ASSESSMENT OF THE NATURA 2000 CO-FINANCING ARRANGEMENTS OF THE EU FINANCING INSTRUMENT

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EXECUTIVE SUMMARY

THE EU CO-FINANCING FRAMEWORK FOR NATURA 2000 – LESSONS LEARNED

This study confirms that, despite the increased effort and some good examples on financing Natura 2000 from the Community funds, the existing EU co-financing framework is not fully effective. The problem arises from both gaps in the framework and significant constraints that make it difficult to use to its full potential.

The funding allocated to Natura 2000 actions appears inadequate, given the estimated need for resources. Under the current EU co-financing model, Natura 2000 and wider biodiversity actions are eligible for funding from a diversity of Community funding instruments. However, only a low level of financial resources is directly and specifically allocated to support the management of the Natura 2000 network.

The study reveals that in most Member States there seems to be more funding provided through the EU financing instruments than through national funding mechanisms. This highlights the importance of ensuring that the EU co-financing framework provides sufficient opportunities for Natura 2000 and that these opportunities are taken up in the most effective manner (see below). It also indicates that significant efforts are needed to further increase the national support to Natura 2000 - as it is not expected that Community funding (even when complemented by national co-funding) will ever fully cover the total costs of managing the network.

The lack of transparency and detail in the EU funds' budgetary allocations makes it difficult to estimate the overall EU contribution towards Natura 2000. However, this study estimates that the financial allocations for Natura 2000 from the EU budget are between 550 – 1150 million EUR / year[1]. This range should be considered a rough approximation only. The estimated figures represent only 9-19 per cent of the estimated financing needs of 5.8 billion EUR / year. In addition, past experience suggests that part of the allocated support will not be realised in practise, decreasing these figures further.

However, it is also important to note that funding is often most relevant for one-off costs, which are estimated to be around a third of the total funding needs for Natura 2000. According to this study, a number of these one-off costs are currently eligible for EU funding (see below). The remaining costs relate to recurrent costs, some of which (e.g. staff costs) are generally deemed in line with the principle of subsidiarity to be more appropriately funded by the Member States. In other words, EU funding

[1] This mainly refers to the Community funding (i.e. excluding Member States share), see Chapter 4 for detailed calculation and underlining assumptions. Consequently, the total overall financial contribution to Natura 2000 under the EU co-financing framework would be roughly around 1.25 – 1.5 times the estimated range (i.e. assuming 25 – 50 per cent co-financing from national funds).

along with the required national co-financing seems to play an important role in contributing towards the eligible one-off costs of Natura 2000.

These figures should also be seen in the context of a possible increase in the overall funding of Natura 2000 over time. National administrations (e.g. in the new Member States) are still developing their management practices and their capacity for spending in this area and this could indicate that in the future the level of financing available for Natura 2000 increases as a result of increasing experience and establishing effective procedures for funding.. It is unclear, however, to what extent these developments will help to meet the estimated financing needs for Natura 2000.

There are gaps in and significant constraints to using the EU co-financing framework for Natura 2000, contributing to the financing gap. The relatively small contribution of the EU budget to Natura 2000 can be explained by a number of factors. Even though a rather wide range of Natura 2000 measures are eligible for financing under the different EU funds, some gaps still remain. The main eligibility gap relates to ongoing management and monitoring of Natura 2000 sites whereas activities linked with one-off investments and remaining designations seem relatively well covered. This result is somewhat worrying since ongoing management activities (especially habitat management) account for the most significant costs in the context of implementing the network. In general, opportunities to fund ongoing management of Natura 2000 sites are available especially for agricultural and forestry areas whereas the possibilities for funding such activities in other areas are more limited (e.g. inland waters, wetlands, marine areas and other terrestrial sites). The explanation for the relatively limited possibilities for co-funding ongoing activities is that the EU budget is not aimed at financing certain actions which are more appropriately carried out by national/regional administrations. These include, for example, establishing and running management bodies). Such actions should be covered by national spending.

In addition, a range of constraints hinder the uptake of opportunities provided by the EU co-financing framework. Member States are not obliged to draw down EU funding, they can only be encouraged to do so, although this encouragement may be amplified by pressure from the Commission to accelerate implementation of Natura 2000 on the ground. One of the most obvious shortcomings in the current framework is the absence of pressure on Member States to allocate sufficient funds to Natura 2000 in their national Operational Programmes (OPs) supported by the Structural Funds. This leaves Natura 2000 to compete with a range of different policy goals, such as support to economic activities and infrastructure. Despite the OPs' environmental and biodiversity rhetoric, in reality, Natura 2000 is often a secondary priority for funding. Also, foreseen budget allocations for Natura 2000 do not guarantee that this money will be fully taken up by stakeholders in practise. Furthermore, the lack of coherence, coordination and planning in Member States on how to use different EU and national funding sources makes it difficult to form an overall picture of the actual financing needs and how these needs should be met. Finally, at the level of stakeholders, the lack of capacity and know-how on access to

EU funds and a (perceived) high administrative burden deters EU co-financing opportunities.

Given these issues, continuing to finance Natura 2000 by a 'business as usual' approach puts fully meeting the needs of the network at risk. This in turn would jeopardise reaching the future objectives of EU biodiversity policy, to halt the loss of and restore biodiversity and ecosystem services.

ADDRESSING THE GAPS AND CONSTRAINTS: TOWARDS A MORE EFFECTIVE CO-FINANCING OF NATURA 2000

Future progress in improving the EU co-financing for Natura 2000 depends on an increase in political will at the Member State level, a willingness to spend national resources and the availability of EU funds.

Increasing available, clearly allocated opportunities for Natura 2000 under the EU funds, improving transparency and enhancing coordination are considered to be the most effective ways to improve the Community co-financing framework. In this context, one option is to address the identified gaps in funding opportunities (i.e. the eligibility for funding). These include in particular securing better funding for ongoing management and monitoring of Natura 2000 sites, e.g. measures aimed at conserving species and habitats with no clear connection to broader regional or rural development. Continued or increased support could also be made available to specifically support the development of Natura 2000 management plans to pave the way towards a more coherent and transparent way of utilising the co-financing framework (see below). Finally, allowing the EU funds to also support activities and processes aimed at monitoring both the use of funds and performance of funding (e.g. broader monitoring schemes) could also be considered. This would help to address the current deficit in monitoring performance of biodiversity goals.

Adoption of clearer priorities and dedicated earmarking of funds for Natura 2000 at the EU level, i.e. in the key Regulations, would help to ensure more systematic and targeted uptake of EU funding at the national level across the different funds. Such measures would also reduce competition with other political priorities that currently crowd out funding for Natura 2000. In practise these measures could, for example, include adopting more targeted objectives, creating dedicated budget lines and introducing obligations to allocate financing towards Natura 2000.

On a more operational level, simplifying and mainstreaming the application and administrative processes related to the use of EU funds could diminish the need for capacity building and lower the administrative burden on stakeholders, facilitating greater uptake. Also, a critical review of the technical arrangements and requirements for accessing the EU funds could reduce unnecessary barriers for stakeholders (e.g. the level of required co-funding and reporting burden).

Enhancing the coordination of financing Natura 2000 via the establishment of Prioritised Action Frameworks (PAFs) at national level would be a key improvement to the current framework. PAFs are foreseen to lead to a clearer identification of financing needs and a more systematic use and uptake of different EU funds for Natura 2000. By improving coherence and coordination, PAFs could also help to improve, clarify and build-up stakeholder know-how regarding which funds are available for different Natura 2000 management activities. This type of enhanced coordination at the national level could also indirectly reduce administrative burdens for key stakeholders. Finally, PAFs could (directly or indirectly) support and/or initiate monitoring of EU funds' performance in delivering biodiversity goals or, at least, help to identify funding to support these monitoring activities. Naturally, for PAFs to be developed there is also a need to ensure the existence of appropriate management plans for Natura 2000 sites.

Another more ambitious option would be a dedicated fund for Natura 2000, that would minimise the competition between different sectoral policy priorities and guarantee easier, more straight forward access for funding. Such a dedicated fund would also simplify the EU co-financing framework. However, financing Natura 2000 from a single fund requires securing a significant amount of resources under one financing instrument. In general, financing Natura 2000 via a single fund is a rather risky approach as it significantly depends on the political will for its establishment and implementation (e.g. securing adequate national resources for co-financing).

Capacity building is needed to guarantee the most optimal and effective use of the EU co-financing framework. The analysis of existing shortcomings identifies the lack of stakeholder capacity as one of the key reasons for preventing them to apply for EU funding for Natura 2000. This leads to a lower uptake of funding as appropriate proposals are not presented. Consequently, further support for capacity building seems to remain a requirement in the future. Furthermore, it appears that improving stakeholders' capacity to access and effectively utilise different EU funding opportunities can also (directly and indirectly) help to address a number of other current shortcomings in the EU co-financing framework for Natura 2000. For example, capacity building can contribute to enhancing stakeholders' ability to seek new, more innovative sources for funding, thus increasing the overall resources available and securing the financing of Natura 2000 in a long term. Capacity building at the level of relevant government officials (including different ministries) could help to improve integration of Natura 2000 into relevant EU funds at the national level and also possibly improve coordination and cooperation between relevant administrative bodies. Also, increasing stakeholders' capacity to deal with EU funds is foreseen to help stakeholders to deal more effectively with the related administrative.

Based on the analysis carried out in the context of this study, improving the existing integrated approach to co-financing Natura 2000 seems to provide the most politically feasible, effective and risk-averse way forward.

In particular, a combination of enhancing the available funding opportunities and improving the availability and targeting of financial allocations, as well as their transparency (e.g. monitoring the actual spending), supported by a coherent implementation at the national level via Prioritised Action Frameworks seems likely to be the most promising avenue for co-financing Natura 2000 in the future.

In addition, it is foreseen that support for capacity building and exploration of innovative resources (e.g. innovative ways to use the existing funds and the development of new mechanisms for financing) could help.

Finally, past experiences show that LIFE funding – albeit limited in terms of resources – plays an important strategic role in supporting the management of the Natura 2000 network. Therefore, the continuation and enhancement of LIFE / LIFE-like funding (e.g. by increasing the total budget available) would be an integral component of the EU co-financing framework also in the future.

POSSIBILITIES TO COMPLEMENT THE FUTURE EU CO-FINANCING FRAMEWORK WITH INNOVATIVE FINANCING MECHANISMS

There is scope to complement and add to the existing funding streams for Natura 2000 with innovative thinking and new funding mechanisms. While not improving the level of earmarked opportunities for Natura 2000, innovative application of the existing EU funds with links to ecosystem services and related socio-economic benefits can help to better use and access existing EU co-financing opportunities. These links (e.g. the role of Natura 2000 in recreation & tourism, water retention & purification, risk management) can facilitate the integration of Natura 2000 into different operational programmes at national and regional level. For example, piloting sustainable fisheries management projects, nurseries and no-take zones in the context of EFF could improve the uptake of this fund for Natura 2000. Similarly, Natura 2000 could be used as a corner stone for green infrastructure that forms a basis for sustainable regional development in the context of EU Cohesion Policy.

There is also scope to complement the existing funding for Natura 2000 with more innovative financing instruments, for example by engaging more with the business and financial sectors. As for the use of new and innovative instruments, this would mean using more private sector resources alongside EU and national public funding. A number of possibilities exist, for example through creating dedicated programmes for green infrastructure in the context of the EU Cohesion Policy. In principle, the development of innovative financing instruments could also be actively supported by EU sectoral polices. For example, funding under EU Cohesion Policy could be made available to support pioneering and testing innovative payment schemes that benefit both sustainable socio-economic development and biodiversity, including Natura 2000.

1 INTRODUCTION

The Birds and Habitats Directives form the key legislative basis for biodiversity conservation in the EU. One of the main aims of these Directives is to establish a coherent network of protected areas, designed to safeguard the habitats and species of greatest conservation value within Europe, i.e. the Natura 2000 network.

As the process of implementing the Natura 2000 network continues, Member States now increasingly pursue the objectives in the legislation by the means they think best, with the requisite responsibilities distributed largely according to their own preferences, for example between national and regional authorities. In the course of doing so they make decisions about the resources to be devoted to Natura 2000 in the shape of funding for the public authorities involved, capital expenditure on public works and private investment, site management costs, expenditure on research, advice, monitoring, education and training etc. The levels of expenditure on these activities vary between Member States, reflecting not only the 'true need' for active intervention in order to establish and manage the network but also the other pulls on public expenditure. The latter include the pressures exerted on the government and public authorities by different interests, stakeholders and competent authorities as well as the European Commission and the political importance of the issue in the country or region concerned. Several other factors will also be relevant, including the institutional capacity to identify needs and requisite actions to achieve favourable conservation status, the availability of skills and appropriately trained staff and the ability and willingness of relevant stakeholders to take part in management actions.

The roles and responsibilities for financing the management of Natura 2000 network vary. In general, Member State governments themselves play a key role in meeting the costs of establishing and running the network. In some cases there may be a significant contribution from NGOs and benevolent institutions, active cooperation by land managers on a purely voluntary basis, helpful contributions by public agencies including the armed forces, relevant activity by water suppliers managing catchment areas and similar undertakings which do not require direct funding from the state budget. There is also an increasing scope for the private sector to make a bigger contribution and there is a growing interest in novel instruments which could draw on private sector funding.

Given that the Natura 2000 network is an EU level initiative set to implement agreed Community-wide goals for biodiversity conservation the implementation of the Natura 2000 network is eligible for funding from the EU budget (as according to the Habitats Directive Article 8). In principle, this is seen warranted as biodiversity values are commonly considered to be a public good of fundamental EU-wide importance that merit being addressed at the Community level, e.g. supported by the common budgetary resources (Kettunen et al. 2009a).

It is also increasingly apparent that, like combating climate change, protecting biodiversity and related ecosystem services (i.e. benefits provided to human beings by well-functioning natural systems) is crucial for the Union's economy and for the wellbeing of EU citizens (e.g. TEEB 2010, Kettunen et al. 2009b, Gantioler at al. 2010a). This further justifies EU support to managing the Natura 2000 network in an effective manner.

At a more practical level, the costs of the many different activities required to meet biodiversity objectives in Europe, including compensation and incentive payments for private actors, fall on a range of different bodies and individuals. This reflects the spread of responsibilities and functions that apply to nature conservation and also the range of beneficiaries. Conservation of biodiversity has benefits for local people and, in some cases, local economies, but there is also a wider social interest in conservation, extending to the whole European population and beyond. Even if they have no direct contact with particular habitats or species, many people value the fact that they exist and are being conserved. The potential to experience them directly is also being maintained. Based on this it is logical for the costs of conservation to be distributed between the different levels from the local to the European. There is no formula from which a reasonable share of EU funding within this spectrum can be derived. Nonetheless, it is clear that there are several different reasons to justify a significant EU contribution to the costs incurred and these vary between the EU funds, depending on their objectives.

Since 2007, most Community financing for the Natura 2000 network has been made available by integrating biodiversity goals into different existing EU funds or instruments, including the European Agricultural Fund for Rural Development (EAFRD), European Fisheries Fund (EFF), Structural Funds (i.e. the European Fund for Regional Development – ERDF and the European Social Fund – ESF), the Cohesion Fund, the European financial instrument for the environment (LIFE+) and the 7th European Framework Programme for Research and Development (FP7). The aim of this so called 'integrated co-financing model' for the 2007-2013 funding period has been to further embed the implementation of the EU's biodiversity goals into other relevant policy sectors and financing instruments, so helping to embed financial support for biodiversity across the EU funds. It was also hoped that integrating the financing of Natura 2000 sites into the wider policy context would help to link biodiversity goals with the broader management of land and natural resources.

The actual availability of EU funding at national level is affected by the characteristics of the above mentioned Community funding instruments as well as the underlying level of interest of Member States in achieving their Natura 2000 commitments and their enthusiasm to devote public expenditure to this endeavour. Under the current framework, only LIFE+ provides dedicated support to biodiversity whereas all other Community funding instruments are primarily targeted to deliver the EU goals on rural, regional and/or scientific development. This creates competition and affects the availability of funding for Natura 2000 in practise (see below). In general, the role of EU funding (e.g. the agreed funding arrangements) is particularly important if the ambitions to manage the network are being restrained by a lack of funding rather

than a lack of political will or shortfall in institutional capacity, which is not always the case.

A number of key factors defining the uptake of EU funding in Member State is outlined below:

EU funding for Natura 2000 needs to be matched with national funding. All EU funds currently available for Natura 2000 require national authorities, or the beneficiary, such as the farmer or NGO, to contribute part of the cost. This so called co-funding requirement can be a constraint to the level of demand for the EU funding stream. Consequently, where there are inherent limitations on the availability of national funding for Natura 2000, these are only removed to a partial degree through EU co-funded measures. Furthermore there will be costs involved in accessing the EU funds, complying with the various requirements and audits, meeting special conditions etc. In practice this may mean that the EU contribution is worth less to the core requirement than it appears to be.

EU funds available for Natura 2000 are often managed at national level and subject to national 'envelopes'. For the majority of EU funding instruments the allocation of funds between different national and regional priorities is primarily decided by Member States. The total funding available is divided between the Member States according to allocation criteria which effectively provide them with a fixed share of the total that is in principle available. EAFRD and most Structural Funds are examples of this. In drawing down these funds, public authorities in most Member States will be mindful of competing priorities and will attempt to use the funding available on those activities that are both eligible and that they regard as the highest priority from a national perspective. Thus there will be competing priorities. Very often nature conservation in general and Natura 2000 in particular does not emerge as the leading priority and therefore, even if there are many measures which would be helpful to achieve conservation goals and are also eligible for funding, they receive a relatively small share of the budget. In some cases past patterns of expenditure under a fund will create expectations about the distribution of funding in the next round. For example, there is considerable pressure to maintain flows of funding to particular regions, constraining a redistribution in favour of new priorities such as Natura 2000 which may have a very different spatial footprint from that of previous beneficiaries. Similarly, the historic pattern in EAFRD has been for most expenditure to be devoted to agriculture and less to forestry or nature conservation, even though there has been a considerable growth in the number of measures targeted to these sectors. Clearly, the larger the funding envelope available to the Member State, the greater the scope for including more activities within it. Therefore, in very large funds the scope and/or opportunities for prioritising nature conservation might be greater.

