12,675.00	19,012.50	6,337.50
PTT	33,682.00	50,523.00	16,841.00
Representation	20,937.00	27,636.84	6,699.84
Advertising, sponsorship, journal	47,667.00	60,298.76	12,631.76
The cost of maintenance of fixed assets	50,885.00	64,369.53	13,484.53
Vehicle and asset insurance	8,594.00	10,871.41	2,277.41
Depreciation	103,729.00	131,217.19	27,488.19
Investment in equipment and inventor	31,943.00	40,407.90	8,464.90
Costs of various taxes and duties	20,922.00	26,466.33	5,544.33
Layers services	17,369.00	21,971.79	4,602.79
Printing of tickets	2,887.00	46,192.00	43,305.00

Cost of souvenirs	8,035.00	27,720.75	19,685.75
Cost of rent		0,00	0.00
Nonproduction services	4,165.00	5,268.73	1,103.73
Other costs	141,996.00	179,624.94	37,628.94
Total	1.738.345	2,695,985.00	957,640,00

Table 8.6 Projected capital costs for the optimal scenario

Development program of accessibility	170,000.00
Development program of public services and infrastructure	100,000.00
Improvement program of natural and socio-cultural resources	50,000.00
The concept of walking / hiking and biking routs	80,000.00
Municipal plans relating to the environment, aesthetics, attractions, etc,	25,000.00
The concept of viewpoints	150,000.00
Program of tourist signalization and interpretation	120,000.00
Tourist information system	50,000.00
System of internal mobility and parking	500,000.00
Destination management organization	100,000.00
vehicles	66,000.00
equipment	100,000.00
Other	50,000.00
Total	1,561,000.00

9 Key figures

Table 9-1 – Montenegro geographical highlights

Geographic Highlights in Montenegro	
Longest beach	Velika Plaža, Ulcinj — 13 km
Highest peak	Zla Kolata, Prokletije at 2,534 m
Largest lake	Skadar Lake — 391 km ² of surface area
Deepest canyon	Tara River Canyon — 1,300 m
Biggest bay	Bay of Kotor
National parks	Durmitor — 390 km ² , Lovćen — 64 km ² , Biogradska Gora — 54 km ² , Lake Scutari — 400 km ² ; altogether 10% of Montenegro's total area

Source: <http://en.wikipedia.org>

Table 9-2 - Geographic coordinates of Montenegro

Geographic coordinates of extreme points				
Location: The Republic of Montenegro is located in South-Eastern Europe				
	North latitude	East longitude	Municipality	Place
North	43° 32'	18° 58'	Pljevlja	Mocevici
South	42° 50'	19° 22'	Ulcinj	Mala Ada
East	42° 53'	20° 21'	Rozaje	Jablanica
West	42° 29'	18° 26'	Herceg Novi	Prijedor

Source: MONSTAT

Table 9-3 – Montenegro Overview Data Table

Area:	13,812 km ²
Population:	620,000
Capital:	Podgorica (pop.173,000) (Cetinje – old royal capital)
Currency:	Euro
Language:	Montenegrin (Serbian)
Time:	GMT + 1 hr
Government:	Republic President Filip Vujanovic Prime Minister: Milo Djukanovic
Airports:	Podgorica and Tivat. Dubrovnik's Cilipi airport is located just 20km from the Montenegrin border.
Ports:	The main port of Bar has ferry links to Bari and Ancona in Italy.
Telephone:	The International dialing code for Montenegro is +382.
Electricity:	220 Volts AC. Standard UK to European adaptor plugs work.
Religion:	Majority from the Eastern Orthodox church but also Roman Catholic and Muslim minorities, smaller Jewish and Protestant groups.
Climate:	Continental, Mediterranean and mountain
Average Summer Temperature:	27.4 °C.
Average Sunny Days:	240 per annum

Sources: MONSTAT and <http://en.wikipedia.org>

Table 9-4 – Montenegro geographical highlights

Geographic Highlights in Montenegro	
Longest beach	Velika Plaža, Ulcinj — 13 km
Highest peak	Zla Kolata, Prokletije at 2,534 m
Largest lake	Skadar Lake — 391 km ² of surface area
Deepest canyon	Tara River Canyon — 1,300 m
Biggest bay	Bay of Kotor
National parks	Durmitor — 390 km ² , Lovćen — 64 km ² , Biogradska Gora — 54 km ² , Lake Scutari — 400 km ² ; altogether 10% of Montenegro's total area

Source: <http://en.wikipedia.org>

Table 9-5 – Territorial division of Montenegro

Territorial division (31.12.2004.)	
Municipalities	21
Settlements	1,256
Urban settlements	40
Local Communities	368

Source: MONSTAT

Table 9-6 – National parks in Montenegro

National parks			
	Area (ha)	Altitude (m)	Municipality
Durmitor	39000	538 - 2523	Zabljak, Mojkovac, Pluzine, Pljevlja, Cetinje
Lovcen	6400	1200 - 1749	Cetinje
Biogradska gora	5400	832 - 2116	Berane, Kolasin, Mojkovac
Basin of Skadar lake	40000	6	Podgorica, Bar, Cetinje

Source: MONSTAT

Table 9-7 - Population growth by municipality, 1961 – 2003

	1961	1971	1981	1991	2003
Podgorica	72.219	98.796	132.290	152.025	169.132
Niksic	57.399	66.815	72.299	74.706	75.282
Bijelo Polje	46.651	52.598	55.634	55.268	50.284
Bar	24.587	27.580	32.535	37.321	40.037
Pljevlja	46.677	46.843	43.316	39.593	39.806
Berane	34.280	40.085	42.285	38.953	35.068
Herceg Novi	15.157	18.368	23.258	27.593	33.034
Kotor	16.642	18.917	20.455	22.410	22.947

