Financing Nature in Central and Eastern Europe

Experiences on financing Natura 2000 and conservation activities from the CEE region

*Cases from Bulgaria, Hungary, Lithuania, Poland, Slovakia*

CEEweb, 2012
Financing Nature in Central and Eastern Europe - Experiences on financing Natura 2000 and conservation activities from the CEE region - Cases from Bulgaria, Hungary, Lithuania, Poland, Slovakia

2012

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The Natura 2000 network, the guardian of European Union’s biodiversity, preserves more than 1000 protected entities listed in the Birds and Habitats Directives in the area of all Member States. This world-widely unique conservation network, covering almost one fifth of the European Union, also provides us with various additional benefits besides protecting our natural heritage.

These supplementary assets the network may provide, offering both social and environmental surpluses, are estimated to bring at least 200-300 billion Euro/year, which means that every Euro invested into Natura 2000 is 30-50 folded. Furthermore, Natura 2000 areas are milestones in climate change mitigation and adaptation, storing carbon valued at approximately 600-1100 billion Euros. The network also largely contributes to implementing other EU directives, such as the Water Framework Directive, whilst it provides drinking water, calamity mitigation and aesthetic beauties. The social benefits can be expressed for instance by the approximately 6 million full time jobs that the Natura 2000 sites provides.¹

However, like many other things in life, these goods do not come for free – adequate financing now and in the future essentially defines the prospect of Natura 2000 and its potential to continue the conservation of habitats and species. The European Union’s financing scheme, supplemented by the Member States’ own budget, provided significant amount for the designation, management and monitoring of these sites. In spite of this, the desired 5.8 billion EUR¹, based on the Member States’ estimations in 2008 to reach favourable conservation status, was not reached. In addition to the difficulties regarding the amount of financing, further problems also arose: targeting EU funds for biodiversity was often insufficient at country level, whilst administration and capacity burdens further hindered effective use of support.

While the 2007-2013 Multiannual Financial Framework may have lacked some transparency in terms of Natura 2000’s and conservation’s spending, the opportunity in the Prioritized Action Framework may look promising. However, it would only prove efficient if it takes into account the difficulties and problems occurred in the previous framework and based on it, addresses them adequately.

For this reason, this brief analysis of ten cases depicting ten different financial sources and situations from five CEE countries was compiled. These cases, which give either site specific examples or an overview of funding mechanisms, serve rather the purpose to shed light on effective and amendable sections of the current framework than demonstrating a general trend or a thorough analysis. Our objective is to highlight the beneficial and also the detrimental segments of EU and national financing based on the examples and to provide some suggestions for the improvement to the forming PAFs and the next EU budget for biodiversity and conservation.

¹ European Commission staff working paper on financing Natura 2000. 2011.
In our questionnaires (Annex 1), we wished to focus on specific cases, whether they scrutinize one particular location or one particular programme from financial perspective. Furthermore, we also wished to obtain information on the general financing and financing reporting on biodiversity and whether innovative financing mechanisms have already been used in practice. We did not intend to draw exhaustive conclusions on country or EU specific compact financing systems, we rather wished to point out through the cases what can be kept and what should be further adjusted in those systems, which are depicted by the examples.

Although biodiversity per se was in focus, naturally Natura 2000 and related expenditures stole the limelight being in the centre of conservation in the EU states. The structure of the study reflects on the questionnaires: firstly forms a general overview on the country's biodiversity related spending followed by a case-by-case analysis in the order indicated in the table below\(^2\).