Disbursement & eligibility rules and dedicated funds can be used to secure funding for Natura 2000. The extent of the competition on resources outlined above can be altered in many different ways. For example, if the fund-specific rules allow Member

States to choose between programmes which increase the competiveness of farmers and the profitability of the farming sector without investing in environmental management, many would choose to do so and, given a choice, potential beneficiaries will often make applications for schemes which provide them with the best economic return. This tendency to favour non-environmental priorities (e.g. biodiversity) can be countered by mechanisms such as earmarking, ring fencing funds for conservation, attaching environmental conditions to other eligibility requirements etc. Where there are dedicated EU funds available only for a limited number of activities, as is the case with LIFE+, the element of competition between different national priorities and applicants is much reduced or eliminated. Some constraints, such as institutional capacity or eligibility rules will still apply however. For example, most EU funds will not pay the costs of the employment of public officials since these are regarded as the responsibility of Member States. However, many of the activities required to deliver Natura 2000 effectively require the employment of publicly funded officials and there is a reluctance to meet the requisite cost either from national or EU sources.

Accessibility to stakeholders ensures uptake of EU funds in practise. The utility of EU funds to actors responsible for conservation will be influenced both by the process itself and their own capacity to make relatively demanding applications and to meet the subsequent requirements and also by the nature of those requirements. Where application processes are complex and demanding, funding conditions impose requirements which do not necessarily meet the organisation's normal modus operandi and the chances of success are difficult to appraise or are simply low, there is a corresponding impact on the willingness of eligible organisations to put forward proposals. So the detailed design and delivery of EU funding instruments in relation to the capacity of the intended target beneficiaries is also relevant to take up.

Existing information and reports of experience across Member States indicate that the integrated co-financing for Natura 2000 has resulted in several good and pioneering examples of financing biodiversity conservation from different existing EU funds (e.g. WWF & IEEP 2009). However, a range of shortcomings seems to remain, contributing to what is assumed to be a sizeable gap between existing expenditure at Member State level and the level of financing needed to deliver effective implementation of the network (e.g. Kettunen et al. 2009a, Gantioler at al. 2010a, Mcconville et al. 2010).

The 2007-2013 financing period is now beyond its mid-term mark. Therefore, it is a good time to take a more detailed stock of the successes of and/or lessons learned from the use of the current Community co-financing framework for Natura 2000, e.g. to analyse the possible shortcomings of and constraints for using this framework. Furthermore, there is also a need to develop ideas for the future financing arrangements of the network. Such an evaluation is also crucial in order to prepare for the upcoming negotiations on the EU financial perspectives post-2013, and the

challenge of improving the overall effectiveness of the Community co-financing framework in the future.

Finally, the recently adopted EU 2020 Strategy (i.e. the follow-up to the EU Lisbon Strategy on growth and jobs) increases the political emphasis on securing sustainable growth and employment in the EU[2]. Increasing evidence of the socio-economic benefits associated with the conservation of biodiversity, ecosystems and their services (including those associated with Natura 2000) should help to raise the political case for supporting biodiversity in the context of the future EU Budget.

2 OBJECTIVES OF THE STUDY

The aim of the study was to assess the successes and shortcomings of the existing EU co-funding framework for Natura 2000 and, based on the lessons learned, identify and analyse options for funding Natura 2000 in the future.

Note: this study focused on assessing the possibilities for financing the management of the Natura 2000 network. Consequently, the outcomes and conclusions of this report are first and foremost based on the analysis of the financial support available for Natura 2000, not for the overall / broader conservation and sustainable use of biodiversity in the EU. Furthermore, while the study also briefly addressed aspects related to the national financing available for Natura 2000 (section 4.4) and explored the use of innovative financing mechanisms (Chapter 7) the focus of the analysis is particularly on the EU element of the co-financing framework.

The study included four main tasks:

- **Task 1**: analysis of the current situation, including an overview of the current level of financing available for Natura 2000, review of the existing evidence on the impacts of EU funding for Natura 2000, and general analysis of the existing EU framework for co-financing. This task was supported by a number of case studies illustrating the uptake of different EU funds in practise. (**Chapters 4 – 5 and Annexes 1-2**).
- **Task 2**: identification and analysis of the gaps in the co-financing framework for Natura 2000, including gaps in financing different Natura 2000 management measures under the existing EU funds and general shortcomings in the overall framework. (**Chapter 6 and Annex 3**).
- **Task 3**: analysis and identification of possibilities for improving the co-financing framework for Natura 2000, including a review of the possibilities for linking the management of Natura 2000 with delivery / maintenance of ecosystem services and the use of new, innovative financing tools. (**Chapters 7 – 8 and Annex 4**).

[2] COM(2010) 2020

- **Task 4**: identification and assessment of different key future options for co-financing Natura 2000. (**Chapters 9 – 10**).

3 APPROACH AND METHODS

Key concepts

The EU co-financing framework for Natura 2000: the term refers to the arrangements in place to financially support the implementation and management of the Natura 2000 network from the EU budget (according to the Article 8 of the Habitats Directive). In the context of the 2007-2013 financial framework, financing Natura 2000 is accommodated within existing EU funding instruments: the European Agricultural Fund for Rural Development (EAFRD), European Fisheries Fund (EFF), Structural Funds (i.e. the European Fund for Regional Development – ERDF and the European Social Fund – ESF), the Cohesion Fund, the European financial instrument for the environment (LIFE+) and the 7th European Framework Programme for Research and Development (FP7). Community funding for Natura 2000 is subject to co-financing, i.e. financing a certain proportion of the cost of initiatives and projects implemented in Member States (see Chapter 1). Under the current framework, the extent of funding opportunities for Natura 2000 varies between different funds, reflecting the instruments' general focus and specific rules. Furthermore, the majority of the funds available for Natura 2000 are managed at national level (all but LIFE+ and FP7) which affects the availability of funding in practise.

The constraints for using the EU co-financing framework: this term is used to refer to the dynamics hindering the use of EU funds within the Member States in practise. In general, this includes several considerations that can be responsible for the lack of uptake of EU funds at national level, e.g. lack of earmarking and transparency, low institutional and stakeholder capacity and competition between different funding priorities (see Chapter 6).

Innovative financing: the term 'innovative financing' is used in the context of this study to refer to two things: 1) a more innovative use of the existing funds – and the EU co-financing in particular – via establishing links between the management of Natura 2000 and the supply of ecosystem services and 2) complementing the existing funding mechanisms with new instruments that recognise the multiple benefits of the network to society and the economy (e.g. market-based instruments). Note: the latter are not foreseen to form an integral part of the future EU co-financing arrangements for Natura 2000 but they are considered as a possibility to complement the EU framework.

3.1 Assessment of the current level of EU co-financing

The analysis of the current level of EU financing available for Nature 2000 draws on existing information sources and data compiled in the context of earlier projects.

EAFRD, EFF, Structural Funds and FP7: the relevant data on the use of different EU funds for activities related to the implementation of Natura 2000 were extracted from the Country Profiles and the Consolidated Profile of the 2010 Biodiversity Action Plan (BAP) Assessment[3] carried out in 2008-2010. For this assessment, information was sought from official data sources and Member States to be fed into the BAP Assessment[4]. In this context, data were collated on all the EU financing instruments comprising the integrated co-financing model for Natura 2000. In some cases, quantified data on Member State co-financing for these funding streams was included but to a limited level.

The BAP Assessment offered a breakdown between Member State and Community funding for the European Fisheries Fund data and the EAFRD data for the funding period 2007-2013. In the case of the former, however, financing for nature conservation measures cannot be isolated from funding for a very much broader set of activities. Whilst new data on EAFRD funding was released by the Commission in August 2010, the total public expenditure, including the Member States contribution, was not part of the updated dataset provided for the BAP assessment. The preceding data in the country profiles from January 2010 were used as a result, so as to allow the estimation of Member State contributions to rural development funding.

As for the Structural Funds, the data available on spending in the current period (originating from DG Regio) refers only to projected EU contributions and does not include a Member State financing element. Given different patterns of expenditure across regions, extraction of data on more detailed spending plans or actual outcomes would require detailed analyses of the operational programmes of individual Member States, not all of whom possess expenditure data broken down categorically in a way that allows isolation of nature conservation funding.

LIFE and LIFE+: Figures for the budgeted allocations to LIFE projects and the Member State co-finance share for the period 2000-2006 were gathered from country profiles formulated as part of the 'Ex-post Evaluations of Projects and Activities funded under the LIFE Programme', conducted for DG Environment by COWI and available on the LIFE website. Indicative allocations to Member States for all LIFE+ projects were available by year for the 2007-2010 period in Commission Decisions on the Annual Work Programmes[5], from which the allocations for nature and biodiversity were estimated based on an assumption of a 50 per cent share of costs between the EU and Member States. Information on the actual Member State co-financing are not available.

For the programming period to 2006, the sources outlined above are considered to represent the most up-to-date information generally available at the EU level as a whole. They also constitute the most recent and comprehensive datasets currently

[3] SEC(2010)1163

[4] COM(2010) 548 final + Annexes

[5] COM/2007/3683

available for EU funding, providing some indication of Natura 2000 funding per Member State. However, while clearly delineated allocations of co-financing for biodiversity and Natura 2000 at the national level would be extremely useful, they were very difficult to find outside some specific examples. In particular, the funding streams are rarely disaggregated in a way that allows financial resources flowing specifically to Natura 2000, or even biodiversity conservation more broadly, to be isolated from more general categories. Consequently, a number of fund-specific assumptions have had to be made in this analysis regarding the proportion of certain funds that go toward nature protection. Furthermore, estimates of spending on Natura 2000 for the period 2007 – 2013 are no more precise and unavoidably are forecasts rather than results. These assumptions are clearly outlined in Chapter 4 below.

National financing (e.g. non-EU fund related): As part of this study, some information on national and/or regional funding available for Natura 2000 has been gathered and summarised from six EU Member States, including Denmark, Germany, Latvia, Slovenia, Spain and the UK. These snapshots or insights are based on the information provided by Member States in the context of the BAP Assessment, complemented by desk based study and expert interviews carried out in the course of this study. These country insights, including relevant references, are included in Annex 1 of the report.

3.2 Existing evidence on the impacts of EU co-financing

The evidence on the impacts of financing Natura 2000 (e.g. broader environmental and socio-economic benefits) is based on an overview and analysis of the existing literature and information. This includes available evaluations of relevant EU policies and independent studies by academics and NGOs (e.g. outcomes of the Economics of Ecosystems and Biodiversity (TEEB) initiative and the results of an EU-level assessment of the benefits of Natura 2000). Information about the current state of the European environment was identified in sources from the European Environment Agency. A range of broader strategic EU documents has been used to support the overview analysis (e.g. the published results of the assessment of the EU Biodiversity Action Plan and the EU 2020 Strategy).

In general, a very limited amount of evidence is currently available that would allow one to make direct links between financing appropriate management of Natura 2000 sites and the delivery of broader environmental and socio-economic benefits. For example, no studies yet exist aiming to quantify such co-benefits, e.g. to assess the 'rate of return' for an EU funded project. Consequently, the assessment of the potential broader non-environmental benefits provided by EU funding for Natura 2000 establishment and management is mainly based on the interpretation of much more general evidence on the value of biodiversity and benefits of conservation.

3.3 Overall assessment of the current EU co-financing framework

The overall assessment of the current EU co-financing arrangements for Natura 2000 (e.g. opportunities and challenges in using the current EU funds) was carried out by using a SWOT analysis framework (i.e. strengths, weaknesses, opportunities and threats). The SWOT framework provides a systematic way for assessing different factors playing a role in the use and uptake of EU funds for Natura 2000, whether these aspects are related to national level implementation or arise from rules or guidelines established at EU level. The results of applying this SWOT analysis are set out in Chapter 6.

The Table 3.1 below outlines the key questions for the structured SWOT analysis, applied to each of the funding instruments analysed including EAFRD, EFF, ERDF and LIFE+. In general, the analysis of strengths and weaknesses has focused on each fund individually (e.g. its scope and implementation framework as outlined in the regulations establishing the fund), exploring the fund's potential capacity to provide resources for Natura 2000 and support specific management objectives in practise. The analysis of opportunities and threats has addressed broader aspects behind the success / failure of the fund to provide finance for Natura 2000 activities, e.g. as part of an integrated funding system or a specific instrument to contribute to a different goal.

The SWOT analyses have been completed based on the existing European and national information available on the uptake of the EU co-financing instruments applicable to Natura 2000, complemented by the experience of the project team. The SWOT analysis is based on the available data on the use of EU co-financing framework and its individual funds. This mainly includes qualitative information regarding the lessons learned on the uptake of the Community funds (e.g. 3.3.1 below) and quantitative insights gained through assessing the current level of co-financing (3.1 above). The key sources of qualitative information include the results and insights gained in the context of earlier projects for the European Commission in 2007-2010, e.g. the outputs of the recent European Commission conference on Financing Natura 2000 held in Brussels in July 2010 (Torkler et al. 2008, WWF & IEEP 2009, Gantioler et al. 2010a, McConville et al. 2010).

Please note: no specific SWOT analyses have been prepared for the Cohesion Fund, European Social Fund (ESF) and the 7th Framework Programme for Research and Development (FP7). Please see Chapter 6 for further details and analysis.

Table 3.1 Framework and criteria for the SWOT analysis

SWOT Analysis Methodology		
STRENGTH	WEAKNESS	**Regulatory framework**
- What advantages does this instrument have for financing Natura 2000? - What features contribute to the success of this instrument (scope & implementation framework)? - Indicators of success/ strengths? - Stakeholders' feedback re: strengths?	- What factors reduce the instrument's capacity to finance biodiversity (scope & implementation framework)? - What limits the uptake of the fund for Natura 2000? - Indicators of failure / weaknesses? - Stakeholders' feedback re: failure / weaknesses?	
OPPORTUNITY	THREAT	**Wider policy context**
- Where are the opportunities to make better use of the instrument? - What future requirements / framework conditions could make the instrument more successful? What can help these opportunities be realised? - Are political conditions changing with regard to support? - What opportunities in the future?	- What broader obstacles hinder a better uptake of the instrument? - The role of the overall political / decision-making framework in limiting the use of a fund? - Could any of the identified weaknesses seriously threaten further application of this instrument for Natura 2000? - Are political conditions changing so as to increase identified threats in the future?	

3.3.1 Case studies illustrating the uptake of EU co-financing in practise

Case study examples of EU funding instruments and/or instrument specific programmes have been developed to provide more insights into the factors defining their success or failure. The examples compare cases where financing of Natura 2000 has been successfully integrated into the implementation of an EU fund with cases where Member States have encountered difficulties in utilising the EU funding instrument for Natura 2000 in practise. The case studies are based on assessing relevant Member States' operational programmes in which they allocate EU financing to different national and regional priorities (for ERDF, EAFRD, EFF) or, in the case of instruments implemented at the EU level, national supporting structures to help beneficiaries to access EU funding (LIFE+ and FP7). The case studies covered examples in the following Member States: Austria, Cyprus, Denmark, Germany, Spain and Poland. The results of the case studies can be found in Annex 2.

The case studies were selected based on the project team's experience and insights, in discussion with the Commission and in consultation with key experts on the different funding lines at European and national level. The aim of the final selection was to highlight different common factors defining successes, challenges and failures

and, in the case of EFF and FP7, to show some recent examples of how the funds administer at the EU level could be used to support Natura 2000 in practise.

For the purpose of analysing the cases studies, a set of generic factors influencing the successful use of a particular EU fund for Natura 2000 was identified. The principal factors were whether:

- the programme/funding instrument has a clear biodiversity related priority
- the programme/funding instrument has a well developed budget for biodiversity
- biodiversity measures are well defined and a wide range of activities can be funded
- a clear procedure and system has been put in place to generate biodiversity related projects
- beneficiaries are adequately and successfully supported by the authorities responsible for implementing / administrating the fund at the national level
- projects are managed by beneficiaries with good professional and administrative capacities.

The above factors were defined based on the insights from the previous analysis on the innovative use of EU funds (WWF & IEEP 2009). Also, information was drawn from the approach used in the context of the Interreg IVc SURF-Nature Project to analyse more than 40 ERDF Operational Programmes across Europe[6].

3.3.2 Gaps in financing different Natura 2000 related management measure

The process of implementing the requirements in EU legislation, so as to establish Natura 2000 within a Member State, can be broken down into a number of steps. These include, for example, the identification of potential sites of Community interest, the notification of owners, establishment of a management plan, and monitoring of the conservation status of species concerned, as well as the crucial undertaking of appropriate site management. The question arises whether these different types of 'management measure' are eligible for support under the rules of one or more of the relevant EU funds. If they are ineligible, for example where public administration is involved and the funding is expected to come from Member States in most cases, then a gap in the array of EU funding instruments can be identified. This analysis was carried out based on analysing the objectives and possible scope of the different EU funds and comparing the results with available information on the uptake of Natura 2000 related measures at national and regional level. The objectives and scope of different EU funds was determined based on the fund-specific Regulations for each fund, including the specific funding mechanisms that

[6] Wolfgang Suske, Brigitte Allex and Marija Martinko, Vienna January 2011: Summary of the analysis of operational programmes, Interreg Ivc SURF nature project

they comprise. Their interpretation in the EC endorsed guidance handbook for financing Natura 2000 (Miller et al. 2008) was used in this analysis. Furthermore, recent and prospective spending levels potentially relating to Natura (see 3.1 above), insights from the EU stakeholder conference on financing Natura 2000 in July 2010 (McConville et al. 2010) and experience of several thematic experts and the project team was used to aid the analysis.

The choice of a set of management activities to be considered in the analysis was based on the commonly agreed typology of measures used by the European Commission, e.g. as outlined in the 2007 handbook for financing Natura 2000 (Miller et al. 2007). A set of indicators was identified to estimate the opportunities for obtaining financing for part of these different management measures from the different EU funds reflecting eligibility rules, barriers to application, apparent current practice and other considerations. These indicators included: amount of available opportunities for funding and possible restrictions related to beneficiaries, project types and scale and land categories eligible for funding. A more detailed description of these indicators and their use is given in Chapter 6. Where there was a lack of opportunity for obtaining EU funding, a '*gap*' was therefore identified.