Source: Statistical Yearbook 2006, Montenegro; last census in 2003

Table 9-8 - Montenegrin citizens abroad of age 15 and over and country of stay

Country	Montenegrin Citizens
Germany	9100
Switzerland	2101
Luxembourg	1933
Sweden	1702
France	1062
Netherlands	873
Denmark	900
Italy	1000
Austria	711
Russian Federation	466
Belgium	388
Great Britain	364
Other European countries	3041
USA	14927
Australia	833
Canada	565
Other non-European countries	455
Unknown	1678
Total	42099

Source: Census, 2003

Table 9-9 – Density of population in European countries

Rank	Country/Region of special position	Population	Date Last Updated	Area (km ²)	Density (/km ²)
	World (land only)	6,875,113,500	October 15, 2010	148,940,000	46.160
	World (with water)	6,875,113,500	October 15, 2010	510,072,000	13.479
2	Monaco	33,000	2009	1.95	16,923.077
5	Gibraltar (UK)	31,000	2009	6.8	4,558.824
6	Vatican City	826	2009	0.44	1,877.273
7	Malta	416,333	January 1, 2010	316	1,317.509
13	Jersey	91,533		116	789.078
20	San Marino	30,800	January 1, 2008	61	504.918
28	Netherlands	16,620,000	October 15, 2010	41,526	400.252
34	Belgium	10,827,519	January 1, 2010	30,528	354.675
51	United Kingdom	62,041,708	January 1, 2010	243,610	254.676
55	Germany	81,757,600	January 1, 2010	357,022	228.999
56	Liechtenstein	35,981	January 1, 2010	160	224.881
60	Italy	60,200,060	June 2009	301,318	199.789
65	Luxembourg	502,207	January 1, 2010	2,586	194.202
	Kosovo (status disputed)	2,100,000	2009	10,908	192.519
66	Switzerland	7,761,800	September 30, 2009	41,284	188.010
69	Andorra	86,000	2009	468	183.761
81	Transnistria (Moldova)	555,347		4,163	133.401
82	Czech Republic	10,476,543	March 31, 2009	78,866	132.840
86	Denmark	5,532,531	September 30, 2009	43,094	128.079
89	Poland	38,163,895	January 1, 2010	312,685	122.052
91	Moldova	3,567,500		33,844	105.410
94	Portugal	10,636,888	January 1, 2010	92,391	115.129
96	France (Metropolitan)	62,793,432	January 1, 2010	551,500	113.859
97	Slovakia	5,424,057	January 1, 2010	49,033	110.621
98	Albania	3,195,000	January 1, 2010	28,748	111.138
100	Hungary	10,013,628	January 1, 2010	93,032	107.636
104	Slovenia	2,065,040	October 15, 2010	20,256	101.947
105	Serbia (excluding Kosovo)	7,800,000	2009	77,474	100.679
107	Austria	8,372,930	January 1, 2010	83,858	99.847
109	Isle of Man	80,000	2009	572	139.860
110	Spain	46,087,170	January 1, 2010	506,030	91.076
111	Romania	21,466,174	January 1, 2010	238,391	90.046
113	Cyprus	801,851	January 1, 2010	9,251	86.677
115	Greece	11,306,183	January 1, 2010	131,957	85.681
117	Republic of Macedonia	2,114,550		25,713	82.237
	Northern Cyprus (status disputed)	264,172		3,355	78.740
122	Croatia	4,443,000		56,538	78.584
123	Ukraine	46,936,000	October 1, 2009	603,700	77.747
128	Bosnia and Herzegovina	3,781,000	2009	51,197	73.852
135	Bulgaria	7,576,751	January 1, 2010	110,912	68.313
144	Ireland	4,450,878	January 1, 2010	70,273	63.337
151	Lithuania	3,329,227	January 1, 2010	65,300	50.984
154	Belarus	9,755,106		207,600	46.990
161	Montenegro	630,548	2009	14,026	44.956
174	Faroe Islands (Denmark)	49,006	August 1, 2009	1,399	35.029
175	Latvia	2,248,961	January 1, 2010	64,600	34.820
181	Estonia	1,340,021	January 1, 2010	45,100	29.712
194	Sweden	9 366 092	May 30, 2009	449,964	20.725
201	Finland	5,370,909	October 15, 2010	338,145	15.883
212	Norway	4,893,690	October 15, 2010	385,155	12.706
221	Russia	141,927,297	January 1, 2010	17,098,242	8.301

232	Iceland	317,900	April 1, 2010	103,000	3.086
239	Greenland (Denmark)	57,000	2009	2,175,600	0.026
Ran k	Country/Region of special position	Population	Date Last Updated	Area (km²)	Density (/km²)

Source: Unless otherwise specified (or unless entered in error without specifying the data source) figures for Population and Population Density figures are sourced from year 2005 data in United Nations World Population Prospects (2004 revision), Area figures given here are taken from various (usually unspecified) sources.