<table>
<thead>
<tr>
<th>Country</th>
<th>Location</th>
<th>Main financing source</th>
<th>Additional source</th>
<th>Stakeholders</th>
<th>Financed activities</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>Bulgaria</td>
<td>Bulgarian Enterprise for Management of Environmental Protection Activities (EMEPA)</td>
<td>Taxes from other environmental acts</td>
<td>National Park Directorates, Regional Inspectorates for Environment and Waters, municipalities, NGOs, etc.</td>
<td>Establishment of the Bulgarian Natura 2000 network, Maintenance of the Wildlife Rehabilitation Centre</td>
<td>good</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Bulgaria</td>
<td>Operational Programme Environment</td>
<td>National co-financing</td>
<td>National Park Directorates, Nature Park Directorates, Regional Inspectorates for Environment and Waters, municipalities, NGOs, etc.</td>
<td>Mapping and determination of the conservation status of habitats and species of the Habitats Directive</td>
<td>good/bad</td>
</tr>
</tbody>
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\(^2\) Further cases are available on CEEweb’s website.
<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Fund/Programme</th>
<th>Body/Programme</th>
<th>Partner/Recipient</th>
<th>Activity/Impact</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
<td>Pásztó</td>
<td>SAPS (EAFRD)</td>
<td>Ministry of Rural Development</td>
<td>Ministry, landowners</td>
<td>Possibility for farmers to get subsidies after the size of their land</td>
<td>bad</td>
</tr>
<tr>
<td>Lithuania</td>
<td>Ilgašilis</td>
<td>EU Structural Fund</td>
<td>United Nations Development Programme, Global Environment Facility (GEF) Small Grants Programme (SGP), Governmental Programme for Support of Environmental Protection</td>
<td>Administration of Sartai Regional Park, State Protected Areas Service under the Ministry of Environment</td>
<td>Tree and scrub cutting, Construction of nature trail, Maintenance of appropriate water level</td>
<td>good</td>
</tr>
<tr>
<td>Kulai</td>
<td>EU Structural Fund</td>
<td>Governmental Programme for Support of Environmental Protection</td>
<td>Administration of Salantai Regional Park, State Protected Areas Service under the Ministry of Environment</td>
<td>Tree and scrub cutting, Establishment of an information stand explaining protected values</td>
<td>good</td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>Poland</td>
<td>European Regional Development Fund</td>
<td>State budget</td>
<td>Farmers, anglers, NGOs</td>
<td>Water management infrastructure – drainage, dykes, rivers canalisation and regulation</td>
<td>bad</td>
</tr>
<tr>
<td>Country</td>
<td>Region</td>
<td>Priority Axis V of Operational Programme Environment</td>
<td>Fund/Programme</td>
<td>Nature conservation authorities, national parks, NGOs, local communities</td>
<td>Conservation measures for species and habitats, Preparing management plans and conservation action plans</td>
<td>Result</td>
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<tr>
<td>Poland</td>
<td>Poland</td>
<td>V axis of Operational Programme Infrastructure and Environment</td>
<td>National Fund for Environment and Water Management</td>
<td>Nature conservation authorities, national parks, NGOs, local communities</td>
<td>Conservation measures for species and habitats, Preparing management plans and conservation action plans</td>
<td>好</td>
</tr>
<tr>
<td>Slovakia</td>
<td>Pieniny National Park</td>
<td>Priority Axis V of Operational Programme Environment</td>
<td>State budget</td>
<td>owners of the target sites, farmers, forest owners, associations</td>
<td>Management of the <em>Maculinea</em> species bush and tree habitats, Monitoring of the <em>Maculinea</em> species</td>
<td>好</td>
</tr>
<tr>
<td>Slovakia</td>
<td>Podskalský Roháč NNR</td>
<td>EAFRD</td>
<td>Programme of rural development in Slovakia 2007 – 2013, 2.2.2 Payments for Natura 2000 – Forest land</td>
<td>Forest owners association Podskalí, Forest owners association Horný Močtenec</td>
<td>Management of the area</td>
<td>好</td>
</tr>
</tbody>
</table>
Cases from Bulgaria

Brief summary of the Bulgarian Nature Financing

Bulgaria covers three biogeographical regions and gives place for Natura 2000 sites on almost 34% of its territory. Yet, Bulgaria does not have a common system where biodiversity related spendings are compiled. The major source for financing conservation measures are the Operational Programme Environment 2007 – 2013 from the European Structural Fund and the relatively little but significant LIFE+ programme. Innovative Financing Mechanisms *per se* are not widespread even though the case of EMEPA indicates that innovation can be found at national level for conservation purposes.

The Bulgarian Operational Programme Environment 2007-2013 – something to be grateful for and something to amend

Axis 3 of the Bulgarian Operational Programme Environment 2007-2013 has been the single largest donor for biodiversity conservation in Bulgaria since 2009. The total amount for the period 2007-2015 is over 103 million EUR ensured 85% from the ERDF and 15% from the national budget. The programme warranted the mapping and determination of the conservation status of the Habitats Directive's habitats and species, preparation and actualization of management plans in some national and nature parks (e.g. National Park Rila and Balgarka Nature Parks), priority measures from the management plans of the Bulgarian national and nature parks, and the conservation of numerous species including the Balkan chamois, brown bear, Egyptian vulture, lesser kestrel, imperial eagle, etc. The Operational Programme was the only significant source for the conservation of the Bulgarian biodiversity in this period as the national funding was significantly reduced due to the financial crisis.

On the other hand, for the most efficient operation of the fund from conservation’s perspective, some amendments should be implemented. Developing clear and detailed rules for the financial management and programmes for capacity building for the beneficiaries as well as reducing financial obligations would indeed prove useful. It may also be suggested to radically increase the requirements for the effectiveness of the financed conservation activities.

Enterprise for Management of Environmental Protection Activities – an innovative source for biodiversity

The Bulgarian Enterprise for Management of Environmental Protection Activities (EMEPA) at the Bulgarian Ministry of Environment and Waters was the largest national source for biodiversity conservation before the accession to the EU in 2007. It accumulated funds mainly from water taxes and distributed them according to an annual program of the
ministry. Apart from financing water and waste management, awareness raising campaigns and air protection actions, one eighth of the revenues (approximately 250,000 EUR) supported biodiversity measures including the establishment of the Bulgarian Natura 2000 network, the new edition of the Bulgarian Red Data Book, priority activities of the management plans of the Bulgarian national parks and the maintenance of the Wildlife Rehabilitation Centre. The use of the water taxes for biodiversity conservation was a very positive example since it ensured the majority of the national funding for biodiversity in Bulgaria before EU sources.

In spite of its great contribution for maintaining Bulgarian biodiversity, the tax can be amended from various aspects. The money is distributed according to the programme of the ministry and there are no clear rules for applying for funding. This lack of transparency of the management in the period of the previous two governments and the lack of clear evidence for huge projects without serious backgrounds lead to scandals. After the election in 2009 the functioning of EMEPA was partially improved, however amendments would still be needed including the increasing of the level of spending for biodiversity, the preparation of clear guidelines for applying, organizing regular sessions and using the National Biodiversity Action Plan as basis for expenditures.