Finally, the gaps identified in eligibility for EU funding were considered in relation to the scale of costs involved in this element of implementation and the estimated overall costs of implementation of the Natura 2000 network. The information on the estimated cost of different management measures was based on a recent study by Gantioler et al (2010), analysing survey data from 25 Member States.

3.3.3 Shortcomings in the overall implementation of the EU co-financing framework

In addition to these gaps in the availability of EU funding for different Natura 2000 management measures, other possible reasons for unexpectedly low uptake of EU co-financing at the national level were analysed and other potential shortcomings in the overall system identified. The aim was to pin down the key factors contributing to the overall lack of financing for Natura 2000 and/or hindering the uptake of EU funds at the national level.

This exercise was carried out on the basis of existing European and national information and analysis available on the uptake of EU co-financing for Natura 2000. The key sources used include previous studies undertaken for the European Commission in 2007-2010, including the outputs of the recent European Commission stakeholder conference on financing Natura 2000 held in Brussels in July 2010 (Torkler et al. 2008, WWF & IEEP 2009, Gantioler et al. 2010a, McConville et al. 2010). In addition, further information gathered in the context of this project has been used to complement the analysis (e.g. case studies developed under 3.1 above and related insights from the national level experts).

3.4 Assessing possible measures to address gaps and shortcomings in the EU co-financing framework

An analysis was carried out to identify different possibilities for addressing the gaps and shortcomings in the existing EU framework for co-financing Natura 2000 (Annex 3). For this purpose a number of potentially useful measures that could be adopted to address the gaps and shortcomings in the current EU framework have been proposed and their apparent capacity to address the gaps and shortcomings has been systematically assessed.

The sources for this exercise were similar to these referred to above, as well as the experience of the team and experts consulted and the information and insights gained in the earlier tasks of this study. Up-to-date information on the discussions between the Commission and Member States (e.g. the Biodiversity Coordination Group) were also helpful.

To complement the analysis of potential new measures, the possibilities for using innovative approaches and/or mechanisms to support and/or complement the EU co-financing in the future was examined. In this context, the possibilities for using the links between the management of Natura 2000 and delivery of ecosystem services as a basis for innovative financing were systematically explored. Some potential opportunities for the innovative use of existing EU funds and/or development of new innovative financing mechanisms for Natura 2000 have been identified.

3.5 Identification and analysis of options for the future EU co-financing of Natura 2000

Drawing on the findings of all of the steps described above, a range of possible options for financing Natura 2000 in the future, ranging from 'business-as-usual' to a number of alternative approaches aimed at improving the overall EU co-financing framework for Natura 2000, have been sifted out.

In a final step these options have been assessed against a set of criteria considered to be conducive to the overall future success of EU co-financing for Natura 2000. This evaluation was conducted in a qualitative / semi-quantitative manner, utilising the evidence base and analysis outlined in this report. These criteria and other aspects of the assessment are outlined in more detail in Chapter 9.

4 FUNDING AVAILABLE FOR NATURA 2000

The assessment of the existing EU co-funding framework for Natura 2000 commences with an analysis of the current level of EU financing available for managing the network. Firstly, section 4.1 examines for each fund the financial allocations foreseen to be relevant for / benefiting Natura 2000 during the 2007-2013 funding period. It also provides a short overview of the broader context with which the financed measures need to comply. These aspects are analysed in more detail in Chapter 6. Section 4.2 then explores how well these planned budgetary allocations match the actual expenditure recorded, while section 4.3 aims to draw some conclusions related to the level of total funding available (e.g. the existing funding gap). Finally, section 4.4 complements the overall assessment with insights from Member States, focusing particularly on the availability of national funding sources that are not related to EU co-financing. The complete case examples from Denmark, Germany, Latvia, Slovenia, Spain and the UK can be found in Annex 1.

4.1 EU co-financing for Natura 2000 in 2007-2013

4.1.1 European Agricultural Fund for Rural Development (EAFRD)

Eligibility for funding under EAFRD: The possibilities to finance Natura 2000 in the context of EAFRD are targeted at conserving biodiversity in rural areas, focusing specifically on co-financing measures carried out by farmers or foresters. In general, actions financed under EAFRD need to be linked with or seen to deliver benefits for the sustainable development of rural areas (i.e. local economy and society).

See Chapter 6 for further analysis.

The EAFRD is a sizable fund supporting rural development in the broader sense. The Regulation provides for support via more than thirty individual measures grouped within four major axes: 1) agricultural competitiveness; 2) land management, including agri-environment and Natura 2000 measures; 3) wider rural development; and 4) 'Leader' (innovative initiatives within the Member States).

A considerable range of different measures could be used to contribute to the appropriate management of Natura sites and to biodiversity more generally. Since the Rural Development Regulation is intended to cover a variety of different objectives, including the maintenance of High Nature Value (HNV) farms and farmland, this can be achieved by using different instruments in a variety of ways. For example, many HNV farms, including those in Natura sites, produce livestock products, traditionally managed orchards and olive groves, and even low intensity cereals in some areas. The viability of the farms concerned needs to be maintained if they are to continue with the required form of land management from a conservation perspective. Since many of them currently are generating rather low

incomes and some are in danger of abandonment entirely, the whole question of farm viability is closely linked to conservation objectives over significant areas of land.

Consequently, rural development measures which help to maintain farm viability can make a significant, albeit indirect, contribution to the management of conservation sites. This can occur in different ways. Some measures, such as support for LFAs, provide a straightforward payment per hectare to maintain farming and hold back abandonment. Some contribute to the returns farmers get from the products that they sell, such as support for adding value to agricultural products (measure 123). Others provide assistance for farms that want to diversify their income through activities other than agriculture, for example tourism (measures 311 and 313). In other cases training and advice may help to keep a farm viable or to help farmers choose the right form of management (measures 111, 114 and 115). In certain cases farms may need to invest in new equipment or buildings in order to survive, and investment aid may be critical for them (121). In other cases, local rural development initiatives may seek to include nature conservation amongst the mix of different activities promoted through LEADER (411, 412, 413).

Axis 2 (measures 2xx) is of most relevance to biodiversity conservation. It contains some measures directly concerned with Natura 2000 (i.e. 213 Natura 2000 payments and payments linked to Directive 2000/60/EC, concerned primarily with land management payments to farmers and 224 Forest Natura 2000 payments) and a larger number with potential to support activities beneficial to biodiversity conservation goals amongst other objectives (214 agri-environment and 225 forest-environment measures). Consequently, in the context of the BAP Assessment, Axis 2 was isolated and analysed as a proxy biodiversity component of the larger fund.

Table 4.1.1.1 presents planned expenditure under EAFRD as a whole, isolating agri-environment and direct payments to Natura 2000 as sub-elements. The Member States' contributions are calculated by subtracting the Community EAFRD payments from total public expenditure, as presented in the BAP Assessment. The Total Public Expenditure refers to the sum of Community EAFRD payments and the forest environment measure and the rural heritage measure are also covered in Table because of their relevance to the Member State co-financing element of the EAFRD.

Budgetary allocations are fixed in advance for each Member State for the whole period according to principles that are not connected in any way to Natura 2000 requirements. For the EU-15 they are derived largely on the basis of historic expenditure, producing an uneven set of results. For the new Member States there is a formula based on more objective criteria such as the total agricultural area of the country. Environmental criteria are not included. Some Member States, notably the UK, have sought to increase their rural development budget by transfers from Pillar 1 through modulation. The consequences of this approach to EAFRD allocations can be seen in Table 4.1.1.1, which shows that total public funding for rural development varies greatly between Member States over the period 2007-2013. France, Spain, Poland, Italy and Germany receive especially large sums (greater than 14 billion

EUR), followed by Romania, the UK and Austria (above 8 billion EUR). There is some relationship between the EAFRD allocation and the total land area under agriculture for most Member States. However, this will not necessarily reflect the proportion of national territory designated under the Natura 2000 network which is relatively high in some cases, such as Spain and Slovakia and lower in others, such as Germany and the UK.

In terms of overall rural development expenditure, co-financing, rates vary. On average, less well-off Member States contribute around 20 per cent of the total rural development funding for EAFRD measures. The remaining Member States generally contribute 40 to 50 per cent, with national contributions in Luxembourg, Finland and Belgium reaching over 60 per cent of the total funding. This pattern is replicated for the agri-environment component, with Finland and Luxembourg co-financing over 70 per cent, and most Member States falling between 39 and 54 percent. Less economically strong EU members contribute 10 to 20 percent, including Greece, Hungary and Latvia, with a particularly low proportion of national funding.

The agri-environment component constitutes a significant part of the whole of rural development funding, in the range 10 to 54 per cent depending on the Member State (median 22 per cent, inter-quartile range 15 to 28 per cent). Member States such as the United Kingdom (54.1), Sweden (53.8), Ireland (48.6) and Austria (45.3) have particularly high shares. This is partly reflected in the Member States co-financing rates, albeit highest in Luxembourg (75) and Finland (71.8). For the whole of the EU, agri-environment constitutes 24 per cent of the total public expenditure for rural development.

Compared to agri-environment payments, expenditure on forest environment measures is rather low, representing only 0.27 per cent of the total public funding for rural development with 13 Member States utilising no funding at all, although they may have purely national funding schemes. On the other hand rural heritage payments can be significant across some Member States (e.g. Germany, Austria and Italy), and amount to 14 per cent of total public funding under EAFRD. It remains unclear to what extent Natura 2000 benefits from either of these categories of payments. Insights from national funding available for nature conservation in Germany (see Chapter 4.4) suggest that that allocation can be significant in some countries. However, a more detailed analysis covering all Member States would be needed to gather a better understanding of how Natura 2000 currently is benefitting from these payments and might do so in future.

Table 4.1.1.1 Member State and Community contributions to selected measures relevant to Natura 2000 within the planned allocation of EAFRD for 2007-2013 (as of January 2010)

Member State	Total public funding (m€)	Total public agri-environment payments (m€)	Agri-environment as % total public funding	EAFRD Community agri-environment payments (m€)	Member State agri-environment co-financing (m€)	Member State agri-environment co-financing %	Total public direct Natura 2000 payments (m€)	Direct Natura 2000 as % of total public funding	EAFRD Community direct Natura 2000 payments (m€)	Member State direct Natura 2000 co-financing (m€)	Member State Natura 2000 co-financing %
Austria	8,018.9	3,635.9	45.3%	1823.7	1811.7	49.8%	7.9	0.1%	3.98	3.96	49.8%
Belgium	1,190.5	265.4	22.3%	132.6	132.6	50.0%	8.6	0.7%	4.31	4.31	50.0%
Bulgaria	3,241.9	435.5	13.4%	357	78.4	18.0%	0	0	0	0	0
Cyprus	329.1	81.4	24.7%	40.6	40.6	50.0%	0	0	0	0	0
Czech Rep.	3,614.1	1,053.2	29.1%	841	211.9	20.1%	72.0	2.0%	57.48	14.48	20.1%
Denmark	1,020.9	301.9	29.5%	180	121.6	40.3%	0	0	0	0	0
Estonia	935.0	211.1	22.6%	168.7	42.2	20.0%	40.1	4.3%	32.07	8.02	20.0%
Finland	6,823.5	2,420.6	35.5%	682.2	1738	71.8%	0	0	0	0	0
France	13,665.9	3,249.9	23.8%	1876.9	1372.8	42.2%	0	0	0	0	0
Germany	14,181.9	3,553.7	25.1%	2176.6	1376.8	38.7%	181.7	1.3%	112.45	69.26	38.1%
Greece	4,420.5	772.3	17.5%	674.3	97.8	12.7%	15.6	0.4%	13.61	1.97	12.7%
Hungary	4,535.0	1,004.8	22.2%	873.9	130.7	13.0%	44.1	1.0%	38.38	5.74	13.0%
Ireland	4,298.8	2,089.8	48.6%	1149.1	940.2	45.0%	401.0	9.3%	220.55	180.45	45.0%
Italy	17,269.8	3,845.7	22.3%	1991.5	1854	48.2%	42.1	0.2%	21.35	20.79	49.3%
Latvia	1,211.3	200.3	16.5%	180.1	20	10.0%	24.8	2.1%	22.36	2.48	10.0%
Lithuania	2,285.3	365.1	16.0%	291.9	73	20.0%	33.0	1.4%	26.40	6.60	20.0%
Luxembourg	393.1	107.4	27.3%	26.8	80.3	75.0%	0	0	0	0	0
Malta	101.6	10.6	10.4%	8.4	2.1	20.0%	0	0	0	0	0
Netherlands	1,121.3	246.5	22.0%	130.4	115.9	47.0%	0	0	0	0	0
Poland	17,405.5	2,315.8	13.3%	1853	462.7	20.0%	0	0	0	0	0
Portugal	5,117.0	529.0	10.3%	433.2	95.7	18.1%	2.4	0.05%	2.04	0.36	15.0%
Romania	10,097.1	996.6	9.9%	817.1	179.4	18.0%	0	0	0	0	0
Slovakia	2,562.3	338.4	13.2%	268.2	70.1	20.7%	10.7	0.4%	8.48	2.22	20.7%
Slovenia	1,177.0	310.8	26.4%	248.4	62.1	20.0%	0	0	0	0	0
Spain	14,266.3	2,080.0	14.6%	1146.2	933.7	44.9%	14.3	0.1%	1.01	41.41	29.0%
Sweden	3,917.2	2,106.8	53.8%	982.8	1123.5	53.3%	0	0	0	0	0
UK	8,244.8	4,463.7	54.1%	2417.5	2045.7	45.80%	0	0	0	0	0
Total	**151,445.40**	**36,992.29**	**24.4%**	**21,772.30**	**15,213.40**	**41.1%**	**898.39**	**0.6%**	**573.60**	**324.80**	**36.2%**

Member State	Total public funding (m€)	Total public rural heritage payments (m€)	Total public rural heritage as % of total public EAFRD	EAFRD Community rural heritage payments (m€)	Member State rural heritage co-financing (m€)	Member State rural heritage co-financing %	Total public forest-environment payments (m€)	Total public forest-environment as % of total public EAFRD	EAFRD Community forest-environment payments (m€)	Member State forest-environment financing (m€)	Member State forest-environment co-financing %
Austria	8,018.9	199.97	2.49%	100.8	99.2	49.60%	14.8	0.19%	7.4	7.4	49.8%
Belgium	1,190.5	20.19	1.70%	8.7	11.4	56.68%	0	0	0	0	0
Bulgaria	3,241.9	0	0	0	0	0	0	0	0	0	0
Cyprus	329.1	5.33	1.62%	2.7	2.7	50.00%	1.0	0.30%	0.5	0.5	50.0%
Czech Rep.	3,614.1	57.20	3.18%	100.8	14.3	12.43%	13.3	0.37%	10.6	2.7	20.1%
Denmark	1,020.9	12.76	1.25%	6.4	6.4	49.98%	11.7	1.15%	7.0	4.7	40.3%
Estonia	935.0	0	0	0	0	0	0	0	0	0	0
Finland	6,823.5	5.78	0.08%	2.7	3.1	53.32%	0	0	0	0	0
France	13,665.9	279.71	2.05%	140.6	139.1	49.74%	0.1	0.001%	0.1	0.0	45.0%
Germany	14,181.9	982.54	6.93%	616.6	366.0	37.25%	51.3	0.36%	28.6	22.7	44.3%
Greece	4,420.5	56.72	1.28%	46.8	10.0	17.56%	0	0.00%	0	0	0
Hungary	4,535.0	30.92	0.68%	25.3	5.6	18.07%	78.9	1.74%	68.6	10.3	13.0%
Ireland	4,298.8	0	0	0	0	0	0	0	0	0	0
Italy	17,269.8	164.85	0.95%	82.7	82.2	49.83%	43.9	0.25%	22.4	21.4	48.8%
Latvia	1,211.3	1.55	0.13%	1.3	0.2	15.00%	0	0	0	0	0
Lithuania	2,285.3	0	0	0	0	0	10.0	0.44%	8	2.0	20.0%
Luxembourg	393.1	2.50	0.64%	1.0	1.5	60.00%	0.6	0.16%	0.2	0.5	75.0%
Malta	101.6	21.00	20.67%	15.8	5.3	25.00%	0	0	0	0	0
Netherlands	1,121.3	55.47	4.95%	28.4	27.0	48.76%	0	0	0	0	0
Poland	17,405.5	0	0	0	0	0	0	0	0	0	0
Portugal	5,117.0	13.17	0.26%	11.3	1.8	13.85%	14.3	0.28%	11.7	2.6	18.5%
Romania	10,097.1	0	0	0	0	0	0	0	0	0	0
Slovakia	2,562.3	0	0	0	0	0	25.1	0.98%	19.927144	5.2	20.7%
Slovenia	1,177.0	14.62	1.24%	11.0	3.6	24.53%	0	0	0	0	0
Spain	14,266.3	112.07	0.79%	66.2	45.9	40.93%	82.8	0.58%	50.5	32.2	39.0%
Sweden	3,917.2	13.22	0.34%	6.0	7.3	55.00%	0	0	0	0	0
UK	8,244.8	201.85	1.40%	86.7	28.4	24.69%	61.2	0.74%	32.1	29.0	47.5%
Total	**151,445.40**	**2,251.43**	14.8%	**1,303.83**	**860.89**	39.8%	**409.04**	0.27%	**267.70**	**141.34**	34.6%

Notes: 'Total public funding' is the combined total of Community funding and Member State co-financing under EAFRD. Member State contribution' refers to the percentage share Member States contribute to the total public funding for the given category. Figures for Member States are inferred, calculated by subtracting the Community-level funding allocation from public funding. At measure level, the total public expenditure is an estimation based on averages, related to data on total public funding at Axis level. This might result in variations when summing figures. Direct Natura 2000 payments' refer to the sum of agriculture Natura 2000 payments (code 213) and forest Natura 2000 payments (code 224). Rural heritage payments refer to payments under RDP code 323, 'Conservation and upgrading of the rural heritage'. Forest-environment payments refer to payments under RDP code 225 'Forest-environment payments'. Source: Biodiversity Action Plan 2010 Assessment - Country Profiles; DG Agri unpublished data extracted from official national reports.