Table 9-10- Total population in Montenegro and selected countries / regions

		2003	2004	2005	2006	2007	2008	2009
European Union-27	Thousands of persons	487.702	489.887	492.102	494.051	496.310	498.572	500.209
	Growth rate	0,4	0,4	0,5	0,4	0,5	0,5	0,3
EECCA	Thousands of persons	278.456	278.038	277.765	277.628	277.769	278.194	.
	Growth rate	-0,2	-0,2	-0,1	0	0,1	0,2	.
Western Balkans-6	Thousands of persons	21.946	21.950	21.948	21.927	21.908	21.825	.
	Growth rate	0	0	0	-0,1	-0,1	-0,4	.
Montenegro	Thousands of persons	620	622	623	624	626	629	.
	Growth rate	0,3	0,3	0,2	0,2	0,3	0,4	.
Serbia	Thousands of persons	7.481	7.463	7.441	7.412	7.382	7.350	7.350
	Growth rate	-0,3	-0,2	-0,3	-0,4	-0,4	-0,4	0

Source: UNECE Statistical Division Database, compiled from national and international (CIS, EUROSTAT, IMF, OECD) official sources.

Table 9-11 - Economic Overview of Montenegro 2003 – 2009

	2003	2004	2005	2006	2007 ¹⁷	2008	2009
Gross Domestic Product (GDP) (M EUR)	1,510	1,670	1,815	2,149	2,680	3,085	3,242
Economic Growth (GDP) in %	2.5	4.4	4.2	8.6	10.7.	6.9	
GDP (EUR per person)	2,435	2,684	2,912	3,443	4,280	4,907	
Inflation Rate in %	6.7	2.4	1.8	2.0	1.1	6.9	1.5
Unemployment Rate in %	22.0	27.7	28.0	15.0	11.8	10.7	10.9
Foreign Direct Investments (M EUR)	43	53	383	644-	1008	668	754

Source: National Bank of Montenegro, MONSTAT (National Statistics), Ministry of Finance Montenegro

Table 9-12 - GDP per Capita at Current Prices and PPPs, US\$

	2003	2004	2005	2006	2007	2008	2009
European Union-27	24.542	25.734	26.857	29.062	30.745	32.097	31.340
Western Balkans-6	7.336	8.016	8.835	9.837	10.831	12.106	..
Montenegro	6.604	7.071	7.908	9.898	12.304	13.744	..
Serbia	6.805	7.596	8.517	9.443	10.198	11.559	..

Source: UNECE Statistical Division Database, compiled from national and international (CIS, EUROSTAT, IMF, OECD) official sources.

Table 9-13 -Total employment in Montenegro and selected countries / regions

		2003	2004	2005	2006	2007	2008	2009
European Union-27	Thousands of persons	213.378	214.812	216.843	220.390	224.351	226.435	222.291
	Growth rate	0,4	0,7	0,9	1,6	1,8	0,9	-1,8
EECCA	Thousands of persons	121.021	..	..	..	..	..	..
	Growth rate	..	..	..	..	..	..	..
Western Balkans-6	Thousands of persons	..	6.415	6.240	6.155	6.285	..	..
	Growth rate	..	..	-2,7	-1,4	2,1	..	..
Montenegro	Thousands of persons	143	144	143	151	156	166	..
	Growth rate	1,9	0,6	-0,1	5,2	3,7	6,3	..
Serbia	Thousands of persons	..	2.931	2.733	2.631	2.656	2.822	..
	Growth rate	..	..	-6,7	-3,8	1	6,3	..

Source: UNECE Statistical Division Database, compiled from national and international (CIS, EUROSTAT, IMF, OECD) official sources.

Table 9-14 - Unemployment Rate by Country and Year (% Variation)

	2003	2004	2005	2006	2007	2008	2009
Western Balkans-6	..	..	..	..	..	..	..
European Union-27	9	9,1	8,9	8,2	7,2	7	8,9
Montenegro	..	27,7	30,3	29,6	19,4	16,8	19,1
Serbia	14,6	18,5	20,8	20,9	18,1	13,6	16,1

The unemployment rate is the share (in per cent) of the unemployed in the labour force. Unemployment data provided in this table may differ from unemployment data provided in Gender Statistic, due to the use of different sources.

Source: UNECE Statistical Division Database, compiled from national and international (CIS, EUROSTAT, IMF, OECD) official sources.

Table 9-15 - Gross Average Monthly Wages by Indicator, Country and Year (US\$, at current Exchange Rates)

	2003	2004	2005	2006	2007	2008
Bosnia and Herzegovina	444,9	498,1	522	569	681,4	..
Croatia	840,4	993,1	1050,3	1137,2	1316,2	..
Germany	3776	4245,2	4322,6	4434,6	..	..
Greece	1577,9	..	..	..	..	..
Italy	1820,3	2063,2	2113,5	2228	2450,4	..
Montenegro	306,6	376,7	406,2	473,8	681,1	895,7
Serbia	288,5	352,1	382,4	472,8	662,8	819,6
Slovenia	1227,2	1394,7	1442,6	1515,6	..	..
The former Yugoslav Republic of Macedonia	368,4	421,2	432,9	472,7	540,7	..
United Kingdom	3656,9	4276,5	4444,2	4655,5	5259	..

Source: UNECE Statistical Division Database, compiled from national and international (CIS, EUROSTAT, IMF, OECD) official sources.