**Cases from Hungary**

*Brief Summary of the Hungarian Nature Financing*

The Hungarian Natura 2000 areas cover 21% of the country’s territory, largely overlapping with the nationally protected areas network, but also covering a further 1.2 million hectares. To manage these sites, mostly EU funds are utilized with specific focus on sources from the EAFRD and Structural Fund complemented by the smaller, but significantly targeted contribution from LIFE. Only within the LIFE Fund, 27 million EUR was invested in 26 conservation projects in Hungary since 2001\(^3\). Innovative financial mechanisms have not been employed widely yet.

**The Single Area Payment Scheme – need for a better-tailored fund**

The Single Area Payment Scheme (SAPS) provides the possibility for farmers to get subsidies after the size of their land. As the given amount depends only on the size of the area and does not consider the quality of it, it is a relatively accessible financial source for farmers to receive. However, the backside of the scheme lies here as well: the support does not take into consideration the quality of the farming and the products generated from the area. Nevertheless, the scheme may be considered as favourable from a nature conservation point of view because the fund’s regulations provide appropriate conditions mainly for field birds, whereas at the same time it tries to protect the habitat from overexploitation and

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\(^3\) Hungarian Ministry of Rural Development, 2012.
arable land transformation. On the other hand, Natura 2000 network is about to try to combine nature conservation with farming, therefore inflexible rules for agricultural practices such as grassland management may indicate difficulties for farmers at Natura 2000 sites.

Nimfea Nature Conservation Association also deals with farming on grasslands and other areas. According to their experience, SAPS has also negative aspects as it emphasizes mainly nature conservation rather than farming and it implies rigid and inflexible rules for Natura 2000 areas. For instance, independently from the weather conditions, the mowing can only start from the beginning of July. As the association grazes animals there and needs to provide their winter fodder, mowing plays a crucial role in the association’s life. Furthermore, on the Natura 2000 grasslands, only grazing and mowing are allowed but harrowing, which would have several favourable effects on the grassland, is forbidden. Harrowing helps the grass grow faster and loosens the hay that induces the growth of the new sprouts.

The main problem, however, is not the subsidy itself. Before the establishment of Natura 2000 network, when the extent of grasslands was higher, no regulation of such was needed. Although the farmers were killing some great bustards, the population survived as they had extensive untouched habitats. Now, the problem is rather the amount of arable lands, which are not addressed by these regulations.

*Great bustard in the Hungarian Plain (Nimfea Nature Conservation Association)*
Accordingly, the SAPS should be more well tailored containing less rigid and more flexible specifications also including aspects of quality farming rather than only criteria of payments on the size of the area. For instance, if the quality of the mowed grass or hay would be considered, the aspect of quality farming would be better emphasized. Also, the amount of this source can be increased to involve farmers at a larger scale.

**A Hungarian LIFE example – a coin with two sides**

The contribution of the EU funded LIFE has played a major role in conservation efforts in Hungary. Many NGOs such as Nimfea Nature Conservation Association could start their own projects in many cases with the support of the Hungarian Ministry of Environment. The positive aspect of the financing was that it supported practical actions. Comparing to other EU projects, LIFE is the only financial instrument, where concrete field conservation actions, such as the renovation of the barn house or purchasing animals could be realized. On the other hand, in Hungary serious challenges arose in terms of co-financing and lack of communication of stakeholders, while further difficulties occurred due to the strict differentiation between SPAs and SCIs by the European Commission.

Nimfea’s LIFE project aimed to improve the quality of the site and create cooperation between the owners. The project has helped maintain the site more properly with actual conservation actions on the field. To reach the goal and carry out farming practices in a qualitative way, financial sources were needed to ensure the appropriate condition for the animals (and for the shepherds who live there), and to provide them the possibility to access the grassland and the drinking place safely. The enlargement of the livestock of the association and the managed land was also an additional priority. It was a difficult task to fulfil due to the country-specific joint property issue, however at the end, the EU understood this specific landownership related hardship, and allowed the action of land purchase. As a result of this EU fund, 35 ha can be obtained thus decreasing the number of the owners with 30 and facilitating the implementation of management and monitoring actions.

In spite of the large benefit and tremendous advantages this instrument provides, some negative aspects are still at present. The Commission strictly sticks to the SPA and SCI division: for example, in this case it can be clearly seen that the increased quality of the grassland will attract more birds like the great bustard, saker falcon, osprey and red footed falcon. However, without the elimination or insulation of the electric pillars, which was rejected in the project, the grassland means a source of danger for them and not the place of refuge. Additionally, the co-financing has caused further difficulties. Relatively small NGOs cannot afford huge overspending in the project. To apply for the next payment of LIFE, there is a requirement to spend the 150% of the amount of the first payment. Now, as NGOs are on the edge of financing capacity, further co-financing needs were expressed towards the ministry in 2012. The delay in the payment slows down the speed and effectiveness of the implementation and continuation of the project.
Cases from Lithuania

Brief Summary of Lithuanian Nature Financing

Lithuania’s area covers two biogeographical regions and its Natura 2000 expands on almost 12,000 km². In this Baltic country, financial sources for biodiversity projects originates from three main sources: EU funds (LIFE, Structural Fund, etc.), Governmental Programme for Support of Environmental Protection (Aplinkos apsaugos remimo programa) and Special Municipal Programmes for Support of Environmental Protection (Savivaldybių aplinkos apsaugos remimo specialioji programa). Only the Programme on Structural Fund has clearly distinguishable projects solemnly devoted to biodiversity protection. These projects cost 76 million EUR over 2007-2013 or on average 10.86 million EUR per year. Accountability system exists for all these funds and programmes, however no central reporting mechanisms is currently at present for all biodiversity spending. Except for some EU level surveys, no impact or efficiency monitoring is in place at a national level. Innovative financial mechanisms and their application in practice are not common.