The use of the two 'direct' Natura compensation payment measures for agriculture (213) and forestry (214) varies greatly between Member States, reflecting the variety of national arrangements and the extent to which they use different EAFRD measures in support of them. Thirteen Member States register no direct payments under EAFRD. Direct Natura 2000 payments surpass 50 million EUR over the period in only three countries (Ireland 401 million EUR, Germany 182 million EUR and the Czech Republic 72 million EUR). In contrast to the large share of agri-environment payments, direct Natura 2000 payments generally comprise between zero and two per cent of the total expenditure under EAFRD. In only six Member States are they above one per cent of the total expenditure, and in 19 they constitute less than 0.5 per cent.

It needs to be mentioned that, amongst the four countries with the highest share of direct Natura 2000 payments, three are EU12 Member States (Czech Republic, Latvia and Estonia). Ireland allocated the highest share, amounting to 9.3 per cent of total public funding. Although not shown in Table 4.1.1.1, this was entirely dedicated to the Natura 2000 agriculture measure (213), whereas Estonia allocated a more significant share to forest Natura 2000 (224). Generally, Eastern European Member States demonstrated a tendency to allocate more funding to the Natura 2000 forest measures than to the agriculture measure. This seems to reflect institutional issues such as forest ownership, compensation principles and property rights as well as the scale of the management challenge. An exception is Hungary, where measure 213 receives the whole share of direct Natura 2000 payments. On the other hand, Hungary allocated a higher percentage of funding to forest environment payments (225) compared to other Member States. Many countries choose not to use either measure which does not mean that they may not pursue similar goals under other measures, notably agri-environment and nationally funded schemes, or by approaches which require little or no compensation. This is illustrated by countries with extensive forest coverage such as Sweden and Finland which use neither measure.

For those 13 Member States that do allocate EAFRD funding to specific Natura 2000 measures, co-financing rates range between 10 and 50 per cent. Looking at the EU level (sum of all Member States), the rate of co-financing is 36 per cent, similar to but slightly below the level for agri-environment funding (41 per cent).

Looking to the actual expenditure recorded in 2007 and 2008 out of the planned commitment for the 2007 to 2013 financing period (Table 4.1.1.2), there is a striking disparity between the agri-environment payments and the direct payments to Natura 2000. Up to 35 per cent of the planned allocation of the EAFRD agri-environment stream has been paid to Member States, with a median of 15 per cent. In contrast, only two out of 14 Member States that have allocated funding for the 2007-2013 period have spent above 10 per cent of the direct Natura 2000 planned allocation. Seven out of the 14 Member States with a planned allocation had yet to draw down any EU funding by the end of 2008. This suggests a very slow uptake of the measure at the beginning of the financing period. The reasons for this can be manifold, relating to the implementation process and administration involved,

absorption capacity (see Chapter 6) or generally the popularity of the measure in a Member State. One indication of whether Member States will achieve their initial planned expenditure will be the number of programme modification requests provided to the Commission to shift payments between measures, and to what extent the Commission will agree to those modifications.

Table 4.1.1.2 Actual cumulative EAFRD payments in Member States for the period 2007 to 2008 in million EUR and as percentage of total planned EAFRD allocations 2007-2013

Member State	Agri-environment payments		Direct Natura 2000 payments	
	EAFRD actual commitments (m€)	As per cent of planned allocation	EAFRD actual commitments (m€)	As per cent of planned allocation
Austria	511.0	28.0 per cent	0.0	0.0 per cent
Belgium	42.3	31.9 per cent	0.4	9.3 per cent
Bulgaria	0.0	0.0 per cent	na	-
Cyprus	5.1	12.6 per cent	na	-
Czech Republic	111.2	13.2 per cent	0.6	1.0 per cent
Denmark	36.9	1.7 per cent	na	-
Estonia	2.6	1.6 per cent	0.5	1.7 per cent
Finland	179.6	26.3 per cent	na	-
France	446.3	23.8 per cent	na	-
Germany	575.9	26.6 per cent	11.8	10.5 per cent
Greece	183.3	27.2 per cent	0.0	0.0 per cent
Hungary	91.7	10.5 per cent	0.0	0.0 per cent
Ireland	342.3	29.8 per cent	0.0	0.0 per cent
Italy	224.2	11.3 per cent	0.0	0.0 per cent
Latvia	-	-	1.5	6.6 per cent
Lithuania	8.6	2.9 per cent	0.2	0.7 per cent
Luxembourg	6.3	23.7 per cent	na	-
Malta	0.0	0.0 per cent	na	-
Netherlands	33.6	25.7 per cent	na	-
Poland	154.3	8.3 per cent	na	-
Portugal	152.6	35.2 per cent	0.0	0.0 per cent
Romania	0.0	0.0 per cent	na	-
Slovakia	50.6	18.9 per cent	0.0	0.0 per cent
Slovenia	32.6	13.1 per cent	na	-
Spain	188.7	16.5 per cent	1.7	16.4 per cent
Sweden	262.8	26.7 per cent	na	-
UK	49.6	2.1 per cent	na	-
Total	**3116.2**	**14.3 per cent**	**16.6**	**2.9 per cent**

Notes: Percentages refer to the percentage of the planned allocation 2007-2013 for the stated category that has been disbursed between 2007 and 2008. Direct Natura 2000 payments include agriculture Natura 2000 and forest Natura 2000 payments, codes 213 and 224 under the Rural Development Policy.
na = no planned allocation

Source: European Commission, DG Agri unpublished data December 2009

The initial outline of the relevance of different measures under the EAFRD for Natura 2000 at the beginning of this section showed that there is a rather diverse mixture of measures that can play some part in supporting Natura 2000, albeit indirectly. However, this set of measures also will aid farms in ways which have no benefit for nature conservation or in some cases may assist damaging activities, for example under the farm modernisation measure which can lead to reseeding of pasture, bringing livestock into buildings, the construction of new access roads etc. Some, such as support for farming in less favoured areas, may make a significant indirect

contribution (by maintaining the management of mountain pasture for example) but do not have explicit biodiversity objectives. We also need to recognise that a considerable proportion of measures directed to lower input and HNV farms in particular will contribute to the overall conservation effort on farmland. Since the monitoring and evaluation procedure for EAFRD includes an indicator on the maintenance of HNV farming it should be possible to judge the contribution of EAFRD measures to HNV farming at least, at the end of the current programming period.

There is no simple way of breaking down expenditure under these headings so as to isolate the nature conservation element. Therefore, it is difficult to assess to what extent those measures contribute to the objectives of the Birds and Habitats Directives. Even with regard to some Axis 2 measures considered important for biodiversity objectives, it is difficult to determine to what extent they meet conservation objectives on the ground, especially if this is not their primary purpose.

The agri-environment measure, the only one that is compulsory for Member States to implement, is intended to support a wide range of environmental objectives from soil management to mitigating climate change. Biodiversity conservation is amongst these but it is difficult to isolate which of the individual schemes and sub-schemes within the 88 rural development programmes actually are concerned primarily with biodiversity. According to a BirdLife report (Boccaccio *et al*. 2009), if spending on agri-environment is considered in relation to its value for biodiversity, in 2007 in Austria less than 8 per cent of total budget was spent on sub-measures with 'strong' effects. It can be expected that an even smaller proportion of the spending will focus on land within Natura 2000 areas. Thus, whilst agri-environment and other measures do produce some biodiversity benefits it is not currently feasible to quantify them.

Consequently, although agri-environment payments are included in Table 4.1.1.1 on planned EAFRD funding relevant for Natura 2000 between 2007 and 2013, the summary analysis of relevant EU funding instruments presented later in Table 4.4 focuses on analysing the measures within EAFRD concerned directly with Natura 2000 only. This substantially underestimates the actual contribution of EAFRD to supporting broader biodiversity objectives, but including more measures such as agri-environment would have led to a significant over-estimation. For the same reasons the forest environment and rural heritage categories were also excluded from the summary analysis in table 4.4.

4.1.2 European Fisheries Fund (EFF)

Eligibility for funding under EFF: The possibilities to finance Natura 2000 in the context of EFF are targeted at conserving biodiversity in the marine and coastal context, focusing specifically on co-financing measures carried out by actors within the fisheries sector. In general, actions financed under EFF need to be linked with or

contributie to the sustainable development of fisheries and aquaculture sectors (e.g. rural areas depending on fisheries for their livelihoods).

See Chapter 6 for further analysis.

The EFF is a financing instrument to complement the EU Common Fisheries Policy (CFP), designed to promote and facilitate the development of a fishing and aquaculture industry that is economically, socially and environmentally sustainable. It is comprised of four axes: 1) measures to adapt the fishing fleet; 2) measures relating to aquaculture and inland fisheries; 3) measures of common interest, including 'collective action' and the protection of flora and fauna; and 4) actions to aid the sustainable development of fishing areas. As with EAFRD, Member States have individual allocations under the Fund which are not related to their endowment of Natura sites.

It is difficult to draw any precise conclusions on the level of funding for biodiversity within the EFF although both the data available and the view of experts suggest that it is small. Within EFF there is no financial breakdown of expenditure on specific activities beyond the level of the 4 axes, each of which could potentially encompass actions relating to biodiversity conservation. However, Axis 3 is generally considered as the most likely funding stream under EFF to finance biodiversity and Natura 2000.

Although the EFF offers several possibilities to support Natura 2000[7], the annual reporting from Member States to the European Commission indicates that uptake of this fund for Natura 2000 related activities is currently very modest. Most of the EFF National Strategic Plans do not include a reference to supporting the implementation of Natura 2000. This suggests that Natura 2000 is not regarded as a responsibility or priority under EFF in the majority of Member States.

One reason for this limited utilisation is the delay in designation of marine sites and the subsequent management planning. At the time the EFF National Strategic Plans were developed, the process of establishing marine Natura 2000 sites was still very much in its infancy[8]. This conclusion is also supported by the fact that some Member States indicate in their annual reporting that they are exploring the use of EFF for Natura 2000 in light of progress in the management planning of the marine Natura 2000 network[9].

Whilst the actual allocations for biodiversity and Natura 2000 remain unclear, the BAP Assessment indicates that 17 out of the 26 Member States[10] with an Operational

[7] EC (2007) Financing Natura 2000 Guidance Handbook

[8] National Strategic Plans were developed in 2005/2006. The EC Guidelines for the establishment of the Natura 2000 network in the marine environment were for example only published in May 2007

[9] Written correspondence with European Commission in the context of this study

[10] Luxembourg does not have an Operational Programme for Fisheries

Programme for Fisheries in place have adopted measures to protect flora and fauna in their aquatic environments. This seems to indicate that several Member States, therefore, are investing some funds in conservation actions.

According to the figures presented in Table 4.1.2, Axis 3 as a whole accounts for between one and 66 percent of the total EFF in each Member State. Axis 3 takes a share of between 15 and 45 percent in 20 states, and a median of 30 percent. Austria has a particularly low share, 99 percent of the fund going to Axis 2 (inland and aquaculture), as it is landlocked.

Member States generally contribute 20 to 50 percent of the cost of both the total EFF and Axis 3 measures. For any given Member State, the percentage national contribution to Axis 3 is on a par with the percentage contribution to EFF overall (correlation coefficient 0.96). The analysis identifies 13 'less economically developed' Member States which co-finance at a rate of around 25 percent, in contrast to the 40 to 60 percent of the others (Germany and Ireland slightly less, at 36 percent and 37 percent respectively).

Table 4.1.2 European Fisheries Fund allocation for the period 2007-2013 by Member State

Member State	Total EFF funding (m€)	Member State share Total EFF (per cent)	Axis 3 funding (m€)	Axis 3 as per cent of Total EFF	Member State share AXIS 3 (per cent)	Measures to protect flora and fauna (Y/N)
Austria	10.3	49.4 per cent	0.1	1.0 per cent	50.0 per cent	N
Belgium	49.9	50.0 per cent	19.0	38.0 per cent	50.0 per cent	Y
Bulgaria	101.3	25.0 per cent	26.7	26.3 per cent	25.0 per cent	Y
Cyprus	39.4	49.1 per cent	25.8	65.5 per cent	50.0 per cent	Y
Czech Republic	*34.3*	25.0 per cent	18.4	53.7 per cent	25.0 per cent	Y
Denmark	224.3	43.4 per cent	70.3	31.4 per cent	48.1 per cent	N
Estonia	107.1	25.0 per cent	28.3	26.4 per cent	25.0 per cent	Y
Finland	90.4	57.0 per cent	34.5	38.1 per cent	57.1 per cent	N
France	431.4	50.5 per cent	157.2	36.4 per cent	45.9 per cent	Y
Germany	243.9	36.9 per cent	104.1	42.7 per cent	34.0 per cent	Y
Greece	267.1	24.2 per cent	43.7	16.4 per cent	26.0 per cent	N
Hungary	44.1	24.9 per cent	11.5	26.2 per cent	22.5 per cent	Y
Ireland	66.4	36.3 per cent	12.8	19.3 per cent	53.1 per cent	N
Italy	806.3	50.0 per cent	216.4	26.8 per cent	50.0 per cent	Y
Latvia	160.1	25.0 per cent	32.2	20.1 per cent	25.0 per cent	Y
Lithuania	67.7	23.1 per cent	12.3	18.2 per cent	25.0 per cent	Y

Luxembourg	na	na	na	na	na	na
Malta	10.7	25.0 per cent	5.5	51.0 per cent	25.0 per cent	Y
Netherlands	115.8	60.1 per cent	46.4	40.1 per cent	58.4 per cent	N
Poland	929.9	25.0 per cent	195.8	21.1 per cent	25.0 per cent	N
Portugal	314.6	24.2 per cent	118.6	37.7 per cent	24.1 per cent	Y
Romania	293.3	25.0 per cent	40.0	13.6 per cent	25.0 per cent	Y
Slovakia	22.0	22.7 per cent	4.2	19.2 per cent	20.0 per cent	N
Slovenia	26.5	25.0 per cent	10.1	38.0 per cent	25.0 per cent	N
Spain	2085.1	46.6 per cent	596.0	28.6 per cent	49.9 per cent	Y
Sweden	99.3	47.7 per cent	38.3	38.5 per cent	50.0 per cent	Y
UK	240.5	44.1 per cent	87.9	36.5 per cent	43.5 per cent	Y
Total	6881.6		1956.0			

Notes: Available data does not permit differentiation of funding specifically targeting pro-environmental or nature protection actions.
Axis 3 refers to 'collective action' funding, and incorporates the majority of measures relevant to biodiversity protection, including 'protection of flora and fauna' where this is part of a Member State's Fisheries Operational Programme.
Total funding represents the sum of Member State and Commission co-financing under the EFF.
Member State percentage share is calculated from disaggregated cofinancing data included in the BAP Assessment 2010 Country Profiles.
Luxembourg has no Fisheries Operational Programme.

Source: BAP 2010 Assessment - Country Profiles; DG Mare unpublished data extracted from official national reports

4.1.3 Structural Funds and the Cohesion Fund

Eligibility for funding under Structural Funds and the Cohesion Fund: The possibilities to finance Natura 2000 in the context of the Structural and Cohesion funds take place in a broader context of supporting sustainable socio-economic development and territorial cohesion within the EU. The European Regional Development Fund (ERDF) is generally aimed at strengthening competitiveness and innovation, creating jobs and promoting environmentally sound growth whereas and the European Social Fund (ESF) focuses on promoting social inclusion, education and training, and building institutional capacity (e.g. creating novel employment opportunities). The Cohesion Fund primarily supports large infrastructure projects and therefore it is very unlikely that the fund would be used to (directly) fund Natura 2000. These funds can be accessed by a wide range of stakeholders, however actions supported by these instruments need to be linked with the broader sustainable development of the region. Also, funding is not usually available for ongoing management payments.

See Chapter 6 for further analysis.

The Structural Funds are the European Regional Development Fund – ERDF and the European Social Fund – ESF. Within both, a number of categories of eligible expenditure can be used to support the management of Natura 2000 or to support broader goals for biodiversity conservation. The most pertinent category for this assessment is the category for 'promotion of biodiversity and nature protection (including Natura 2000)' within the Structural Funds, acting predominantly through ERDF (Category 51). In addition, the categories for promotion of natural assets (Category 55) and protection and development of the natural heritage (Category 56) are relevant for biodiversity and can be for Natura 2000.

As for the European Social Fund (ESF), it has been acknowledged that some of the activities supported can have a positive effect on environmental management, for example, by providing support for capacity building aimed at the creation of new job opportunities related to the implementation of Natura 2000. However, ESF does not provide any dedicated objectives, framework or relevant budget line for direct support to Natura 2000. Similarly, the Cohesion Fund is mainly focused on large scale infrastructure projects and, therefore, is not designed to include measures providing direct support for Natura 2000. Nonetheless, it is acknowledged that, when appropriately designed and delivered, some investments under the Cohesion Fund could also contribute to biodiversity conservation. At the same time, others can have negative biodiversity impacts. Given the above, it is not considered relevant, or indeed feasible, to try to estimate the possible contribution of these funds towards Natura 2000.

Most of these funds are divided in advance, between Member States through national allocations. Member States then allot funding differently between the various budget categories available including those for biodiversity under ERDF. There are clear differences in how Member States use the most biodiversity-specific category (i.e. category 51). This allows support for Natura 2000 but also covers broader biodiversity related investment. For example, some Member States favour investment in ecotourism or environmental GIS systems whereas others opt for direct conservation actions like habitat restoration or supporting the management of the Natura 2000 network. Therefore, funding for biodiversity under the Structural Funds will be allocated through different channels in different Member States. A number of other funding categories also have potential to confer indirect benefits for biodiversity, as well as risks (including ERDF categories 45, 47, 53, 54[11]). Table 4.1.3 shows by Member State the allocation to category 51 and the combined allocation to categories 51, 55 and 56, as well as the total funding available under the Structural Funds.

[11] Structural Funds category 45 – Management and distribution of water (drinking water); category 47 – Air quality; category 53 – Risk prevention; 54 – Other measures to preserve the environment and prevent risks.