Table 9-16 - Montenegro, Percentage of the population falling below the poverty line

Population below poverty line	7% (2007 est.)
World Rank Position	141

Source: [CIA World Factbook](#) - This information is accurate as of February 19, 2010

Table 9-17 - Recognition of Montenegro per selected features (million of items, Google Internet search, 14 October 2010)

	Countr y	Touris m	Agricultur e	Cultur e	Natur e	Landscap e	Histor y	Sport s	Win e	Potatoe s
Montenegr o	62,4	6,8	7,6	9,9	12,3	1,9	102,0	23,7	2,7	0,1
Austria	162,0	12,1	42,1	70,2	105,0	7,1	139,0	43,2	0,4	0,8
Hungary	91,4	10,3	19,7	41,7	62,6	6,2	94,3	40,5	0,6	1,1
Belgium	136,0	10,9	66,0	39,6	57,7	6,9	133,0	35,1	8,0	1,0
Italy	254,0	6,7	53,4	128,0	107,0	21,2	180,0	60,0	8,7	2,4
France	545,0	49,4	81,9	108,0	115,0	28,9	145,0	111,0	33,0	3,0
Denmark	115,0	26,0	44,3	33,9	47,2	13,0	128,0	33,6	5,1	0,9
Macedonia	128,0	9,3	19,5	11,1	25,4	3,2	126,0	22,2	3,8	0,4
Serbia	156,0	0,5	7,8	17,5	20,7	3,7	120,0	37,7	4,6	0,2

Source: AESA calculations

Table 9-18 - Recognition Index of Montenegro per selected features (Country = 100, Google Internet search, 14 October 2010)

	Country	Tourism	Agriculture	Culture	Nature	Landscape	History	Sports	Wine	Potatoes
Montenegro	100,0	10,9	12,2	15,9	19,7	3,0	163,5	38,0	4,3	0,2
Austria	100,0	7,5	26,0	43,3	64,8	4,4	85,8	26,7	0,2	0,5
Hungary	100,0	11,3	21,6	45,6	68,5	6,8	103,2	44,3	0,7	1,2
Belgium	100,0	8,0	48,5	29,1	42,4	5,1	97,8	25,8	5,9	0,7
Italy	100,0	2,6	21,0	50,4	42,1	8,3	70,9	23,6	3,4	0,9
France	100,0	9,1	15,0	19,8	21,1	5,3	26,6	20,4	6,1	0,6
Denmark	100,0	22,6	38,5	29,5	41,0	11,3	111,3	29,2	4,4	0,8
Macedonia	100,0	7,3	15,2	8,7	19,8	2,5	98,4	17,3	3,0	0,3
Serbia	100,0	0,3	5,0	11,2	13,3	2,4	76,9	24,2	2,9	0,1

Source: AESA calculations

Table 9-19 - Tourist arrivals and nights, 2008 and 2009

	2008	2009	Index
Arrivals			
total	1.188.116	1.207.694	101,6
domestic	156.904	163.680	104,3
foreign	1.031.212	1.044.014	101,2
Nights			
total	7.794.741	7.552.006	96,9
domestic	828.462	856.332	103,4
foreign	6.966.279	6.695.674	96,1

Source: MONSTAT

Table 9-20 - Tourist arrivals and nights by type of tourist resort, 2009

Type of tourist resort	Arrivals			Structure of total arrivals %	Nights			Structure of total nights %
	Total	Domestic	Foreign		Total	Domestic	Foreign	
Total	1207694	163680	1044014	100,00	7552006	856332	6695674	100,00
Republic's capital	49166	6154	43012	4,07	103464	18385	85079	1,37
Coastal resort	1081805	126993	954812	89,58	7244830	740337	6504493	95,93
Mountain resort	41161	16475	24686	3,41	99500	51095	48405	1,32
Other tourist resorts	34623	13926	20697	2,87	102208	46250	55958	1,35
Other resorts	939	132	807	0,08	2004	265	1739	0,03

Source: MONSTAT

Table 9-21 - Tourist arrivals and nights by country in 2009

Country	Arrivals	Nights	Structure in %	
			Arrivals	Nights
Montenegro-total	1207694	7552006	100,00	100,00
Domestic	163680	856332	13,55	11,34
Foreign	1044014	6695674	86,45	88,66
Albania	39263	192145	3,25	2,54
Bosnia and Hercegovina	101882	778455	8,44	10,31
Italy	42549	225976	3,52	2,99
Germany	18329	109893	1,52	1,46
Russia	145559	1060510	12,05	14,04
Slovenia	18891	84578	1,56	1,12
France	33080	193983	2,74	2,57
Serbia	338894	2298720	28,06	30,44
Croatia	15680	59798	1,30	0,79
Czech Republic	25928	171643	2,15	2,27
USA	6698	22645	0,55	0,30
Other countries	257261	1497328	21,30	19,83

Source: MONSTAT

10 Synthesis of key interviews

Interview 1 – Ivan Jovetic; consultant, ISSP

November 9th 2011

Mr Ivan explained his approach in the project “The Economic Value Of Protected Areas in Montenegro”. He expressed willingness for cooperation, and the institute is ready to give us @fact book” which it has collected in the process of collecting information for the project.

Mr Ivan said that the main problem in the the project Economic Value of Protected Area was lack of data. He thinks that we will be faced with this problem, too.

The important persons for providing data are: Mr Spahic form National Parks, Mr. Andjelic from Ministry of water management and forest, Saveljic, and Zlatko Bulic from Agency for nature protection.

The financial reports of the National parks are not good because of methodological issues. That means that all transaction has not been recorded, not because of bad accounting, but the problem is to cover all activities inside park area, how to evidence non official acitivities. How to encompass persons who work inside area irregularly. With establishing good monitoring and

controlling system collection of money would be better. Agency for water doesn't pay to the National Parks.