Ilgašilis - the success of co-operation of the European Structural Fund and other sources

Ilgašilis (Northeast Lithuania, Sartai Regional Park) covers a range of EU protected habitats and species, including three types of forest habitats, four types of grassland and wetland habitats, five species included in Annex II of the Habitats Directive and 24 nationally red-listed fauna and flora species. However, most of the protected habitats and species have been facing increasing pressure from successional changes. As a result, tree and scrub cutting, mowing and removal of grass from the bog and rehabilitation of appropriate water level were seen as necessary actions to carry out with the help of the European Regional Development Fund in the amount of 55,200 EUR topped by UNDP GEF’s Small Grant Programme and additional support of the Governmental Programme for Support of Environmental Protection from 2006 to 2011.

Management measures gave very positive results for the recovery of threatened plant population: rapid and sharp increase in size and coverage of populations of some rare species was observed from 2006. Population of marsh saxifrage (Saxifragus hirculus)
increased from 600 blossoming individuals in 2006 to 5000 individuals in 2011 (8 times increase). Population of Narrow-leaved marsh orchid increased from 550 to 3000 blossoming plants (more than five times) and leopard orchid (Dactylorhiza cruenta) increased from 200 to 1000 specimen (five-folded increase). New protected and rare plant species re-colonised the bog as a result of the site management. One of the new-settlers, short-spurred fragrant orchid (Gymnadenia odoratissima), was registered only second time in Lithuania. This huge increase in the number of blossoming plants and re-occurrence of new red-listed species indicate great success of management measures, however, bog ecosystems will overgrow with scrub again, if a mechanism for continuous financing is not established.

To maintain these results, the most realistic possibility would be to get the farmers more involved in the Rural Development Programme (grassland and wetland management measure). Only 3,4 ha of the total 35 ha of Ilgašilis pSCI have been managed according to agri-environmental requirements and supported by Rural Development Programme (RDP). The payments are adequate to the cost of management only if the area is mown with tractor. However, Ilgašilis pSCI is too wet and only small marginal strips can be accessible for the tractor mowers. Major parts of Ilgašilis pSCI can be managed only using hand mowing, which is more expensive and therefore not entirely covered through RDP. Taking into consideration discrepancy between real cost of management of Ilgašilis pSCI and what RDP can offer, farmers are not interested to take over and continue management of this bog. Therefore, improvement of RDP for the period 2008-2014 and further on is necessary in order to stimulate farmers to join RDP and to start the management of the currently “unattractive” wetlands in order to maintain the already achieved outcomes.

Kulaliai – a good example of co-operation for grassland management

Kulaliai (Northwest Lithuania) is a unique grassland with many scattered boulders deposited by a receding glacier. It has been also designated as SCI for protection of a number of habitat types, including 4030 European dry heaths, 5130 Juniperus communis formations, 6230 species-rich Nardus grassland and 6410 Molinia meadows. Its management plan was created to tackle the increasing problem of scrub encroachment with removal and cost-effective grazing management funded mainly from the European Regional Development Fund (80,000 EUR) complemented by governmental programme. The Kulaliai case can be identified as a very successful project because scrub removal was followed by contracts and management agreements with local farmers, who will consequently provide continuity of grazing and cost-effective management in the long-term perspective. Initial management measures - tree cutting and scrub removal - made the area again attractive for grazing and eligible for agri-environmental support. Administration of Salantai Regional Park (which was in charge of this project) facilitated discussion with local farmers and reached a long-term agreement that cattle and sheep will be placed on land in order to provide continuation of the project. This case can serve as a good example of cooperation between park administration and farmers. Furthermore, this investment seems
to be sustainable on the long-term since park administration ensured grazing and browsing, which made this financing cost-effective and prevented future scrub re-encroachment.

The only negative issue with the financing is the duration. When shrubs are cut off near to ground level (as in the current example), most of them will simply produce coppice re-growths that need further repeated management. Most of the scrub eradication projects (including this one) last from 2 to 3 years, which is not always enough for removal and weakening of scrub root system and prevention of vigorous re-growth of shoots even if grazing or browsing actions are in place. Therefore, mostly manual treatment is still required repeatedly in the following years after the initial cutting. It is thus recommended that projects aiming at scrub eradication should be financed from 3 to 5 years.

**Cases from Poland**

*Brief Summary of the Polish Nature Financing*

In Poland, Natura 2000 sites cover 26% of the country’s territory with an additional 6500 km² of marine sites. A common system of measuring/reporting biodiversity related spending generally exists, however in separate systems for each funding source. There is no financial instrument restricted only for Natura 2000, nevertheless in existing instruments for nature conservation, financing of Natura 2000 sites are preferred. Operational Programme Infrastructure and Environment axis V (with a budget of 90 millions EUR/7 years) is dedicated especially for nature conservation, with strong preference for Natura 2000 sites. The total annual biodiversity (nature conservation) related spending would be roughly estimated to be around 40 millions EUR. However, precise and reliable estimation is not possible as it is difficult to distinguish what funds, formally declared as “financing of nature conservation”, have been really spent for biodiversity.