Table 4.1.3 Structural Fund (SF) allocations 2007-2013 promoting nature conservation

Member State	Total cohesion & structural fund allocation (m€)	SF allocation under categories 51, 55 & 56 (m€)	Categories 51, 55 and 56 as per cent of Total allocation	SF allocation under category 51 (m€)	Category 51 as per cent of Total allocation
Austria	1204.5	1.5	0.1 per cent	0.0	0.0 per cent
Belgium	2063.5	25.2	1.2 per cent	1.1	0.1 per cent
Bulgaria	6673.6	159.1	2.4 per cent	80.8	1.2 per cent
Cyprus	612.4	0.0	0 per cent	0.0	0.0 per cent
Czech Republic	26302.6	737.9	2.8 per cent	605.9	2.3 per cent
Denmark	509.6	12.3	2.4 per cent	0.0	0.0 per cent
Estonia	3403.5	46.2	1.4 per cent	21.7	0.6 per cent
Finland	1596.0	16.9	1.1 per cent	1.9	0.1 per cent
France	13449.2	327.5	2.4 per cent	175.2	1.3 per cent
Germany	25488.6	193.3	0.8 per cent	50.6	0.2 per cent
Greece	20210.3	233.3	1.1 per cent	179.8	0.9 per cent
Hungary	24921.1	402.9	1.6 per cent	125.8	0.5 per cent
Ireland	736.5	3.5	0.5 per cent	3.5	0.5 per cent
Italy	27965.3	392.8	1.4 per cent	57.1	0.2 per cent
Latvia	4530.4	26.0	0.6 per cent	26.0	0.6 per cent
Lithuania	6775.5	188.3	2.8 per cent	71.8	1.1 per cent
Luxembourg	50.5	0.0	0 per cent	0.0	0.0 per cent
Malta	840.1	25.1	3.0 per cent	1.7	0.2 per cent
Netherlands	1660.0	22.9	1.4 per cent	5.7	0.3 per cent
Poland	65221.9	306.4	0.5 per cent	135.1	0.2 per cent
Portugal	21411.6	214.9	1.0 per cent	47.0	0.2 per cent
Romania	19213.0	351.4	1.8 per cent	172.0	0.9 per cent
Slovakia	11360.6	76.8	0.7 per cent	30.5	0.3 per cent
Slovenia	4101.0	97.2	2.4 per cent	49.6	1.2 per cent
Spain	34657.7	813.4	2.3 per cent	681.8	2.0 per cent
Sweden	1626.1	3.8	0.2 per cent	2.0	0.1 per cent
UK	9890.9	89.0	0.9 per cent	0.1	0.0 per cent
Total	336,476.17	4,767.44	0.01 per cent	2,526.65	0.01 per cent

Notes: Funding for Structural Funds refers to Community funding only. To evaluate MS and total public funding a detailed analysis of the operational programmes would be needed, and not all Member States provide this information broken down by categories (e.g. nature protection). In addition, funding under the territorial cooperation objective has not been included. Categories refer to the priority areas for funding allocations notably category 51: Protection of biodiversity and nature protection (including Natura 2000); Category 55 - promotion of natural assets; Category 56 - protection and development of natural heritage

Source: BAP 2010 Assessment - Country Profiles; DG Regio unpublished data extracted from official national reports

It can be seen that the scale of the combined allocation of the three most relevant streams for biodiversity and Natura 2000 varies considerably between Member States. Broadly speaking, however, the allocations appear to reflect the size and economic strength of individual Member States. Given the purpose of the Structural Funds, this pattern is to be expected. As a proportion of the whole funds allotted, the share of categories 51, 55 and 56 is very small, in the range zero to three per cent. The proportion of funding devoted to these categories varies by Member State but not in any obvious relationship to their Natura 2000 endowment. However, it is relatively high, i.e. above 2 per cent in some Member States, with significant Natura networks such as Spain and Slovenia.

Depending on the Member State, the distribution of funding between the three identified categories varies, with 'promotion of nature' (51) receiving anywhere between zero and 100 percent of the combined allocation. In 14 Member States, category 51 accounts for more than 35 per cent of the three categories combined. As described previously, the distribution depends on the priorities and preferences of Member States. The existing data does not allow one to draw any conclusions regarding the co-financing at national level.

Given the position described above, it is not possible to estimate the exact funding directly benefiting Natura 2000 under ERDF. Therefore, for the purposes of this study the budgetary allocations under category 51 have been used as a proxy for the overall investment in Natura 2000 in the context of the Structural Funds. The other budget categories with possible links to biodiversity have been excluded from the final analysis (see section 4.4) as the available information does not allow an estimate of the tangible impact of these categories on Natura 2000. And even with regard to category 51, the extent of its contribution to the implementation of the Natura 2000 network remains unclear due to the range of measures Member States can include under the broadly defined heading of 'promotion of biodiversity and nature protection'. A more specific assessment of the support given to Natura 2000 under ERDF would require a thorough analysis of the *projects* realised under the above budget categories (e.g. even operational programmes do allow some differentiation between the overall funding for Natura 2000 and broader biodiversity measures[12]). Such a detailed assessment falls outside the scope of this study.

In total, the current potential spending for biodiversity under the Structural Funds appears to be less than 1 per cent of the total budget for European Cohesion Policy, partly because of constraints discussed further in Chapter 6. This seems to give enormous room to increase the level of biodiversity and Natura 2000 related funding, especially for projects with a focus on preserving the natural resource base and maintaining valuable ecosystem services. Technical assistance measures could invest more in capacity building.

4.1.4 LIFE Programmes

Eligibility for funding under LIFE programmes: During the 2007-2013 funding period, the LIFE programme, namely LIFE+, provides dedicated support to a range of activities aimed at implementing Natura 2000. LIFE+ funding is, however, highly selective and in order to avoid duplication with other EU funds it only co-finances activities that are not eligible for funding under the other Community instruments.

See Chapter 6 for further analysis.

[12] Wolfgang Suske, Brigitte Allex and Marija Martinko, Vienna January 2011: Summary of the analysis of operational programmes, Interreg Ivc SURF nature project

Two sets of data have been used to present funding for Natura 2000 via the LIFE programmes (Table 4.1.4), which need to be seen as clearly different from the other analysis under Task 1. The first set of available data describes the budget allocations to conservation projects approved and established during the 2000 to 2006 funding period under the 'Nature' component of LIFE III. These allocations also include Member State contributions to co-financing. However, since the data reflects budgeted allocations only it cannot be guaranteed that these budgeted commitments reflect the sums actually paid. That is to say the financial commitments declared 'on paper' were not necessarily disbursed in reality during the 2000-2006 period. The second dataset refers to indicative allocations foreseen under LIFE+ for the years 2007 to 2010, as laid down in the corresponding work programmes. The total financial resources available for LIFE+ for the 2007 to 2013 period as set out in the LIFE+ Regulation[13] is 2.14 billion EUR, of which a minimum of 78 per cent (1.67 billion EUR) will go towards action grants for projects. An additional allocation increased the budget to 2.172 billion EUR (resulting in 1.694 billion EUR of action grants) (GHK, 2010).

Article 10 of the Regulation states that 50 per cent of the budgetary resources for LIFE+ dedicated to project action grants shall be used to support the conservation of nature and biodiversity. The Member State contribution varies and has not been calculated here, although, following Article 5, Community co-financing can cover up to 50 per cent for action grants and up to 75 per cent for projects targeting priority species or habitats. It needs to be noted that with the introduction of LIFE+ the scope of the Nature category under LIFE III was widened from the implementation of the Birds and Habitats Directive to include additional funding for a wider biodiversity component, which focuses on the implementation of the objectives laid out in the Communication on 'Halting the loss of biodiversity by 2010 – and beyond'[14].

Regarding the budgeted allocations 2000-2006, the range of the total Nature budget varies significantly. Belgium, Germany, Italy, Spain and the United Kingdom all benefited from very high allocations, above 30 million EUR for the whole period. Spain was allotted a budget of 60 million EUR. Regarding co-funding, 11 Member States contributed less than 40 percent to the total budgeted funding for LIFE III projects. More economically developed states contributed a higher level: 16 greater than 40 percent, and 11 greater than 45 percent. The Netherlands and Belgium in particular contribute a large share, 59 percent and 57 percent, respectively.

On the basis of data available in ex-post evaluations of LIFE projects, it is indicated that Mediterranean states received a smaller amount of funding on average per project. Cyprus, France, Greece, Malta and Italy received less than 100 000 EUR and Portugal 110 000 EUR per project. This contrasts with nine countries receiving above 210 000 EUR as an average per project. The majority of states, however, fell between

[13] Regulation No 614/2007

[14] COM (2006) 216

100 000 and 200 000 EUR per project. Poland is an exception with a budget of 6.5 million EUR (co-financed to the rate of 30 percent) for only 7 projects, making an average of 930 000 EUR per project.

Table 4.1.4 Budgeted allocations by Member State of funds under the LIFE III Nature programme (2000-2006) and indicative allocations under LIFE+ 'Nature and Biodiversity' (2007-2010)

Member State	LIFE III Nature budget allocations 2000-2006				Indicative allocation 2007-2010	
	Total budget (m€)	Member State share (per cent)	Number of projects	Average budget per project (m€)	Total LIFE+	LIFE+ Nature & Biodiversity*
Austria	24.6	48.5 per cent	80	0.31	16.1	8.1
Belgium	38.5	56.5 per cent	133	0.29	17.7	8.9
Bulgaria	na	na	na	na	18.5	9.3
Cyprus	1.5	42.3 per cent	19	0.08	9.2	4.6
Czech Republic	1.1	26.7 per cent	3	0.37	17.1	8.5
Denmark	23.7	50.0 per cent	73	0.32	21.1	10.6
Estonia	4.2	34.4 per cent	21	0.20	14.2	7.1
Finland	18.5	48.5 per cent	118	0.16	30.8	15.4
France	26.3	48.2 per cent	270	0.10	75.2	37.6
Germany	45.0	43.7 per cent	264	0.17	100.1	50.0
Greece	16.0	36.5 per cent	170	0.09	29.2	14.6
Hungary	12.7	38.0 per cent	35	0.36	21.5	10.7
Ireland	10.2	30.6 per cent	50	0.20	13.5	6.8
Italy	38.0	48.7 per cent	445	0.09	75.7	37.8
Latvia	11.5	32.7 per cent	26	0.44	11.7	5.8
Lithuania	1.5	50.0 per cent	9	0.17	11.2	5.6
Luxembourg	1.1	52.2 per cent	14	0.08	9.8	4.9
Malta	0.5	44.4 per cent	10	0.05	9.9	4.9
Netherlands	18.7	59.3 per cent	146	0.13	27.6	13.8
Poland	6.5	30.1 per cent	7	0.93	40.7	20.4
Portugal	14.6	39.7 per cent	134	0.11	24.1	12.0
Romania	7.0	37.5 per cent	44	0.16	37.4	18.7
Slovakia	4.8	36.8 per cent	12	0.40	13.1	6.6
Slovenia	6.2	40.4 per cent	18	0.34	18.5	9.3
Spain	60.8	48.2 per cent	447	0.14	92.1	46.0
Sweden	11.2	50.2 per cent	88	0.13	35.3	17.7
UK	32.3	47.8 per cent	182	0.18	68.4	34.2
Total	**437.0**	**47.3 per cent**	**2818**	**0.16**	**859.6**	**429.8**

Notes: The 2000-2006 period excludes 2001, for which data were unavailable.

LIFE III budget data only available to nearest €100,000.

Member State share of the total budget calculated by subtracting LIFE co-financing budget (in original data) from the Total Budget. LIFE co-financing budget data do not necessarily reflect actual payments made.

* LIFE+ Nature & Biodiversity taken as 50 per cent of total indicative allocation, following Article 10 of LIFE+ Regulation 2007. This is taken to be a lower-bound estimate only. Proposals submitted under LIFE+ Information and Communication primarily targeting nature or biodiversity issues are counted within this 50 per cent threshold besides project under LIFE+ Nature & Biodiversity.

Source 1: Ex-post Evaluation of projects and Activities Financed under the LIFE Programme. Country by country analysis. COWI for DG Environment.

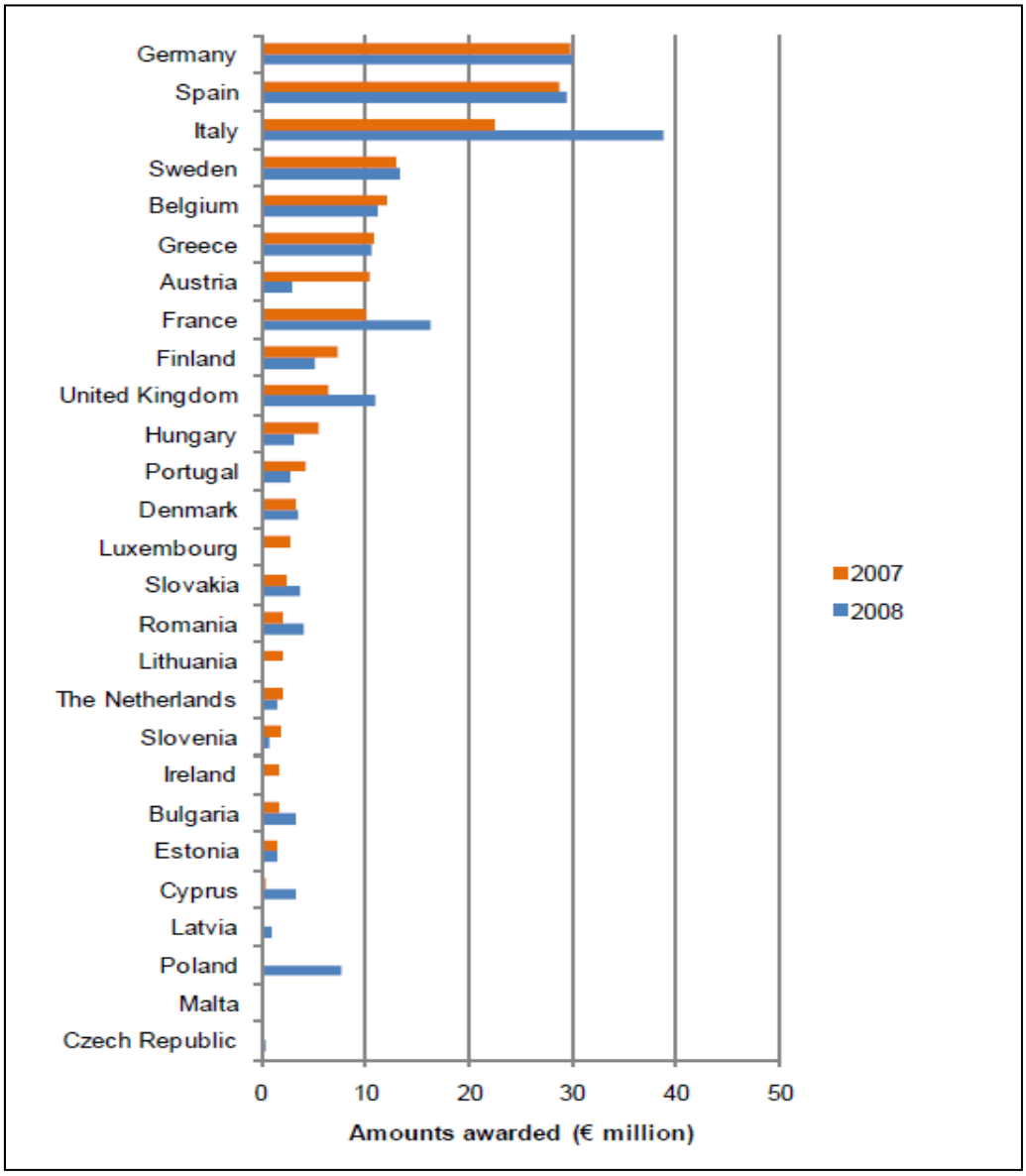
Source 2: Commission Decisions on Annual Work Programmes for grants in the Environment

In terms of the indicative allocations for 2007-2010, France, Germany, Italy, Spain and the United Kingdom have greater allocations than previously, of above 68 million EUR for all LIFE+ projects (Environment and Nature & Biodiversity). On the assumption of a 50:50 split, that means 34 million EUR for nature and biodiversity projects. This reflects the fact that LIFE+ included a substantial increase in resources for action grants, suggesting an increase of

37 per cent over the programme period (GHK 2010). With the introduction of LIFE+ for the period 2007-2013, the Commission also established a formula for a proportionate distribution of projects by providing indicative national allocations based on total population, the population density of each Member State, the total area of SCIs for each Member State as a proportion of the total area of SCIs in Europe, and the proportion of a Member State's territory covered by SCIs in relation to the proportion of Community territory covered by SCIs. The size of the budgets for these states therefore reflects their population size, as well as the extent of their Natura 2000 area. However, according to the mid-term review of LIFE+ (GHK, 2010), currently this does not affect the actual funding of the projects in the different Member States very greatly. Due to the low demand for funding compared to the total budget, almost all projects complying with the quality assessment receive funding, independently of the national allocations.

According to the mid-term review of the LIFE+ instrument (GHK 2010), despite the efforts to broaden the Nature part of the financing instrument for the environment, only a limited number of projects were selected for the 'biodiversity' theme in the calls for 2007, 2008 and 2009. On the other hand, the LIFE+ Nature theme funded 126 projects amounting to a total Community contribution of 180 million EUR (and total investment of 344 million EUR) in the first two calls in 2007 and 2008. This corresponds to a little bit less than what was initially allocated to the category for those years, amounting to roughly 197 million EUR. The following Figure 4.1.4 provides an overview of the funding awarded to Member States for all action grants in 2007 and 2008.