They seem that a important potential for business in the Parks are water factories (Biogradska Gora), collection of medical plants, bird watching (Skadar Lake)

According to them, all NP-s are sustainable except Tivatska solila park. Maybe, solution for this park is development of medical center.

Black economy is present. The amount of money out of the system in the national park Skadar Lake is 4.000.000 euro.

The budget of NP Skadra lake is 625.000 euro.

Jelena promised that she will send us a list of protected areas.

Interview 2 – Rade Gregovic; manager of National Parks

November 16th 2011

Mr. Gregović gave us the general picture of National Parks. He described organization, management, and operations of the parks.

The NP-s are interested in the project, and according to Mr. Gregović, the project is very important especially in situation when the budget of the government is very limited for NP-s, so it is necessary finding non budget financial sources.

Today financing of NP-s is 50% from government budget, and 50% from other sources: mostly from products of themselves, and donations. The government budget had been increasing since 2002 year (200.000 e) to 2011 (1.200.000 e). Proposed budget for 2012 is only 550.000 e.

Mr. Gregović expressed will to support the project fully, and he is ready to engage not only in providing current data, but also to support creative solutions regarding establishing the national parks as sustainable system on the base of creating enough incomes to cover expenses, and provide development.

There are a lot of possibilities. For example, using water from Bleak Lake, from Skadar Lake. If somebody takes water from a lake (inside NP), he has to pay for that.

If somebody develops way, or electricity cable, has to pay for that. Of course, new solutions have to be supported by legal framework. We agree with Mr. Gregovic the schedule for interviews with directors of every park, and with other staff.

Interview 3 – Jasmin Spahic, financial manager of PENP

November 17th 2011

He likes the project, and he is fully ready to support it. He presented the organization of finance function in NP. His department is charged to conduct finance in every NP. Financial data comes in his department from all NP.

He has financial reports, and detail data about incomes, and expenses, and he will send them in the next two days.

He describes to us the main incomes, and expanses.

First source of income is the government budget. For this year (2011) it is around 950.000 e. For the next year the planed budget is 550.000.

The next source of income is tourism in NP, such as: tickets, rafting, rent, fishing permits, exploitation of stone and minerals, selling of souvenirs, exploitation of part time objects (restaurants, hotels – 12 e per sq m., 83.000 for 2010 year)., camping, renting bungalows,

Potential sources of incomes:

Mobile operators, and TV infrastructure, for example Zekova Glava in Bjelasica, and Komovi. The repetition is there, and in NP Lovcen. For that operators of TV, and mobile tel. have to pay.

He cited the example of NP Tara in Srbija. It has this type of income. We don't get anything from Elektroprivreda.

According to him, the main strategy of NP has to be improving incomes for these types of incomes, which can be making in NP, by themselves. And to forget about budget!!!

Implement fixed payment.

Sky terrene on the Durmitor is in national park, but the park don't collect money from this source. The company Savin kuk has to pay, due to this company uses the area of the park for skiing,

The park realized in 2010 year 2.000.000 turnover.

Expenses.

NP-s have 160 employees. The main expenses are:
Fuel for vehicles, patrols
Electricity,

We have unsatisfied needs, such as:

- Infrastructure,
- Better offer of NP for visitors,
- More ways,
- Program for collection of money in field, on punks, (PDA equipment) (10-12 places for collection of money).

We need new cars, equipment.

The their source of income is donators fund. This source is important, and we have realized some programs by financing from donators.

Financing from donators is approximately 150.000 to 200.000 by year.

Revenues of the Public Enterprise for National Parks of Montenegro consist of the budget, own revenues and grants.

Budget funds amount to around one million euros.

The main donors were GTZ-German Technical Cooperation, World Bank, UNESCO, the Office of Austrian-Montenegrin Partnership, Ministry of Tourism of Montenegro and the IPA.

Own revenues include fishing (fishing licenses), extraction of sand and gravel, providing services (tickets to the park, picnic and sports and recreation, souvenirs, rafting), use of resources of national parks (the use of temporary facilities for lodging and restaurants, the use of bungalows , camping) and income from various fees.

The largest part of expenses are salaries, which amounted to around 96,000 euros (gross wages), costs of fuel, electricity, phone expenses.

Own resources, according to the opinion of Mr. Spahic, is necessary to be increase because he expect significant reduce of budgetary resources (about 30%). Own resources can be increased by stronger state regulation in a manner which will enhance the legal power to National Parks in way that they can sell or rent their potential. One of the potentials is the water from Lake Skadar. As a potential source of increasing their own sources, he metion the possibility of installing ramps on „Savin Kuk“ (entrance charge), then, improving infrastructure and modernization of equipment, collection of use of goods (for recording videos, advertisements ...), PDAs. Better infrastructure and upgrading equipment to significantly reduce costs, and construction of ecological buildings (solar energy).

Interview 4 – Veselin Luburić; Development manager of National Parks

November 21th 2011

We introduced the of our program, and asked Mr. Luburić to give us his view of NP development.

At the beginning of the meeting, he agreed with our approach to find the best solution for sustainability of protected areas. He emphasized that there are models in neighborhood countries, in Serbia, that the NP are financed from self resources. In Serbia, NP-s collect money from all users of the area of NP (mobile operators, traffic infrastructure, electric infrastructure.....). For example, in Tara NP financing is mostly from self resources.

He thinks that in NP exist similar possibilities. First possibility is concessions. Concession for water has to be implemented. Skadar Lake provides water for public water supply, without payment to NP Skadar Lake. The ongoing law for NP doesn't regulate this, so this issue has to be solved, by implementing law regulations. Maybe, through concession's law and water's law.