**Operational Programme Infrastructure and Environment in Poland – a success to continue**

In the Operational Programme Infrastructure and Environment (OPI&E), the ‘axis V”, ‘Environmental protection and the promotion of ecological habits’ is dedicated solely to biodiversity conservation. Although the budget of the axis V is relatively low, ‘only’ 90 million EUR (0.3% of the whole budget of the operational programme), it is very important for biodiversity conservation. The axis is rather well managed and the process of choosing proposals is very well working.

The goal of this axis is to reduce the degradation of the natural environment, halt the biodiversity loss and raise public ecological awareness. Priority is given to the Natura 2000 areas. With the relatively small support, approximately 150 nature conservation projects have been implemented.
The mechanism is rather effective. The financial sources are mostly spent for urgent nature conservation needs. Crucial elements of the success are probably the open and less bureaucratic application competition, resources ringfenced for real conservation projects, relatively easy-to-apply and not bureaucratic co-financing scheme with national funds, clear biodiversity-related criteria, preference lists and independent experts. Besides, there is a separate, mostly independent manager for this axis, the “Centre of the Coordination of Environmental Projects”, who has also largely taken into account conservation-specific costs, which otherwise would have been considered as unnecessary in general infrastructure project management rules. Some examples of funded projects are the rehabilitation and protection of the Baltic mammals in Poland (approximately 1.5 million EUR budget) focusing on grey seals and porpoises – very rare in Polish part of Baltic sea, continuation of raised bogs conservation in Pomerania (implemented by Naturalists Club Poland, with approximately 300,000 EUR) halting artificial peatbogs drainage, trees invasion and implementing monitoring, and dry grasslands conservation in Malopolska region (750,000 EUR) including active conservation and restoration measures on 160 ha of grasslands in 22 sites.

The success of the “POI&E Axis V mechanism” is in contrast with the general failure of the Regional Operational Programme’s axes dedicated theoretically for biodiversity. Here, funds were spent mainly for actions and projects not improving biodiversity at all. Therefore, for nature conservation, it would be most beneficial if a mechanism like Axis V will be stable and continuous. Unfortunately, this is not achieved within the framework of the EU financial perspective. After some competition rounds, the application possibility is closed now and there is no guarantee that a similar mechanism will exist in the new financial period.

**The Polish Rural Development Plan – an unfortunate case closed**

Within the frames of the Polish Rural Development Plan, water management projects were financed including drainage, building dykes, river canalisation and regulation. Due to the incorrect transposition of EIA requirements to the Polish law, around 30% of these projects have avoided environmental impact assessment and even environmental screening. In many cases, these projects were destructive for water bodies or wetlands.

Rural Development Plan (RDP) is part of the EU Common Agricultural Policy, which aims to financially support farmers’ work according to good agriculture practice along with nature conservation. Here, one of the funded actions is ‘management of agricultural water activities’. All these investments financed by the framework are subject to the point 1c of Annex II of Directive 85/337/EEC on the assessment of the effects of certain public and private projects on the environment (EIA Directive), which in practice means that at least an environmental screening is to be carried out with the possibility of an environmental impact assessment if required. Nevertheless, due to the incorrect transposition of EIA Directive to the Polish law before 2010, one third of the investment projects under the RDP’s "Agricultural water resources management" did not fulfil any environmental screenings or
impact assessment requirements. As a result, in some cases, EU-funded operations were destructive for water bodies’ ecological status and for water-dependent ecosystems.

- **Lydynia river** (Mazowieckie voivodship) - River canalization of this river was funded from the Rural Development Plan. After the project, at the request of the Polish Anglers Association, ichthyologic expertise was carried out, which showed that the number of species decreased from 13 to 4 and their mass per area per hectare reduced from 33.459 kg to 0.497 kg. Several species, e.g., brook lamprey (*Lampetra planeri*), spined loach (*Cobitis taenia*) and weatherfish (*Misgurnus fossilis*) – species from Annex II of the Habitats Directive disappeared. This situation is an environmental disaster and its effects will be felt for many years.

- **Moszcanka river** (Łódź voivodship) - The last natural fragment of the river was destroyed by the RDP funded river regulation implemented in 2010-2011 without any EIA or environmental screening. As a result of the project, fragments of alluvial alder forests were cut off without any justified agricultural reason - there are only 9 ha of agricultural land in the proximity of this river fragment.
- **Mlawka river** (Mazowieckie voivodship) - Dredging the river and ditches in the Natura 2000 site (PLB140008 Doliny Wkry i Mlawki) deteriorated habitat of *Crex crex* and *Circus pygargus* on around 100 hectares. EIA procedure was implemented, however the aspect of impact to the Natura 2000 site was not considered at all. Finalising the planned and preliminary approved works would have deteriorated habitats on around 1000 hectares. Fortunately, the works were stopped by the environmental authority as a result of the local NGO’s complaint.

- **Orzyc river, Wlgierka river, Toczna river** (Mazowieckie voivodship), **Drzewiczka river** (Łódź voivodship) - on the base of scientific data, these sites were proposed as additional Natura 2000 sites for lampreys (*Lampetra spp.* *Eudontomyson spp.*), spined loach (*Cobitis taenia*), weatherfish (*Misgurnus fossilis*), bitterling (*Rhodeus sericeus amarus*), freshwater sculpin (*Cottus gobio*). The necessity of adding these rivers to the Natura 2000 network was discussed and approved on the Bilateral Biogeographic Seminar in Warsaw in 2009. Nevertheless, dredging and canalisation works, funded from RDP, were implemented on these rivers in 2009-2010. Scientific research in 2011, after the finalization of channelization works, did not confirm relevant species existence.