Figure 4.1.4 Overview of LIFE+ project grants awarded to Member States in 2007 and 2008



Source: GHK, 2010, Annex C

Considering that at the moment project grant allocation is not yet influenced by proportionate distributions, the preliminary information available on the actual uptake of action grants gives an indication of the extent to which other reasons such as challenges on limited institutional capacity to develop good projects or the limited amount of large projects already in place might have affected indicative national allocations. Taking into account indicative allocations for 2007 and 2008 only, the largest negative gaps seem to exist for the UK, Romania and Poland for 2007, whereas there has been a greater rate of uptake in Sweden and Belgium. Though negative gaps for Romania and Poland are more likely to be explained by the factors noted above, the low uptake by the UK might be explained by other reasons. According to insights on national financing of Natura 2000 (see section 4.4 and Annex) the eligibility or otherwise of Natura 2000 areas for agri-environment and other land management agreements is a key factor in their total funding potential in the UK. Additional

explanations of what might have limited uptake of project grants and other financial instruments in the Member States, is provided in Chapter 6.

It should be noted that the LIFE+ instruments are small in scale compared to other EU financing instruments discussed here. Nevertheless, LIFE+ has been recognised as an important key funding mechanism for promoting and implementing the Natura 2000 network across all regions (GHK, 2010), and compared to other EU financing instruments its contribution to meeting the objectives of the Birds and Habitats Directives remains significant.

4.1.5 7th Framework Programme for Research (FP7)

Eligibility for funding under FP7: The 7th Research Framework Programme (FP7) sets out the EU priorities and activities in the area of research and technological development. Consequently, any actions supporting Natura 2000 under this FP7 need to be research oriented, e.g. related to studying the ecological impacts of Natura 2000 or seeking ways to further improve management activities. Therefore, investing in every-day management activities does not fall under the scope of this fund.

Under the 7th Framework Programme (FP7), biodiversity research can receive funding under Theme 6 'Environment' of the Cooperation stream, specifically under subsections 6.2 and 6.3a, covering sustainable management of resources and environmental technologies respectively. The latter category could theoretically contribute towards observation and monitoring, or restoration undertakings.

The budget allocation broken down by theme is decided by the Council and Parliament on the basis of Commission proposals, and is revised sporadically during the financial term. Planned financing for the 2007 to 2013 period for the Environment theme was settled at 1890 million EUR by Decision of the Council and European Parliament of 18 December 2006 (OJ 412 30/12/2006).

Beyond noting this broad budget, it is not possible to establish how much financing is devoted to biodiversity research or, even more specifically, research dedicated to Natura 2000. However, in view of the breadth and relatively higher profile of other issues receiving funding through this channel, it can be assumed that the biodiversity share is rather small.

As part of the BAP Assessment 2010, a handful of Member States provided statistics on national expenditures on biodiversity research between 2006 and 2009 (see Table 4.1.5). In the vast majority of cases, however this data is not available, perhaps implying a lack of transparency in the research budgeting and accounting process. For the most part, there is no EU funding dedicated specifically to biodiversity research, although biodiversity research does receive funding from national and regional sources. These streams can be difficult to identify, typically including funding through various ministries, research councils and foundations.

In Germany, the Member State with the greatest contribution to biodiversity related research according to the information summarised in Table 4.1.5., a national research programme dedicated exclusively to supporting biodiversity, namely 'Biodiversity and Global Change' (BIOLOG) has been established. The initial funding period went from 2000 to 2010, with a budget of 75 million EUR provided by the Federal Ministry of Education and Research. Another relevant research programme, on 'Sustainable Land Management', kicked off in 2010. Biodiversity is addressed by all three modules of the framework research programme. The module 'Interaction between Land Management and Ecosystem functions and services' is particularly focused on the issue. In addition, different Federal Ministries have sectoral research programmes which address biodiversity to varying degrees. The Federal Ministry for the Environment, Nature Conservation and Nuclear Safety also funds each year a range of biodiversity research and development (R&D) projects according to the 'Umweltforschungsplan'.

Besides the Member States listed in Table 4.1.5, Estonia, Portugal and the United Kingdom also quantified in some way the funding allotted to specific themes. The approaches used are different, however, so analysis can only be undertaken on a case by case, non-comparative basis. In light of the complexity and heterogeneity of the research funding systems, biodiversity research funding is likely best assessed through in-depth Member State case studies.

Table 4.1.5 Member states' national expenditure on biodiversity related research 2006-2009 (€)

Member State	2006	2007	2008	2009	2006-2009
Austria	1,956,872	1,817,005	1,313,437	1,300,000	6,387,314
Belgium	-	-	-	19,190,000	19,190,000
Cyprus	250,000	450,000	35,000	30,000	765,000
Germany	90,000,000	90,000,000	90,000,000	90,000,000	360,000,000
France	12,000,000	9,000,000	4,000,000	7,000,000	32,000,000
Hungary	-	-	13,600,000	14,700,000	28,300,000
Luxembourg	59,000	36,000	54,000	600,100	749,100
Netherlands	12,000,000	12,000,000	12,000,000	12,000,000	48,000,000
Spain	41,025,700	34,711,500	30,933,900	35,014,200	141,685,300
Sweden	-	660,000	1,590,000	2,990,000	5,240,000
TOTAL	**157,291,572**	**148,674,505**	**153,526,337**	**182,824,300**	**642,316,714**
Note: data available for 10 Member States only					
Source: BAP 2010 Assessment - Country Profiles; Member State Questionnaire					

4.2 Projected EU financing vs. actual expenditure

The data available for different funding instruments varies in quality, detail and extent. Furthermore, there seems to be a disparity between the planned financial allocations and the resources that actually materialise. This is a critical angle to the analysis, as it is the actual, rather than planned, financial resources that support the management of Natura 2000 in practise. As it stands, information required to compare the projected allocations with the actual funding used is not commonly available and/or accessible in a systematic manner

across the different EU funds. However, the cumulative actual commitments of the EAFRD in this programming period (Table 4.1.1.2) provide an interesting corollary to the statistics for planned finance, illustrating the gap between the two.

Similarly, for the Structural Funds, the information on actual allocation of payments to selected operations (for ERDF categories 51+55+56 combined) as a percentage of progress between 2007- and September 2009 is publicly available. Again, the data indicates a very diverse picture across Member States, with Austria having already covered 52.5 per cent of their Structural Fund commitments, whereas Greece only reached a level of 2.8 per cent.

Information provided on LIFE+ referred to the amount of grants awarded in 2007 and 2008, based on analysis of the project database undertaken by the contractors who have carried out the mid-term review of LIFE+. Figures on project grants going to LIFE+ Nature were also available, but required a certain level of analysis by the contractors (GHK 2010). Data on overall LIFE+ project grants show that the actual expenditure was close to the planned allocation, though gaps existed for some Member States.

Consequently, it is important to keep in mind that the planned allocations as presented in this section are not guaranteed to materialise. Moreover, past experience suggests that the true financing levels may well turn out lower than those planned.

4.3 Level of EU financing vs. estimated financing needs for Natura 2000

Table 4.4 summarises in approximate terms the financial resources allocated for the period 2007-2013 only through the EU funding instruments with the most apparent and relatively dedicated funding lines for Natura 2000 and biodiversity provided at Community level. Direct comparison of funding streams is not possible because of the heterogeneous nature of the data, but it does offer a first indication of the state of play.

It is important to note that the lack of transparency and detail in the budgetary allocations makes it difficult to judge to what extent resources supporting broader categories of measures and activities are effectively impacting positively on Natura 2000.

The Structural Funds (ERDF category 51 for 'protection of biodiversity and nature protection' only) seems to contribute the largest share to the total EU funding for biodiversity, and even more so in newer Member States. It is to be noted, however, that the spending under this category is not only focused on Natura 2000. Conversely, the EAFRD direct Natura 2000 payments are a significant underestimate of the Fund's overall support for biodiversity, especially as many Member States opt to use broader category measures to support nature protection, particularly agri-environment schemes. LIFE+ is used more consistently across the EU, and is of particular significance because of its direct impact on Natura 2000 over the seven year period. The Community component alone (as presented) totals roughly 750 million EUR for the whole EU. Including Member State contributions, it is likely to be the most significant of the available instruments in terms of direct funding of nature conservation for the current financial period.

In addition, the EFF and FP7 resources potentially available for spending on the environment as a whole appear relatively significant. However, in neither case is there an element of the funding instrument restricted to the use of biodiversity. Also, there is little evidence that this theme attracts a significant share of spending from either source. Take up of the EFF measure potentially applicable to Natura 2000 has been very modest to date. Consequently, neither the EFF nor FP7 resources are included in Table 4.4.

As for the financing needs of an effective Natura 2000 network, these costs have been recently estimated on the basis of a questionnaire to member State authorities at approximately 5.8 billion EUR / year (Gantioler et al. 2010a). These estimated costs have been broken down into the approximate proportion of costs likely to be required for each broad land use type (based on information provided by a few Member States). The results are:

- agriculture (utilised agricultural area, including arable, pasture and permanent crops) 35 per cent (2025 million EUR);
- forests (including dehesa and montado) 33 per cent (1915 million EUR);
- other terrestrial (including heathland, scrub, rocky habitats, caves, semi-natural grassland and abandoned farmland) 11 per cent (649 million EUR);
- inland waters (lakes, rivers and fresh water) 7 per cent (430 million EUR);
- wetlands (including marshes, bogs, fens mires and swamps) 6 per cent (320 million EUR);
- coastal (including sand dunes, beaches, cliffs, intertidal habitats and inshore waters) 6 per cent (352 million EUR); and
- marine (offshore marine areas more than 12 nautical miles offshore) 1 per cent (78 million EUR).

A more detailed analysis of the potential allocation of these costs between different Natura 2000 management measures with implications for funding mechanisms is given in Chapter 6.

Based on the existing information, it is clear that spending on Natura 2000 through EU funded instruments does not cover the costs that Member States regard as necessary if the network is to be managed satisfactorily, which is of course greatly above current levels of spending. Table 4.4 indicates that in 2007-2013 around 3.8 billion EUR in total has been made available from the Community budget for financing Natura 2000 through small group of EU funding instruments with the most apparent / relatively dedicated funding lines for Natura 2000 and biodiversity, amounting to around 550 million EUR / year. These measures are LIFE+ Nature & Biodiversity, EAFRD Natura 2000 payments and ERDF category 51[15]).

However, this is not the complete picture. In addition, it is know that the EAFRD agri-environment payments are used to finance the management of Natura 2000 on farmland in several countries as illustrated in the case studies, for example in the UK. However, as explained in section 4.1.1, it is not clear what proportion actually goes towards supporting the network. Some contribution is also made through a suite of other EAFRD measures, including support for less favoured areas, etc. To allow for this it is not unreasonable to posit

[15] All figures refer to Community financing, see Table 4.4.

a significant sum which we have assumed might be equivalent to a maximum of around 25 per cent of the projected Community agri-environment spending in 2007-2013, i.e. around 5443 million EUR in total and 777 million EUR / year, to contribute in some way to the management of Natura 2000 sites in 2007-2013[16]. Also, some financing it seems is used to support the management of Natura 2000 in the context of EFF. Again, the exact sum remains unknown but the available information clearly indicates that the current contribution of EFF is very limited, e.g. possibly around 1 per cent (~20 million EUR in total, 2.8 million EUR / year) of the most likely funding category available (i.e. Axis 3 for funding measures of common interest, including the protection of flora and fauna, see section 4.3 above)[17]. Finally, as funding under ERDF (i.e. category 51) is not exclusively used to support the management of the Natura 2000 network it could be more prudent to assume that possibly around half of the total funding allotted to this budget category (around 180 million EUR / year) benefits the network directly. Together with the EAFRD Natura 2000 payments and LIFE+ Nature and Biodiversity funding this results in an estimated total of around 1150 million EUR of support to biodiversity from the EU funds per year.

Given the above, the total financial allocations for Natura 2000 under the EU budget could be estimated at between **550 – 1150 million EUR / year**[18]. This range can at best be considered as a rough approximation as the budgetary allocations under most of the funds do not allow a distinction between Natura 2000 related expenditure and support to conservation of biodiversity and environment in a wider context (e.g. ERDF category 51, EAFRD agri-environment schemes also LIFE+ Nature and Biodiversity). However, the figures suggest that even when using relatively generous assumptions (e.g. assuming that all funding under the ERDF category 51 would be allocated to Natura 2000), the estimated contribution to Natura 2000 from the EU budget is around 9-19 per cent of the estimated financing needs (5.8 billion EUR / year).

This analysis of the EU funds indicates that the current level of financial support available for Natura 2000 does not match the estimated needs for funding. Naturally, this funding gap is a result of several factors, including the overall availability and accessibility of funds (both from the EU and national budgets) and also a range of factors possibly limiting the uptake of funds in practise (see Chapter 6 for further analysis). Also, it is of course not expected that Community funding would fully cover the total costs of managing the Natura 2000 network, i.e. Member States' co-funding and contribution from other national sources are also required. Nevertheless, a 9-19 per cent contribution from the EU budget to the total costs of managing Natura 2000 could be seen as low. In addition, past experience suggests that part

[16] EAFRD figures refer to the Community funding only, see Table 4.1.1

[17] EFF figures refer to the total public funding (i.e. Community and Member State) as it has not been feasible to differentiate between the two.

[18] I.e. the lower bound estimate includes the estimated (annual) allocations from the EU budget to biodiversity / Natura 2000 under the most apparent / relatively dedicated funding categories in 2007-2013, i.e. EAFRD Community Natura 2000 payments, LIFE+ Natura & Biodiversity and ERDF category 51). The higher bound estimate includes the annual EAFRD Community Natura 2000 payments and LIFE+ Natura & Biodiversity budget, topped up with an estimated 50 per cent of the annual allocations under ERDF category 51, 25 per cent of EAFRD agri-environment payments and 1 per cent of the EFF Axis 3 funding.

of the allocated EU payments might not be realised in practise, i.e. in reality the level of Community financing might be even lower.

Finally, it is to be noted that national administrations (e.g. in the new Member States) are still developing their management practices and their capacity for spending on Nature 2000. This could indicate that in the future the level of financing available for Natura 2000 increases as a result of increasing experience and establishing effective procedures for funding. However, it is unclear to what extent these developments will help to bridge the estimated financing gap.

Table 4.3 Summary of approximate allocations under the EU funds most likely / dedicated to benefit Natura 2000 in 2007-2013 (million EUR)

Member State	EAFRD Community direct Natura 2000 payments (€m)	Community LIFE+ Nature & Biodiversity allocation †	Community Structural funds (i.e. ERDF cat.51 for biodiversity and Natura 2000)	Total
Austria	3.98	14.1	0.0	*18.1*
Belgium	4.31	15.5	1.1	*20.9*
Bulgaria	0	16.2	80.8	*97.0*
Cyprus	0	8.1	0.0	*8.1*
Czech Republic	57.48	14.9	605.9	*678.3*
Denmark	0	18.5	0.0	*18.5*
Estonia	32.07	12.5	21.7	*66.3*
Finland	0	26.9	1.9	*28.9*
France	0	65.8	175.2	*241.0*
Germany	112.45	87.5	50.6	*250.6*
Greece	13.61	25.6	179.8	*218.9*
Hungary	38.38	18.8	125.8	*183.0*
Ireland	220.55	11.8	3.5	*235.9*
Italy	21.35	66.2	57.1	*144.7*
Latvia	22.36	10.2	26.0	*58.6*
Lithuania	26.40	9.8	71.8	*108.0*
Luxembourg	0	8.5	0.0	*8.5*
Malta	0	8.6	1.7	*10.3*
Netherlands	0	24.1	5.7	*29.8*
Poland	0	35.6	135.1	*170.7*
Portugal	2.04	21.1	47.0	*70.1*
Romania	0	32.7	172.0	*204.7*
Slovakia	8.48	11.5	30.5	*50.4*
Slovenia	0	16.2	49.6	*65.8*
Spain	1.01	80.6	681.8	*763.4*
Sweden	0	30.9	2.0	*32.9*
UK	0	59.8	0.1	*59.9*
Total	**573.60**	**752.2**	**2,526.6**	***3,852.4***

Notes: For all instruments listed above, the figures refer solely to Community financing. As far as possible, the data used represent the nearest approximation to finance streams specifically for nature conservation: ERDF category 51; EAFRD categories 214 and 224; and LIFE+ Nature & Biodiversity. Other funding opportunities where the effective monetary impact for Natura 2000 cannot be discerned (eg agri-environment) have been excluded. This might still lead to overestimates in some cases (e.g. ERDF category 51), and underestimates in others (e.g. EAFRD).

† LIFE+ allocations are extrapolations of data for the period 2007-2010, providing an indicative figure for 2007-2013. In comparison, based on the overall planned allocations for LIFE+ in 2007-2013 around 836 million EUR is foreseen to be allocated to support biodiversity and nature (i.e. 78 per cent of the total financial envelope for LIFE+ (2,143,409,000 EUR) goes to action grants, 50 per cent of which go to nature and biodiversity projects, i.e. around 39 per cent of the planned total LIFE+ funding in 2007-2013 should be allocated to biodiversity).

Sources: BAP 2010 Assessment - Country Profiles; DG Regio; Commission Decisions on Annual Work Programmes for grants in the Environment; Decision no 1982/2006/EC of the European Parliament and of the Council.

4.4 National funding available for Natura 2000

To get an overall picture of the funding of Natura 2000 in Europe it is necessary not only to consider the financing leveraged through the EU funds and associated Member State co-funding, but also those financial resources that are available nationally, unrelated to EU funds. In the context of this study, a number of case studies have been developed to offer insights into national funding available in a number of Member States. The purpose of these short case studies has been to demonstrate the diversity of approaches used, points of convergence and divergence, and identify particular barriers faced in mobilising financial resources on a national level.

The chosen case study countries were Denmark, Latvia, Slovenia, the United Kingdom, Germany and Spain (Madrid region). These case studies were selected in part to offer a cross section of EU states with different environmental, socio-economic and governance profiles, and also to demonstrate the breadth of approaches to biodiversity conservation and policy used to implement the common EU legislation. The full case studies are available in Annex 1 to this report whereas the summary below (including Table 4.4) outlines some key findings and common issues that have arisen.