Briefly, this issue has to be regulated as in other countries in Europe, and Balkan also.

Second source is ecological tax. Montenegro has implemented ecological tax, but NP-s have not received anything. It would natural, to get part of collected amount, if we take into account the function of NP in the country. That function is, first of all, to protect the nature.

Third source of financing is payment for building infrastructure in NP, not only on the beginning but also during exploitation of infrastructure's objects in the NP. It have to include electric net ware, objects for electro energy,. At this moment, the NP-s don't receive anything on this base. Or very low amount, for example Radio-diffuse center on Lovcen pays 1.000 euro by year. The company for maintenance of roads doesn't pay, also. Even, this company makes troubles to NP, if NP-s ask for putting some advertise by side of the roads.

Touristic products are very important sources of financing. They are present today, but it is necessary to spread the number of touristic products (services).

In this field, Mr. Luburuć proposed the new project that can be based on the private-public partnerships, or private companies, or NP companies. For example, it is important to spread: ecologic places, rafting, etc..

The system of much collection in the parks is very important; the system has to be improved with new equipment and organization.

The NP-s issue conditions for building in the area of parks.

It is important to review the sources of financing in the law for NP!! Today - What is the base for generating income!?

Regarding hunting Mr. Luburic seem that the approach has to be more flexible. He spoke about Triglav NP, where there is controlling haunting. It is better then in our practice, where we have strict prohibition, and people used to haunting without permission. Therefore, controlling haunting is a solution.

What about forests?

There is not commercial cutting. But, of course, it is necessary to take care about forests that mean that we have to clean ill trees, and to seed the areas, to do the best for the forests.

That means planning cutting. But, here, in Montenegro, we have been faces with problems, because of the fact that local inhabitants and green organization treat it differently, not as protecting the forests, but as destroying them.

He thinks that the planned cutting is necessary.

Sport fishing. Today we have sport fishing, and NP issue permissions for sport fishing. There are a lot of people interested in fishing, especially around Skadar Lake.

NP-s have their department for protection, services for guiding...

There is example of private-public partnerships. On Biogradska gora there is auto camp.

We have donator programs.

Mr Veselin promised to prepare organizational chart, and list of ongoing investment and investments during last 3 years. Also, Danijela will send the draft of the changes of existing laws.

Interview 5 - Nela Vusevic, marketing director of PENP

Novembar 23

Regarding marketing activities, we are faced with lack of money. The amount of money for marketing is 30.000 e, in 2010. Year. We don't have promotion materials, and our marketing is only through web site. Our web site is very good. Beyond web site, we practice education in NP.

Mrs. Vusovic seems that there is the potential for development new sources of financing, and describes the possibilities.

First, ecologic tax is one way for increasing revenue. She thinks that NP must collect money through tax for building objects such as pillars, roads, electric infrastructure...

Second, NP Durmitor had the plant for production souvenirs, but today it isn't operating. She thinks that putting it in function is economically reasonable and its production can be selling inside NP, and at the market outside. The plant had worked long time in the past.

Third. Intra border project are very interesting. Per example, revitalization of old katuns on mountain Bjelasica&Komovi (Jelenak).

The chance for development is establishing certificates for all products which are produced in area of NP. That certificate must issue NP.

As marketing and economic activity could be agricultural festivals with promotion of authentic products.

Further, bird watching is very attractive. Today this is not source of income because of the lack of stuff to deal with this. So, bird watching is supported with persons who are not from NP-s Only for group visits, the payment of bird watching is done.

We have our guides, but not enough. We would have a significant income if we can organize our service for guidance.

NP Skadar Lake sells 42.000 tickets in 2010, and it is number of visitors of the park. All parks have 130.000 visitors in 2010 year. NP Skadar Lake asks for payment only entrance in water, not in the land part.

There is gateway for payment in NP Lovcen. In NP Durmitor, the payment is only for entrance in Black Lake.

There isn't administrative building on neither NP Prokletije, nor center for visitors.

NP-s has restaurants on Durmitor, and Skadar Lake. There are a lot of restaurants that are not ownership of NP-s. NP-s issued conditions for menu, and the way of behavior.

In Skadar Lake there is cooperation with wine producer, because of the fact that this region is known region in grape production, and vranac wine.

There are bungalows on Lovcen NP (4), and Biogradska Gora (12).

We have idea to organize " school in nature" but we have not realized it.

She stress bad marketing as a key lack of the development of NPSJ. In fact, the only marketing activity of this park is the web site. The level of development of marketing is very low due to lack of funds.

NPSJ does not operate with some key marketing activities such as quality, comprehensive site, flyers, catalogues, and similar information, which significantly affects the number of visitors and according to that park development and income.

In addition to marketing, as a key development potential of NP she mentioned the creation of new products and services, as well as rehabilitation of existing ones. Potential sources of new revenue could be gained through collection of fees for the use of NP goods, such as water, land and roads, use of transmission lines, operators etc. Existing offer is has to be modernized and equipped.

Significant revenue NP could be achieved through re putting into operation the timber factory in Durmitor, which produces authentic wood souvenirs, which for 10 years long period does not work and does not create revenue. Production was realized from unhealthy trees, sliced into authentic souvenirs, which were significant revenue source as well as marketing instrument. In addition, it is necessary to revitalize canyons, which are in poor condition and have a great potential of development.