The most important problem with similar RDP projects was the incorrect transposition of Annex II of the EIA Directive to the Polish law. Fortunately, it was amended in November 2010, nonetheless with some irreversible impacts. Therefore, it would be important to guarantee that the transposed legislation is correctly interpreted and accurately implemented at national levels. Also, building awareness of Water Framework Directive requirements and environmental objectives would be necessary.

**Cases from Slovakia**

*Brief Summary of Slovakian Nature Financing*

Almost 30% of Slovakia is designated as Natura 2000 sites. Here, mostly state budget, EU funds (mostly through Operational Programmes) and other funds such as LIFE+ Programme, South-East European Programme, etc., provide the majority of financial sources for biodiversity. There is no specific mechanism of measuring or reporting biodiversity related spending. State Nature Conservancy provides its own annual reports including a financial report, where it is specified how much money it has spent on actions supporting biodiversity conservation, whereas other state organizations provide similar documents. These expenses are very difficult to estimate since different organizations and institutions as well as companies (both state and private), local municipalities, etc. spend part of their budget on environmental activities. Even some companies (e.g. Slovnaft, Orange, etc.) have established green funds to support small-scale environmental projects. Innovative financial mechanisms have not been introduced to the public yet.
Saving Maculinea species – Financing management and action plan with sectoral co-operation

Changes in the land use practices, including abandonment of meadows, vegetational succession, drainage, non-appropriate timing and way of mowing, have resulted in decline of population of Maculinea species in Slovakia. To protect the species and their habitats, it was necessary to secure regular management of the habitats and to collect data on ecology and distribution of the species, host plants and ants with the help of EU funding.

In Pieniny National Park (Northern Slovakia), - an area with occurrence of several Maculinea species as well as other endangered butterflies (e.g. Parnassius apollo) - many former habitats of the species had been overgrown by vegetation and did not meet ecological requirements of the species. Within the action plan, funded from the Operational Programme “Environment”, former habitats of the species were identified and restored. Since the responsible institute, the State Nature Conservancy (SNC) did not have sufficient personal capacities to carry out the restoration work, a close cooperation was established with local municipalities. It resulted in active participation of locals in the activities under the supervision of the professional nature conservationists, which brought additional social benefits (mowing abandoned meadows, hay and wood collecting, direct salary for the work, etc.) in an area with high level of unemployment. Due to these opportunities, it is expected that local communities will support the management of the sites in terms of both - human resources (seasonal employment) and finances - in the future. In total, Pieniny National Park received approximately 8.700 EUR for implementing such activities.

Although extremely advantageous both from social and environmental perspectives, the funding should be in combination of state funds and local funds in order to achieve sustainability on the long run. It would prove beneficial to introduce a seasonal employment opportunity (mowing, hay collecting, bush and trees cutting) supported by the local municipalities (so called activation works) as well as to receive regular financial support from the state budget (financing implementation of management and conservation plans for Natura 2000 species and habitats).

Programme of rural development in Slovakia in Podskalie – restore rare species and traditional land use

Land management activities have been put in practice in Podskalie (Podskalský Roháč National Nature Reserve, North Slovakia) in order to halt decreasing of biodiversity and to support open habitats and protected species. Management activities include cutting non-native tree species, mowing grass and monitoring protected species. Field activities have been performed by the State Nature Conservancy of the Slovak Republic (SNC).

Financial support from different sources (agri-environment payments, ERDF, state budget) has been provided mainly to restore open habitats with presence of rare species and subspecies (e.g. Pulsatilla slavica, Pulsatilla subslavica) to restore traditional land use
practices in the region and to support local communities. The main activities include removing of non-native tree species *Pinus nigra* and bush, mowing of meadows, removing sampling in 3-years interval and monitoring of rare species. Management activities have been implemented only on a small part of the target area (so called “testing” plot of 0.8 ha) and may be expanded to the required size (about 5 ha) if the financial and personal capacities are secured. Management actions have been carried out mostly by the professional staff of State Nature Conservancy (SNC), however a local farmer also took part in the field activities. Nevertheless, since he did not fully follow instructions, not all nature conservation requirements were met. This experience has proved that professional supervision in securing appropriate management of habitats and species is crucial.

The positive aspect of this case is that management actions have been implemented in the area with combination of various financial resources. On the other hand, this has been applied on less than 1 hectare of the area of Podskalský Roháč National Nature Reserve. Negative aspects include mostly the limited budget, which does not cover thoroughly the implementation of the management plan, and the financial insecurity of these sources for the upcoming years. It would also be highly beneficial to ensure long-term cooperation with locals and to secure that locals do follow all requirements (including timing and way of implementation) given by professional conservationists.

*Haligovské skali before and after restoration activities (Katarina Kisková)*
General findings for financing Natura 2000 in and for the future

The cases listed above illustrate specific examples and it is rather difficult to draw definite conclusions out of them at any level. Some general findings however, might prove valuable to consider when the new financial framework or the Prioritised Action Frameworks will be discussed and decided.