Available information. The first and most significant similarity across the case study countries is a lack of information on the available funds at a national level, most particularly quantitative data. Whilst some figures are available for central government funding through annual budgets and reports of the competent agencies, these are not comprehensive and do not allow summation due to overlaps, gaps, insufficient resolution and itemisation and other inconsistencies. The dearth of information is even more problematic regarding non-government funding sources, to the extent that the qualitative information is not available to even compile a full inventory of funds, let alone estimate their significance. No central monitoring process is in place in the case study countries to gather, collate and present in a standardised way the overall financial flows supporting Natura 2000. The difficulty in aggregate assessment arises due to the highly distributed and fragmented nature of the financing and also the management regimes in place on Natura 2000 sites.

Furthermore, generally speaking Natura 2000 is not treated separately from national levels of protected area designation, receiving funding from the same budgets and being managed as part of a wider process. This could arguably be said to be indicative of what can be a divergence in mindset followed at the EU level of policy and policy research relative to the

national and sub-national levels of concrete implementation within a national policy framework. That is to say, whilst Natura 2000 is an integral part of the national approach, it seems not to be an overriding concern of Member States to monitor and audit its financing or 'added value' aside from national designations and other conservation measures. In the context of this project, this means that it is not possible to isolate funding going specifically to Natura 2000 from funding allocated to biodiversity conservation in general. This applies equally to EU financing as well as national financing sources. In order to achieve a more accurate picture, some form of differentiation would need to be incorporated into the funding disbursement and monitoring processes, particularly for rural development and forestry payments.

National structures for management and financing. The information gathered in the context of this project confirms that at the national and sub-national levels the funding structures are highly pluralistic and complex. In all cases Natura 2000 site and project managers need to identify multiple funding sources to secure sufficient resources, a task which seems to be becoming increasingly difficult. The situation arises as the government funding options are commonly offered only as co-funding, and the sums available from other sources are generally small. Project managers therefore must coordinate diverse funding streams, which typically don't cohere well, producing overlaps, conflicts and gaps in the overall finance model and often a heavy administrative burden. Whilst pursuit of a multidimensional co-funding model is required in order to redistribute some of the financial responsibility from public to private sources, it is unlikely to effectively meet conservation needs whilst the structures aren't in place to leverage sufficient and efficient private and civil society funding.

The case studies also demonstrate how responsibility for nature conservation and Natura 2000 funding and management is differentially distributed between local, regional and central governance levels. In the smaller, newer Member States of Slovenia and Latvia, the system is strongly centralised; local authorities have the ability to designate sites of local importance, but in the grand scheme of national funding their contribution is very small. In Germany and Spain, however, the decision-making and executive powers lie in the regions.

On the question of regional powers the UK is an interesting case, as rural development and nature/landscape management issues are devolved to the governments and associated conservation bodies of England, Northern Ireland, Scotland and Wales. Funding is therefore a combination of the devolved administrations' own resources and allocations from the central government of the UK. Likewise, the four conservation bodies responsible for Natura 2000 operate independently but cooperate through the Joint Nature Conservation Committee, contributing in turn to the funding of that institution. The complexity of this case means it is particularly difficult to assess funding for the whole of the UK. Indeed, whilst the four states are similar in terms of the approach to governance and financing of conservation, the regional differences in landscape and land use, demographics and socioeconomic profiles means that the needs and challenges faced by each is quite different. Meanwhile, Denmark is unusual in demonstrating a high level of devolution of responsibility to local authority level. The regions are relevant for conservation at the planning level, but financing is split between the Danish Government and the municipalities. The municipalities furthermore have a stronger role in revenue generation, with local taxes being more important than in most other Member States. Although it was not possible to look into the

municipal accounts, it can be expected that more conservation activities are funded locally using a higher proportion of local tax revenue.

National sources for public funds. Government funding for nature conservation is channelled on the whole from the basic state budget, using general tax revenues. Whilst some form of environmental taxation features in most of the Member States considered, in no case is this earmarked for biodiversity conservation. Indeed, generally the revenue levied relates to environmental pollution, emissions and waste. Where a dedicated environment fund exists, it is used predominantly to support waste and emissions abatement or renewable energy technologies. Biodiversity actions may win funding through these mechanisms (e.g. Slovenia, Latvia), but it doesn't seem to be a priority. Indeed, Latvia demonstrates a move away from earmarking of the revenues of natural resource taxes and charges. While earmarking can be criticised for being inefficient, it is clear from the case studies that government funding available for Natura 2000 is not sufficient and there is certainly an argument to put forward for the establishment of dedicated budget lines. Tying these to taxes on resource use or fines for infringing nature protection regulations harmonises with the 'polluter pays' mentality and avoids placing the extra tax burden on the general tax-paying public. As is the case with the Landfill Tax Credit scheme in the UK, there are novel ways to make economic instruments doubly effective, incorporating an incentive to actively contribute to positive conservation actions, as well as the punitive tax and fine system to ward off and punish damaging practices.

Private-public partnerships for financing. The majority of the case studies demonstrate an interest in moving towards partnership based approaches to funding of conservation and Natura 2000. Whilst there are so far a few isolated instances of novel, effective partnerships for financing and managing sites, on the whole it remains at the stage of rhetoric. The case studies do indicate however that the EU-15 countries have thus far progressed further on this path, and civil society and private funding does feature to a greater extent due to the generally greater affluence and corporate sophistication found in these states. Civil society organisations already take a central role in managing key sites of European importance, such as the national partners of Birdlife. However, their budgets are naturally constrained and cannot reach the large parts of Natura 2000 under private ownership and use. Work is required to make public-private partnerships with businesses function to channel significant financial resources into ongoing conservation management. This has been seen to work on a limited scale through novel economic instruments, such as partial environmental tax rebates for investing in nature, or where prudent management of landscapes has economic benefits for the company, via pollution abatement costs avoided or an improved corporate image, for example.

National capacity and reliance on EU funds. There is variation between the countries in the case studies in terms of their reliance on EU funds. Based on the information gathered, Latvia in particular faces particular difficulties in sourcing financing domestically and is heavily reliant on EU support and other funding through bilateral agreements and foreign aid. Moreover, the private and civil society funding that boosts the national contribution in other Member States simply doesn't feature in Latvia , further reinforcing their dependency on EU resources. In contrast, Denmark seem to have been quite progressive in establishing a coherent, integrated approach to conservation on a national level, moving toward a

framework for leveraging financing from various sectors and sources, and setting aside significant sums of public money for large scale restoration projects and other targeted funding streams.

There is also some disparity in the potential of Member States to effectively access and utilise the funding options that are available. The EU LIFE+ fund is indicated in the case study research (and in other work) to be of particular value as a source of finance, due to its targeted nature and role as a 'gap-filler'. However, the administrative burden of the application process typically means that small civil society organisations have difficulties in accessing the resource as they lack the capacity and resources to invest in the application procedure.

Physical characteristics of Natura 2000 sites affecting financing. Shifting the focus from governance and management issues, the case studies highlight the fundamental importance of the physical composition of the national Natura 2000 network on the funding possibilities both nationally and at European level. The predominant landuse and landscape profiles of the Member States affect not only the resource needs to support effective management but also the availability of funding options in virtue of their associated constraints and criteria. The UK is itself a microcosm of the disparity visible on a larger scale in Europe. Many Member States employ Rural Development as a principal mechanism to channel EU finance and national co-funding to Natura 2000 sites, particularly those under private ownership. Those countries and regions where a large proportion of the Natura 2000 network sites are not in use for agriculture or forestry do not have access to any equivalent finance instrument and therefore have more limited possibilities to access EU funds. The comparison between England and Wales in this regard is striking. Eighty per cent of the English Natura network receives funding from the RDP, whereas only 20 per cent of the Welsh network is subject to agricultural management. With 70 per cent of its Natura 2000 network (by area) comprised of marine sites, Wales faces particular difficulties in mobilising funding, an extension to the acknowledged lagging behind of marine protection in policy and management terms.

The divergence between national funding availability relating to landscape types also links to the priorities and focus of national schemes and general conservation policy. A number of case studies highlight the funding shortage for forest projects, for instance. Forests comprise a significant part of the network in some of States explored (e.g. Slovenia), yet the national budget for forestry is constrained and only accessible for a select few operations that may benefit nature. In contrast, wetland restoration projects in England and in Denmark appear to have more funding pools available than other measures, connected with a particular focus on these habitats in national policy and the multiple benefits that result, such as public enjoyment of nature through recreation.

Table 4.4. Summary of the insights on national funding available for Natura 2000

Member State	Key national funds available	National / regional / local funding	State/ private sector / civil society funding	Taxation as a source for funding
Denmark	State and municipal funding Diversity of schemes under the Forest and Nature Agency and Directorate for Food Affairs – many linked to Rural Development Programme Green Partnerships – state, municipalities, business, CSOs etc. 'Better Outdoor LIFE' scheme ('09) Lottery funds	Municipalities hold much responsibility for developing, operating and financing of conservation projects and efforts. However, no data to indicate how much funding. Regions have a role in coordination but not financing, relying instead on support from central and local government.	Not possible to say how much civil society and private sector contribute financially. However partnership approaches are increasingly sought to establish and run projects. Agreements between Danish government, the Outdoors Council and Danish Society for Nature Conservation, involving local authorities, businesses, citizens and associations.	General taxation at national level funds through annual state budget. Local authorities have significant tax-raising powers, with half their revenue from local taxes, mostly on income. Advanced system of environmental taxes, charges and other economic instruments for environmental management, though not to specific benefit of biodiversity conservation.
Latvia	• Latvian Environment Protection Fund (LEPF) – State budget allocation – Natural resource tax – Fines and charges • Local government • Regional funds and programmes • Various other smaller funders	National-level funding is by far the most significant. Local government can designate and then fund lesser categories of protected area – nature reserves, parks and monuments.	State funding is the most important source. It remains limited, however. Unclear the size of private and civil society support, though it does feature.	General and local taxes through the basic state and municipal budgets. Natural Resource Taxes and charges for infringement of regulations in part earmarked for local special budgets for the environment. Previously were entirely earmarked for environmental projects, but lifted in 2005.
Slovenia	National budget covers 36 per cent of the 147 million EUR budget for Natura 2000 management 2007-13. The rest is European funds. National allocation to the budget programme for Assistance to Nature Conservation ranged €6.5m to €7.5m per year 2007-2009. C.€100000 pa (2008-2009) for measures directly relating to Natura 2000 under RDP.	National government obliged to guarantee funding of sites of national importance. Local government guarantees funding of features of local importance.	Natura 2000 and other protected areas can be managed under contract by individuals, collectives, private companies or NGOs. Public-private partnerships and collaborative approaches to management of protected areas are common. Eg. LIFE projects. Example of Secovlje Salina Nature Park demonstrates potential for business in funding and managing conservation. Unclear financial significance of civil	Use environmental taxes and other economic instruments to encourage environmental protection, but focus on renewable energies, emissions and waste. None explicitly for biodiversity. Nature protection levy for use of community and state-owned valuable natural features. Rights to use and management of natural resources granted by concession.

	Co-financing to private owners of designated forest to ensure timely and appropriate management		society. Varied, bespoke approaches makes aggregate assessment difficult.	
UK	Key national sources include: • Government grant in aid (GIA) • Various agri-environment and forest management schemes. • Heritage Lottery Funding • Big Lottery Funding • Grant-making foundations	Competences devolved to Wales, Scotland, England and Northern Ireland for policy, management and financing. Combination of central government and devolved executive/assembly government allocations. Local authorities and independent National Parks Authorities also oversee some revenue-raising and funding activities.	State budgets still overwhelmingly the main funding source, (RDP and GIA) Increasingly looking to public-private partnerships, though minor at present: - Isolated large-scale land management partnerships - Innovative finance instruments eg LCF to involve business Civil society funding significant but fragmented. Heritage Lottery Fund and Esmee Fairbairn Foundation are the major sources in this category. Also revenues of large NGOs responsible for important sites eg RSPB.	General taxes support conservation only through basic state budget allocations. There are no environmental taxes earmarked for biodiversity projects. One example of use of a specific environment tax for biodiversity is the Landfill Communities Fund - Landfill operators can help fund conservation projects (or other pro-environmental works) to win back tax credits.
Germany	• Regional public co-financing with some top-ups(Länder) • Federal funding • Dedicated Länder foundations for nature conservation, e.g. Nordrhein-Westfalen (NRW). In 2009, the funding volume of the NRW foundation amounted to €6.8 million • Foundations of Environmental NGOs such as NABU (BirdLife Germany). The foundations 3 million EUR in 2009. • Private foundations such as Allianz Environment or Michael Otto foundation	Regional co-funding (Länder) seems to be the most important funding source for Natura 2000, only limited additional top-up by Länder. Some federal level contribution.	Public co-funding from the regions (Länder) and funding from federal governments plays the most important role in Germany. Private sources of funding for nature conservation are also diverse; however it is not possible to estimate the level of contribution of the private sources to the overall funding for Natura 2000.	No information available to indicate that special, rather than general, taxation would be used as a source for financing Natura 2000 in Germany.

Spain – Madrid	Key national sources include: • Regional public funds (Community of Madrid) • Central government funds (e.g. via La Fundación Biodiversidad) • Different foundations (regional and national) Whilst the whole of Spain in aggregate receives significant funding through the EU funds, Madrid receives only a small portion. LIFE funding, whilst important nationally, is quite limited for the region, and Structural Funds are not employed for nature conservation in Madrid. Funding for rural development with potential to support Natura 2000 on the other hand is significant.	Regional funding, especially from the Community of Madrid and some regional foundations, forms the most significant funding source. Also some support from national government budget.	Little information could be found to demonstrate the importance of non-governmental financial resources in supporting Natura 2000 in Madrid. Public funding, via regional / national budget, seems the most significant source for financing Natura 2000 in the Madrid region. However, some foundations (such as regional bank CajaMadrid's foundation and Foundation for Environmental Research and Development (FIDA) play a role in financing biodiversity.	No information available to indicate that taxation would be used as a source for financing Natura 2000 in Spain

Member State	Targeting of biodiversity/ Natura 2000	Conditionalities and restrictions tied to funding	Coverage and gaps in funding	Comments
Denmark	Budget strands for nature management and for forestry, but not specifically for Natura 2000. Natura 2000 areas and areas protected under Section 3 of Danish Nature Protection act are prioritised in the receipt of funding and co-funding from the public purse.	Most schemes are restricted according to project type, beneficiary and location. Green Partnership co-funding in particular quite specific set of criteria set by Danish govt in line with its priorities (eg. public participation, partnership, multiple objectives)	Diversity of funding options available means there is likely to be an option accessible. For private landowners financing opportunities mostly within scheme of RDP. Wetlands and river restoration are particularly well-served.	Quite an individualistic approach to nature conservation. Notably more advanced in terms of integrating conservation, via sectoral policy and planning than the other case study states. Significant devolution of powers and highly democratic, participatory approach favour greater awareness and action in communities.

Latvia	No targeted budget for biodiversity. Forms unspecified part of environmental budget. Natural Resource Tax revenues likewise go to all environment-related projects.	Severe constraints on national funding due to economic pressures following crisis.	Grossly insufficient total funding available. Difficult to form judgment on gaps or coverage.	Latvia is highly dependent on funding from EU instruments and bilateral agreements for nature conservation projects. Highly biodiverse, with habitats and species of particular importance in Europe (eg. moist forest). Large parts under some degree of designation.
Slovenia	Targeted budget for nature conservation, under budget programme 'Assistance and Support to Nature Conservation', which includes funding for Natura 2000. About 0.2-0.3 per cent of total government budget related to Natura 2000.	Comprehensive system of management planning covering all areas. Impose legally binding restrictions on activities and requirements for management on land owners/managers. Concessions for use of natural resources place restrictions on the concessionaire.	Apparently flexible system thanks to management plans etc, but funding is intermittent and too little in total. Significant part of Slovenian Natura 2000 network is forested, but the available EU and national funding for forestry is limited in total and constrained to certain objects of expenditure. Inadequate resources for compensation of land owners and ensure long-term management for nature conservation.	Much funding based around EU funds. Absorption of funds has been highlighted as an issue. Eg. poor uptake of agri-environment schemes associated to low payment levels.
UK	No targeted budget for biodiversity or Natura 2000. Natura 2000 funding cannot be dissociated in analysis from SSSI/ASSIs, the system of nationally designated sites.	Most funds restricted by eligibility criteria. Requirement to secure 50 per cent match funding to access funds - Increasingly difficult and synchronisation can be problematic. Complex application procedures are a further barrier.	Funding options are diverse but highly fragmented, creating gaps and discontinuities. Total funding is insufficient and there are barriers to accessing what is available. Funding marine Nature 2000 sites is a significant gap, particularly important in Wales.	The situations of Northern Ireland, Wales, Scotland and England are very diverse, so assessing the UK as a whole misses important details. Different environmental and economic profiles of the countries mean different EU funding options need to be pursued.

Germany	It is very difficult to separate spending for the implementation and management of the Natura 2000 network from general nature conservation activities.	No specific information available	National funding for nature conservation in Germany has been, to a very large extent, limited to programmes eligible to EU co-financing. In times of tight public resources, Länder as main entities responsible for the financing of such activities, have either completely dropped or significantly reduced those financing means for nature conservation programmes not entitled to EU co-financing	No specific information available
Spain – Madrid	Regional budget includes a dedicated budget line for the protection and improvement of the environment and Nature Parks (1,865,000 EUR for 2011) and flora and fauna protection (1,683,917 EUR in 2011), of which 25 per cent is directed to various measures related to nature conservation. It cannot be said how much of these allocations benefits Natura 2000, nor that other finances aren't allocated through other budget lines to the benefit of the network.	No specific information available	No specific information available	No specific information available

4.5 Conclusions

Available EU financing for Natura 2000. The review of EU funding instruments apparently utilised for Natura 2000 purposes indicates that there is a small group of measures particularly focussed on this objective and a larger group used in more diverse and indirect ways. Quantifying the scale of the contribution is difficult but an estimate of between nine and nineteen percent of the reported funding requirements seem realistic.

National financing for Natura 2000. Levels of financing and use of the available EU financial instruments for biodiversity conservation vary between Member States. National-level funding is inadequate across the board and consequently there is a lack of resources to alleviate the heavy reliance on EU funds. In all cases, work seems to be required to increase, improve access to and better coordinate funds available from all national and EU sources so that they can be more effectively used for Natura 2000 management and support.