Production could be increased through certification of all domestic products and packaging. On that way Park revenues could be increased. Production of medicinal plants could be one such product. It is necessary to improve the content of the park offers, organizing festivals, agricultural fairs, schools in the nature etc. This could connect domestic producers, cottage industry and NP, which would result in multiple developments of tourism and agriculture. Creation of quality

accommodation facilities, development of a system of renting land and ancillary facilities is needed.

As one of the potential revenue that is suggested is "bird watching", which offers great scope for revenue increase, having in mind increasing level of interest in this activity, especially among foreign tourists. However, for all these activities lack of financial resources is main obstacle.

Interview 5 - Nikola Vukanovic, manager

Novembar 23

Mr. Vukanovic show us the visitor center, which is situate on Skadar Lake. The center presents all NP in Montenegro. Mr. Vukanovic told us about the history of Skadar Lake.

We also discussed with him some issues related to current situation in NP Skadar Lake, number of visitors, his opinion about development new products, about obstacles, and problems, etc. He is ready to give the actual data about the number of visitors, and other data. He thinks that the Park has potential for developing and the problem is lack of capital for bigger projects.

Interview 6 - Vaso Uskoković, director of NP Lovcen

Novembar 24

Mrs. Uskoković spoke about the main issues related to NP Lovćen. He thinks that one solution can solve the financial problem of the Park. It is the ropeway. It is planned and should be built in two years, from Kotor to Lovćen, and form Cetnije to Lovćen.

The ropeway should be followed by contests, restaurants, bungalows, nature parks.. etc.

Financing of the NP Lovćen is based on budget sources, and self financing. Budget means comes from the headquarter (NP Montenegro).

The Park earns money from: the adventure park that was built two years ago, bungalows (13.000), tickets for entrance in the park (2 euro).

Public enterprise Lovćen-Bečići for children pays 20.000 euro per year because it is located in the park. Mauzolej lovćen pays 1.000 euro per year. The restaurants on the Lovće are in private hands. Mauzolei isn't ownership of the Park. Center for radio diffusion pays 1.000 euro per year. The army which staff is in the park doesn't pay.

There are two entrances in the park: Bjelasica, and Krstac. Last year (2010) the park collected 70.000 euro from tickets. The park has souvenirs, but not a lot.

Interesting events in the NP Lovćen is car race, usually 3 race. A lot of people comes to see the races (approximately 10.000 visitors). The Park has had problems to collect money from car races (for one race the payment should be 3.000 euro).

The park has accommodation capacity: five apartments (bungalows, tree stars)

The main donator is Austrian people. They have helped to make: maps, path, car, brochures, ..

There are a lot of attraction in the park. We built the view point. There are a lot of interesting caves, nice views,

Revenues of NP Lovcen are consistd of budget funds, own resources and donor funds. The most important part of its own funds comes from the adventurous park (owned by entrepreneurs in the NP-pay a specific amount of funds which were considered to be high, given the low number of visitors, and therefore investors have problems with solvency and liquidity), JU Zeta-Becici (which owns 16 suites, also pay the Np-determined amount of money because they use their space), Mausoleum, radio-broadcasting center, ticket sales, sports events. Although NP Lovcen has considerable touristic offer, there is great scope for its improvement and development. Both, offer and source of income may be at significant levels, if the number of visitors increases, if better information about the facilities they offer creates and if the current offer is improved.

As some of the possible potential development and construction of income-generating states lifts Kotor-Lovcen, Cetinje-Loven. This investment would provide significant inflow of funds, it would represent an amazing tourist attraction, but also the possibility that within this complex exercise facilities (restaurants, souvenir shops, accommodation capacities ..) In addition to this as a potential future sources of NP Lovcen are: increased number of adventure parks and similar facilities, the construction of accommodations (bungalows, mini hotels, auto camps, tented camps), souvenir shops, selling maps, sports activity, sports facilities for mixed activities (organized auto racing, cycling, etc.), routes for extreme sports, marathon, built of barbecues, paragliding. These facilities would be attractive to visitors and consequently, the existing facilities will function better and achieve higher incomes. For these and similar investments significant financial resources are required. As potential sources of these funds could be foreign donors and private entrepreneurs, who could find their interest in their own development and success.

The most important donors to the National Park Lovcen were Austrians, who provided funds for regulating trails, improvement of existing structures, improving the offer. Mr. Uskokovic expressed the need for investors, considering that there is great potential for development of NP Lovcen, in order to improve and create new content, restaurant, mini hotels, accommodations, training approaches caves surrounding areas. Njegusi are referred to as an important area for investment, because it is believed to possess great potential for tourism development, as have 17 churches and beautiful viewpoints. He states that marketing is on very low level, and that this factor is key for development, because there is significant of lack of information to local and foreign population.

Interview 7 - Saša Jeknić, director

Novembar 30

Mrs. Jeknić is very kind young man with energy, and enthusiasm. He described the situation in the Park, and opportunities for development.

The NP Biogradska gora has 15 employees. The main income comes from visitors, who pay tickets at the entrance of the Park. Other sources income are bungalows, souvenirs, ...The main costs are: salaries, electric energy, fuel, post, In current situation the Park isn't sustainable, and depend on government budget.

The Park don't have means to finance the basic activities, such as guard equipment, fuel, etc.

Mrs. Jeknić seems that the Park has potential, and must improve traffic way and entrance in the park. It is necessary preparation of some programs which are real and could be developed.