National level summaries

It could be concluded that a common and central reporting and monitoring system for biodiversity related spending is not in place in these five CEE countries. Rather, there are several, mainly national institutes that are responsible for one segment of certain sources (e.g. different axes under the Operational Programmes) or activities, which makes overall conservation costs difficult to assess. Only in Lithuania, the municipality level environmental programme was specified as a national source, which is not derived directly from the state budget and existent at local level (Special Municipal Programmes for Support of Environmental Protection). Costs for conservation (and not only for Natura 2000) in general can rarely be estimated promptly. This is also proven by the fact that national expenditures on conservation measures are not specifically expressed outside of the Natura 2000 framework.

The lion’s share of the financial sources is derived from EU funds, mostly within the form of Operational Programmes and agri-environmental schemes, with the comparatively small but significant biodiversity-focused LIFE. The Operational Programmes’ environment axes in Bulgaria, Slovakia and in Poland were showed as successful mechanisms for conservation activities enabling both environmental and social development. On the other hand, it was mentioned that in Poland, Regional Operational Programmes seemed to be marginally biodiversity related, or in terms of the Rural Development Plans, financing proved even harmful for the fauna and flora in certain cases.

The majority of funding coming from EU sources mostly exceeds 50% of the overall spending and provides schemes for previously non- or less specified programmes particularly set for conservation measures. National financial sources are often limited and in many countries environmental related expenditure is not actually indicated within different entities’ (e.g. municipality) budget.

Based on the cases, it may be suggested that in the examined five CEE countries biodiversity related spending is mainly exhausted in covering Natura 2000 costs, and additional biodiversity related expenses are difficult to estimate. Other conservation activities not related to the Birds or Habitats Directive are specified in very few cases (e.g. in Bulgaria).

Innovative Financial Mechanisms do not play any role in financing nature yet. Business and its role in conservation support was only mentioned in the case of Slovakia, where larger companies set up smaller private funds for environmental actions. Only in Bulgaria, a
relatively revolutionary system was introduced, where water taxes are explicitly spent in favour of the environment. It can be concluded that EU funds and national funds, which are ebbing continuously, define the amount of nature conservation, whereas other stakeholders’ involvements (such as business or local municipalities) and the application of less common ways of financing (e.g. taxation, Payment for Ecosystem Services, etc.) are notably limited.

What to amend and what to add?

- Most of the financial support of the analysed five countries comes from EU sources with relatively low national contribution. EU funds – as well as national funding - may reduce in time therefore relying chiefly on EU funds may endanger the continuity of conservation activities. Thus, funding should be in combination of EU, state funds and local funds with the potential inclusion of other sectors in order to achieve sustainability on the long run.
- A central reporting and monitoring system should be essential in order to have a clear and transparent idea about what costs are actually spent on conservation both from the EU funds and from the MSs’ budget.
- A dedicated and focused central national management, which is flexible and familiar with conservation issues, can largely aid implementation fund as the Polish case shows with Axis V management by “Centre of the Coordination of Environmental Projects”.
- Great attention should be paid to the adequate transposition and implementation of EU directives into national laws. The lack of good transposition can induce severe consequences as it occurred in the case of many river channelizations in Poland. Therefore, it would be important to guarantee that the transposed legislation is interpreted and implemented appropriately at national levels, EU funded projects do not have detrimental effects on nature and they are biodiversity proofed.
- Raising awareness about the Water Framework Directive and other directive requirements and environmental objectives would be necessary and beneficial. Natura 2000 and conservation objectives can ease their administrative and financial burdens by contributing to achieving other obligations.
- Natura 2000 management plans are vital. If management actions are not determined, it is rather difficult to ringfence and find sources for their implementation or extend the project’s duration. If the limited budget does not cover full implementation of the management plan and the not secured funds for the following years are not sufficient, it often endangers the whole success of the previous actions.
- Clear and detailed rules for applications and financial management would prove beneficial with reduced financial requirements as the Bulgarian experience indicates it.
- Detailed rules of funding should be established taking into consideration real site conservation project requirements. Funding rules should be adjusted to the sites management requirements, not site management adjusted to funding rules and
possibilities
- **Transparency and clear criteria system** as well as clear application guidelines largely aid the successful application and implementation of projects.
- The use of for instance, the National Biodiversity Action Plan and management plans as basis for expenditures as well as a set of preference and criteria system can largely add to transparency and clear implementation.
- **Capacity building** for beneficiaries as well as for state agencies can lead to a flexible and smooth operation of the project and application of fund.
- **Local and sectoral cooperation** is a key issue. Since Natura 2000 and biodiversity conservation has numerous positive impacts at various levels, it would be useful if different national fundings can contribute to support such activities in various forms and with various tools. For instance, in the Slovakian case it can be suggested that seasonal employment opportunities (mowing, hay collecting, bush and trees cutting) should be supported by the local municipalities (so called activation works), which could add to the sustainability of implementation of management and conservation plans for Natura 2000 species and habitats.
- It would also be highly advantageous to ensure long-term cooperation with locals and to secure that locals do follow all requirements (including timing and way of implementation) given by professional conservationists.
- **More flexible rules** within certain mechanisms (e.g. SAPS) may prove more beneficial for specific stakeholders to contribute more effectively to conservation
- **Duration of financing** should be adapted to the financed activities, e.g. in the case of the Lithuanian or Slovakian example, in-situ management often needs longer intervals of support if it is to maintain its beneficial impacts.
- **Innovatative Financing Mechanisms** from the MSs and other sectors can increase the national contribution – an excellent example is the water tax in Bulgaria, which is explicitly spent for environmental issues or Slovakia where business is involved in some environmental projects.

What to keep?

- **Operational Programmes’ Axes on Environment** in Poland, in Bulgaria and in Slovakia seem to be successful and the most significant source for conservation activities. These Operational Programmes and their relevant axes should be continued to majorly fund conservation activities.
- **LIFE Fund projects** have contributed majorly to EU conservation with the assistance of NGOs. **NGOs role should be further granted** during the next LIFE programme as well from 2014-2020.
- Based on the Polish Axis V success, it would be beneficial if such mechanism with central and flexible management, well understood and less complicated requirements will be stable and continuous.
- **Biodiversity-related criteria, preference lists and independent experts** in case of the Polish case largely contributed to the success of the Operational
Programme’s Axis V. Besides, the “Centre of the Coordination of Environmental Projects” for Axis V has largely taken into account conservation-specific costs, which otherwise would have been omitted in other systems.

- **Financing nature** has additional benefits in socio-economic terms especially in underdeveloped regions where they can provide for instance employment opportunities. Therefore, special focus and increased input topped with higher level of cooperation among municipalities, national sources and EU funding can be focused here.

- **Completion of national and EU funding** proves life-saving and essential, especially on the long run if we consider the sustainability perspective of the projects.

- **Pilot project financing** can show many practicalities what to include and avoid as the Slovakian case indicates it.

**Recommendations for future financing**

We see from the case studies that European financing sources have majorly contributed to the maintenance of the region’s still rich biodiversity while Member States also provided their contribution. In order to manage to conserve these species and habitats and all the services they provide, it would be valuable to take into consideration some points for the next Multiannual Financial Framework and the Prioritised Action Frameworks.

- The **European Commission as well as Member States** should ensure the adequate financing for biodiversity, which should reach or at least approximate the 5.8 billion EUR, which was estimated by MSs in 2008.

- The European Commission should ensure that **financing from EU funds does not induce any harmful impacts** on biodiversity and the environment.

- The European Commission should support and **continue good-to-follow programmes** that have been successful and relatively easy to implement without a high administrative burden.

- The European Commission should stimulate **Member States to work out management plans** for the majority to their sites as a justification of funding.

- **Member States** should ensure that they provide sufficient co-financing in addition to the EU sources.

- Member States should ensure that the **Prioritized Action Frameworks** are ready by at latest early 2013 and they are referred to in the operational programmes.

- Member States should ensure that the **data** on spending for conservation measures is centrally managed and compiled and the related information is clear and transparent for each stakeholder.

- Member States should ensure that they create **management plans** for the majority of the Natura 2000 sites, and these management and action plans serve the basis for the Prioritized Action Framework.

- Member States should clearly and from every aspect avoid financing measures inconsistent with and contrary to the **ecological requirements of Natura**
species and habitats. Member States should guarantee such measures will never be accounted as "Natura 2000 sites financing". Not only possibilities, but also the threats created by different funds for Natura 2000 sites, must be considered based on biodiversity proofing guidelines.

- Member States should also consider the utilization of less frequently used sources of conservation (ESF, FP8, EMFF, etc.) also taking into account funds for climate change mitigation and adaptation, green infrastructure, employment, etc.
- Member States should have specific focus on capacity building for state agencies and beneficiaries in order to get familiarize on one hand with the utilization of different financial sources and on the other hand to improve cooperation options within state agencies and with other stakeholders.
- Member States should support that NGOs can largely participate in integrated LIFE projects in the future. The role of NGOs can be vital in sharing experience, capacity, cost-efficiency and social acceptance.
- Member States should ensure that the EU Cohesion Fund largely contributes to financing Natura 2000 and is in fact used to cover Natura 2000 management and restoration measures identified in their national Prioritised Action Frameworks under “protecting and restoring biodiversity, including through green infrastructures” under the thematic objective on environment.
- Member States should support that the financing of conservation measures comes from different levels of cooperation including local, regional and national level.
- Members States should increase their knowledge in terms of Innovative Financing Mechanisms and invite other stakeholders (e.g. business) to take part in conservation measures.
- Member States should keep up and inspire the good cooperation between different sectors (e.g. national institutes, national parks, local residents, municipalities) in order to enhance the results’ successes through directly involving and benefitting locals through for instance, employment.
Annex 1.

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1. **Brief Description of the case (max. 3 sentences)**

2. **Detailed Description including:**

   - **Type of case (good or bad example):**
   - **Location:**
   - **Type of area:**
   - **Category of area:**
   - **Type, source and amount of main financing:**
   - **Any additional source of financing:**
   - **Actions financed by the source:**
   - **Duration of financing (if relevant):**
   - **Stakeholders:**

3. **Positive and negative aspects of the financing**:

4. **Financing - specific recommendations on how the site could be better financed, and how the sources could be better spent:**

5. **General information on financing nature in your country:**
   - **Does your country have a system of measuring/reporting biodiversity related spending?**

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4 EU Fund, governmental, private, other
5 Leveraged additional money, mobilised private money, sustainable (long term) funding, valuing ecosystem services, etc. OR exploiting natural resources, infrastructural investment detrimental to nature, etc.
- Are you aware of existing applied innovative financial mechanisms (PES, biodiversity offset mechanism, environmental fiscal reform, market for green products, etc.)?
- What are financial instruments available specifically for Natura 2000 (national and international sources)?
- Is it possible to estimate the total annual biodiversity (nature conservation) related spending, what does it entail?

6. **Annexes (pictures, maps, websites, etc.).**
   Photos are attached to this form