He thinks that the Park must have his capacities for accommodation, first of all, a modern hotel. That hotel would be the base for attracting people, and it would give chance to visitor to stay more days in the Park. Number of visitors would increase significantly, more times. And this means that income will be increasing. Instead of ongoing income around 50.000 euro from visitor who pay to entrance the Park income would be 200.000 euro or more.

Defiantly, the Park has to develop new contentt, to attract people, to keep visitors longer in the zone of park. Today, the Park doesn't have content besides the beautiful nature. But, although it is important ingredient, isn't enough. Visitors look for different content.

Tourism is the main activity of the Park, and a lot of effort have to be undertake to improve tourism. In that undertaking, the marketing is very important.

Very important project for the Park is video system and monitoring of the entrances, and the main areas of the Park

The approach to the park is very bad, and have to be built new one. Also the camp has to be rebuilt, with more facilities, water supply, etc.

Today, inside of the Parke there is parking, and it isn't good. This parking must be removed from the park.

The park have to have its touristic agency, its guides...

Interview 8 - Institute for Nature Protection, Zlatko Bulic, director

December

Mr Bulic explained the role of Institute in protected areas. It monitors situation in protected areas, and it took part in preparing the important documents, such as Strategy of biodiversity with action plan (issued 2009)

The Institute proposed Orjene and Proteklije as new protected areas. Proteklije has 16.000 square meters.

Also Institute has realized some programs in protected area through projects financed from accessing funds of EU. The most interesting project is Ptotection of Drina (including Tara, and Piva) with vale of 500.000 euros.

There is the document Program for development and protection of NP (for 5 years)

Interview 9 - Ivana Vojinovic, deputy minister, Ministry for sustainable development and tourism

December 6

Mrs. Ivana seems that this project is very important. She likes to help in it developing. Financial sustainability of the NP is very important issue. The Ministry for sustainable development and

tourism has been working on the low infrastructure and regulations in order to improve preservation of protected areas.

The law for National Parks is in the phase of changing. The law for nature protection has been changed.

Management system for governing protected areas which are not include in the National Parks is not good. It is on the level of municipalities (departments for urbanism).

The main documents in the protection is Strategy and action plan. Also, very helpful document is the report about implementation of action plan. Miss Kilibarda is going to send us these documents.

Interview 10 - Jelena Knežević, Advicer of minister fo sustainable development and tourism

Janurar 13, 2011

Jedini angažovani upravljači Zaštićenim područjima su Javni parkovi
Djelimično Kpotr (UNESCO) i Regionalni zavod za zaštitu kulture

Formalno Morsko dobro upravlja i planovima zaštite. Zavisno od novoa zaštite plaže mogu biti na nivou države ili lokalne zajednice-opštine.

Nije napravljena revizija zaštićenih područja, pa se još uzimja list ZP iz 1970-e godine.

Ona bi trebalo da se određuju prema IJFC.

Pokušali smo da napravimo rekonfiguraciju ZP preko GEF i PAP-a
PAS- menadžment i mehanizmi za upravljanje
PAF nadopunjuje PAS s mehanizmima za upravljanje.

Ovi progami su preko UNDP Crna Gora.

Morsko dobro – plaže. 6 studija je u toku i one su za kategorizaicju.

Za dio je poznat status, za dio nije još.

Za Morsko dobro može podatke dati Aleksandra Ivanović koje vodi održivi razvoj. Kontakt 069 052 007.

Sadašnja pozicija Zavoda se mijenja, treba da organizaciono pripadne Agenciji za zaštitu životne sredine.

Sada nemamo nijedno morsko zaštićeno područje. Na to nas obavezuju konvencije. Radi se fizibiliti studija za Katiće između Budbve i Bara. Radi je italijanska firma, ali nije još kompletna procedura usvajanja ovoga područja jer nije u potpunosti uključen Zavod za zaštitu prirode.

Životna sredina upravlja zaštitom.

Morsko dobro se transformiše u agenciju za obalno područje.

Direktive + konvencije.

Pripremiće odgovor e evropskoj komisiji o stanju zaštićenih područja, fizibiliti studiju za Katiće, PAF, i još neke materijale koje bude imala.

Interview 11 - Saša Šćekić, Adviser of union of municipalities

Januar 16

Gosp Saša je je objasnio da nemaju prećenje zaštićenih područja u Zajednici opština. Takođe, opštine ne upravljaju zaštićenim područjima. Plažama koje su zaštićene upravlja JP Morkso Dobro. Kako opštine ne upravljaju zaštićenim područjima, onda i ne izdvajaju sredstva u budžetu za njih. Koliko on zna samo opština Nikšić upravlja jednim zaštićenim područjem na Grahovu.

On ne zna za pećine ko njima upravlja. Kanjoni rijeka su pod upravom države. Preporučio je da se pogleda sajt Uprave za vode, tamo se može naći informacija ko gazduje rijekama i rječnim kanjonima.

Interview 12 - Tanja Musterović, Ministry of finance

The budget process begins in April of the current year for the next year. By the month of June of current year budget unit shall submit the budget request. Ministry of Finance analyzes the requirements and negotiate with budget units. Ministry of Finance prepares the budget in Septembe, sending it to the government of Montenegro for adoption, and she sent it to the Parliament of Montenegro. This year, the public spending is reduced, and the revenue in the uudget is reduced. It influences reducing the budget for PAs. The budget for 2012. year have all the items relating to protected areas. Within budget provides funding and capital projects in the environmental field. Capital projects in protected areas mainly are funded by the state.

Expenditure on tourism are different: for example, for the promotion by local and global levels. Projects were funded; a clean, tourist sites, NTO representations.

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