It is not possible to draw firm and comprehensive conclusions on the purely national funding systems and sums available unrelated to EU funds, due to the sparse and inconsistent data available both within and between Member States. That said, the case study insights do highlight a number of similarities and disparities in the context of domestic funding, not least regarding transparency and information accessibility. The case studies indicate that there is a high level of variation in national approaches to funding, in terms of targeting, focus and devolution of funding responsibility. Encouragingly, between them the Member States demonstrate many innovative approaches which have the potential to mobilise funding for Natura 2000, through natural resource taxes and partnerships with private and third sector associations. At present however, these potential sources of funding do not play a significant role in funding, in particular in newer and less affluent Member States.

5 EXISTING EVIDENCE ON THE IMPACTS OF FINANCING NATURA 2000

5.1 Preliminary objective: financing Natura 2000 to safeguard biodiversity

Most of the biodiversity in Europe exists within a mosaic of heavily managed land and highly exploited seascapes, largely influenced by agriculture, forestry, fisheries and other economic sectors (EEA 2010). Although the conversion of natural systems to human-dominated systems, and the exploitation of biodiversity, has improved the standard of living of millions of Europeans, the continuing loss of biodiversity threatens to undermine well-being in Europe. This threat has prompted the development of policy instruments designed to protect biodiversity. Where implemented successfully the existing EU policy instruments (particularly the Birds and Habitats Directives) have had positive impacts on the status of some targeted species and habitats.

A review of the 2000 – 2006 funding period found that the Natura 2000 network then covered 17 per cent of the EU's terrestrial area and forms the largest network of protected areas in the world, protecting a range of Europe's indigenous and most valued species and habitats (European Commission 2008). However, although these successes are notable, the review also found that only 17 per cent of the EU's most vulnerable habitats and species are in favourable conservation status, despite progress in enacting and implementing pro-biodiversity European policy. This highlights the need to intensify conservation efforts and it also indicates that the resources (e.g. financing) available for Natura 2000 are not yet sufficient to deliver the conservation goals set in legislation. Major threats include habitat destruction, fragmentation and under-management, the establishment and spread of invasive alien species, pollution from agricultural runoff, water abstraction, over-exploitation of natural resources, and the increasing impact of climate change (EEA 2010).

Good management of Natura 2000 sites, supported by adequate financing, can help to ameliorate many of the threats described above and is necessary to achieve the favourable conservation status of sites and ensure that they achieve their potential. At current levels of funding only 17 per cent of habitats and species assessments show a favourable condition. Financing of the Natura 2000 network, at levels sufficient for the required management effort, is important to increase the proportion of habitats and species which are in favourable condition, and improve European biodiversity.

5.2 Broader environmental and socio-economic benefits of Natura 2000 financing

Conservation of biodiversity is important not only for its intrinsic value, but also for the benefits that it provides to the economy and society. These benefits derived by humans are termed ecosystem services (Box 5.2). The ecosystem services framework provides a means of systematically categorising and assessing the benefits that ecosystems provide to society, and the role that conservation of biodiversity through Natura 2000 and other policies plays in the provision of these services, both directly and indirectly. In addition to forming the foundation for biodiversity conservation in the EU, protecting habitats and species of Community interest, the Natura 2000 network also plays an important role in providing a range of ecosystem services.

Box 5.2 Ecosystem Services

Ecosystem services are the benefits that people obtain from ecosystems. The Millennium Ecosystem Assessment (2005) categorises these services as;

- Provisioning services, such as food, fibre, fuel and water.
- Regulating services, i.e. those benefits obtained from ecosystem processes that regulate the natural environment, such as the regulation of climate, floods, disease, wastes, and water quality.
- Cultural services such as recreation, aesthetic enjoyment and tourism.
- Supporting services, i.e. services that are necessary for the production of all other ecosystem services such as soil formation, photosynthesis, and nutrient cycling.

The full range of ecosystem services and associated socio-economic benefits provided by Natura 2000 are not comprehensively understood, nor does available evidence permit them to be fully quantified or valued, e.g. at the European level (Kettunen et al. 2009, Gantioler et al 2010a). Gaps in scientific knowledge are a barrier to measurement of services, particularly since their level and value often varies by location. Also, a very limited amount of evidence is currently available that would allow making direct links between the level of financing Natura 2000, maintenance of ecosystem services and the related socio-economic benefits. For example, no studies yet exist aiming to quantify such benefits, e.g. assess the 'rate of return' for an EU funded project.

The existing information does, however, provide a clear indication that investment in biodiversity conservation (e.g. financial support to manage Natura 2000 sites) can support the maintenance / restoration of ecosystem services and also result in significant environmental and socio-economic benefits. This existing evidence is often based on case studies of specific geographic areas, generally focusing on a selection of ecosystem services (WWF & IEEP 2009, Gantioler et al. 2010a). Although limited in scope, these case studies are useful as they hint at the significant environmental and socio-economic benefits the Natura 2000 network is currently providing, and could potentially provide more of in the future.

There is often a correlation between the health of ecosystems (e.g. their level of biodiversity) and the provision of ecosystem services, as the interactions between species are crucial to the maintenance of ecosystem function and hence the provision of ecosystem services. The proper functioning of ecosystem processes and the provision of ecosystem services can also be related to species richness, for example by increasing the resilience of an ecosystem to environmental perturbations, anthropogenic or not (Kettunen & ten Brink 2006, Huitric et al. 2009). Thus, biodiversity may be considered as a key factor in determining the health of ecosystems and ecosystem service provision, and consequently is a logical focus for targeting environmental investment which seeks to improve the quality of natural areas. As a result, achieving favourable conservation status of Natura 2000 sites is important in achieving the potential of both the sites themselves and also the broader landscape for ecosystem service delivery. This in turn requires sufficient resources to be allocated to conservation management.

Benefits related to the mitigation of environmental risks. The ecosystem services supported by well maintained Natura 2000 sites help to mitigate against environmental risks. For example, flooding is the predominant cause of natural disasters across Europe, threatening people's lives and health, damaging ecosystems and potentially increasing pollution (EEA 2004). The proper and sympathetic management of natural ecosystems in the Natura 2000 network contributes to flood mitigation and attenuation, increasing water storage capacity and slowing the flow of water through ecosystems. Similarly, natural habitats contribute to coastal protection and prevention of soil erosion. These benefits associated with well-functioning ecosystems are commonly referred to as 'green infrastructure'. Management of Natura 2000 sites to deliver these environmental risk management benefits is also likely to offer additional benefits, such as recreation, farming and associated economic activity, biodiversity conservation and greenhouse gas regulation (Tinch 2009).

Benefits related to climate change adaptation and mitigation. Investment in Natura 2000 sites can also deliver benefits through climate change adaptation and mitigation (e.g. CBD AHTEG 2009). Over the long-term, certain ecosystems often protected by Natura 2000 status, such as bogs and old forests, are important in the sequestration and storage of carbon from the atmosphere. The climate change mitigation potential of ecosystems depends on their proper functioning, and such ecosystems in the Natura 2000 network require the investment and management practices necessary to enhance their capability to sequester and store carbon from the atmosphere. Ecosystems also play a role in influencing local and regional climatic conditions, temperature, rainfall and even wind conditions. In urban areas this role is likely to be increasingly important, as climate change is projected to increase the effects of the Urban Heat Island (UHI) (New York State and Energy Research Development Authority 2006, Samtamouris 2006, Wilbanks et al. 2007), with potentially significant adverse socio-economic effects in Europe. The healthy functioning ecosystems and the green infrastructure they provide (see above), as part of the Natura 2000 network, in and around urban areas can mitigate the impacts of the UHI, potentially reducing average temperatures and improving air quality, for example. Properly managed Natura 2000 sites also have the potential to improve ecological connectivity within broader landscapes and improve the adaptation of species to climate change, providing a means by which species can migrate northwards due to climate change induced shift of habitat locations (Kettunen et al. 2007).

Benefits to job creation and employtement. The benefits of ecosystem services, in general and in Natura 2000 sites in particular, represent a significant resource for recreation, tourism and education. For example, it has been estimated that around 4.4 million jobs, and 405 billion EUR in annual turnover, are directly dependent on the maintenance of healthy environments (GHK, EC & IEEP 2007). This resource may be especially significant in areas of remote and marginal areas of Europe where other forms of economic activity are difficult to establish and sustain. As such, Natura 2000 makes a substantial contribution to regional and agricultural development policies, with sites frequently integrated into local development policies associated with ecotourism and low impact development (European Commission 2003). One recent study on the economic benefits of environmental policy estimated that, if properly resourced and managed, the Natura 2000 network could directly support 122,000 full time equivalent (FTE) jobs and Gross Value Added (GVA) of 3.05 billion EUR in the regions in which sites are located. Including indirect and induced effects, the estimated total is 207,000 FTE jobs and GVA of 5.2 billion EUR at the EU level (Rayment et al. 2009). Table 5.2.1 describes the benefits of the Natura 2000 network to job creation and employment.

Health benefits. Physical inactivity is a major preventable health risk that leads to increased levels of obesity and heart disease, costing the UK economy 12.2 billion EUR per year. A recent study commissioned by BirdLife in the UK shows the provision of public green spaces and natural reserves, such as Natura 2000 sites, is a potential key facility to encourage exercise. The study goes on to show that the greater the natural diversity of a site, the more likely people will be to visit it regularly and therefore maintain exercise regimes. The provision of sites of high biodiversity interest, close to population centres, represents good

value for accessible money for taxpayers in this sense and there is potential to better and would integrate health and nature conservation policy goals.

Intangible benefits. Many Natura 2000 sites have the potential to be an excellent educational resource. Well developed programmes on Natura 2000 sites across Europe have proved effective in drawing school groups to on-site classroom facilities, sites visits and outdoor learning opportunities. In the UK 40,000 students per year visit RSPB-BirdLife reserves during school time. Promotion of and investment in these sites is therefore necessary to maximise this potential. Sometimes, in highly urbanised areas, like the Brussels Capital Region, there are no direct economic benefits from the establishment of the Natura 2000 network. However, the social benefit is high, but impossible to calculate. The social benefit has to be seen in the framework of the general wellbeing in the city: bringing city people in contact with nature and raising awareness for nature conservation in the city environment.

Table 5.2.1 Evidence on the benefits of the Natura 2000 network to job creation and employment as in Kettunen et al (2009b).

Natura 2000 and Job creation
A significant number of local jobs can be supported through Natura 2000 related activities, diversifying rural employment opportunities and encouraging skills retention and development. An EU wide study has identified that in 1999 a significant number of jobs (125,000) have been supported due to nature related activities, while 100,000 of these jobs are directly linked to nature conservation activities and operational expenditure for site management (ECOTEC, 2001). More specifically in France and Spain, nature management employs directly 20,000 and 16,000 people respectively. Natura 2000 management leads on average to the creation of 3 to 5 FTE (Full Time Equivalent) jobs per site, while the revenue of spending in the site or nearby helps to create an additional job.
Indirect Employment and the 'Multiplier Effect'
Employment benefits do not stop at a Natura 2000 site's boundaries. For every FTE direct job there are a number of indirect jobs created or supported elsewhere, for example companies that provide marketing services for locally produced goods or services for local hotels. Employment gains may also be achieved as wages of those employed directly and indirectly are spent locally, supporting the local economy and sustaining more jobs. Several studies have been carried out to calculate the value of such multiplier effects. Halhead (1987), for example, used a multiplier of between 1.2 and 1.25 to estimate that in the Highlands of Scotland, in addition to the 305 direct FTE jobs created from expenditure from conservation organisations, a further 60 to 77 FTE jobs depended on this expenditure. Other studies have used multipliers of a range between 1.5 and 1.75.
Natura 2000 and Tourism
Nature related tourism makes a significant contribution to rural areas. Low impact activities, like walking, hiking, and cycling along with ecotourism (bird watching, nature photography, recreation) contribute £438 million of spending in Scotland alone (Scottish Parliament, 2000). The National Park of El Teide receives annually more than 3 million visitors and it constitutes one of the main attractions in the tourist destination of the Canary Islands. The importance of nature/eco tourism is increasing in the new Member States too. The Sumava National Park in Czech Republic received 1.78 million visitors in 1999, compared with only half of this number in 1992. What is also of importance is the expenditure linked to tourism and Natura 2000. Estimates indicate that for each direct job at a nature site, between 4 to 6 jobs are supported in the wider local economy (Rayment 1995). This indicates important benefits derived not only for the Natura 2000 sites, but also for the adjacent areas.

While data on the impact of financing on ecosystem service delivery by Natura 2000 sites is lacking, there is clear evidence that financing under the LIFE III Nature programme (the 2000 – 2006 funding period) has been successful in the enhancement of biodiversity in the Natura

2000 network (European Court of Auditors 2007). These biodiversity benefits may come at the cost of reductions in certain other ecosystem services, such as agricultural production, but are likely to increase the delivery of most regulating and cultural services such that additional benefits are likely to arise due to biodiversity enhancement measures. Table 5.2.2 provides a summary of two case studies which demonstrate how interventions to enhance the Natura 2000 network can result in multiple benefits beyond biodiversity, generating positive socio-economic impacts in the vicinity of the site. These potential socio-economic benefits are explored in more detail below.

Table 5.2.2 Examples of successful Natura 2000 case studies delivering benefits to both biodiversity and human welbeing19

River Varde Valley and the Meadows of Ho Bay, Syddanmark, Denmark	
Natura 2000 sites	The area represents a valuable and unique landscape consisting of river valley, estuary, Atlantic salt marshes and freshwater meadows surrounded by agricultural land. It is an important potential breeding area for water birds and is situated on the Western Palaearctic Flyway for migratory birds.
What was done	The main goal of the project was to restore natural hydrological conditions in the project area in order to secure a favourable conservation status for habitats and species in the River Varde Valley and the meadows of Ho Bay. This was done by raising the water level, stopping the use of fertilisers and pesticides and by adjusting other agricultural practices, such as production periods and grazing regimes, to more extensive and environmentally beneficial practices.
Impact on the site	The main result is that the water level is now raised within most of the compartments. The raised water level, combined with restrictions on the use of fertilisers and pesticides in the project area and changed management practices, reduces the leaching of nutrients, ochre and pesticide pollution into the surrounding environment. Furthermore, conditions have been enhanced for flora and fauna, not only within the project area, but also in Ho Bay and the rest of the Wadden Sea.
General project benefits	**Conservation benefits** • Improved conditions for habitats and species in the Natura 2000 site • Improved water quality of the River Varde and the Wadden Sea **Economic benefits** • Farming can still continue in the area. Funds and subsidies cover losses caused by changes to the water level and the introduction of nature-friendly farming practices. • Increased biodiversity will benefit tourism in the area. **Social benefits** • Local farmers have taken common ownership of the restoration project. • Several hundred individual owners work together on the same project. • The project area is used by the local nature school for teaching in nature and landscape restoration. **Ecosystem services** • Restoration and maintenance of the natural hydrological conditions of the only estuary without dikes and locks in the Wadden Sea area.
The Arran Access Project, Highlands and Islands of Scotland, United Kingdom	
Natura 2000 sites	Arran Moors Special Protection Area is a large upland site including several Special Sites of Scientific Interest (SSSI). It has extensive upland and moorland habitats which include mosaics of oceanic wet and dry heaths, with large areas of blanket bog and upland grasslands, which at lower altitudes become mosaics of acid grassland with rush communities. The range of upland

19 WWF & IEEP. 2009. Innovative use of EU funds to finance management measures and activities in Natura 2000 sites. Output of the project Financing Natura 2000: Cost estimate and benefits of Natura 2000

	habitats provides a diverse range of breeding and foraging habitats for a nationally important breeding moorbird assemblage.
What was done	The principal objective of the project was 'to secure the conservation of Arran's sensitive habitats and landscapes whilst encouraging responsible and sustainable public access to these areas of outstanding scenic and natural heritage interest'. In order to fulfil this objective the project undertook work on key footpaths to provide a safe and secure route, reinstate damaged areas and reduce the risk of further erosion in the future.
Impact on the site	The works will ensure that landscape scars and vegetation damage caused by erosion are significantly reduced over time and that there are clearly identifiable safe routes for walkers, thus reducing the temptation to wander from the paths and potentially cause damage.
General project benefits	**Conservation benefits** • Mitigation of the access impacts will help to protect and restore sensitive habitats and landscapes and will also raise awareness of the need to protect these habitats and the species within them. **Economic benefits** • Improving access and protecting habitats and species will safeguard the existing heritage and will potentially greatly improve this input to the local economy (currently estimated at £29 million to the Island economy each year). **Social benefits** • Interpretation and signage was also installed to improve visitor understanding of the area, why it is important and how it is managed. A leaflet giving basic interpretation and a map of access on the island was also produced. Local people can also get involved and help to protect their environment. **Ecosystem services** • The pathways are a major public recreation asset for both local people and the many thousands of visitors. They will also prevent further damage to the moors, which is a vital part of carbon capture and the local water-cycle.

5.3 Consideration of the overall costs and benefits of financing Natura 2000 network

Due to the fragmented nature of the evidence on the benefits and socio-economic impacts of the network, it is not possible to compare between EU regions and MS, and nor is it possible to aggregate estimates of the benefits across MS. However, a number of studies have indicated that, even based on a relatively limited number of ecosystem services, the benefits of the Natura 2000 network can be greater than the associated costs. For example, studies in France and Scotland found that the net benefit of the network is likely to be approximately seven times higher than costs associated with management (as documented by Gantioler et al. 2010, see box 5.4 below). Similarly high rates of return for investment have also been estimated in Burren, Ireland. Including the full range of ecosystem services provided by the network, the complete range of benefits and socio-economic impacts are likely to be significantly higher that the costs of maintaining it, provided that the sites have the funding and investment necessary for the management practices which facilitate the provision of the full range of ecosystem services possible.

Box 5.2 Examples on the estimated net benefits of Natura 2000 sites

Benefits of Natura 2000 in Scotland. In 2004, a study commissioned by the Scottish Executive Environment and Rural Affairs Department (SEERAD) was carried out to assess the net benefits associated with the designation of Natura 2000 sites (Jacobs 2004). According to the results, the protection of all 300 Natura 200 sites throughout Scotland was estimated to have an overall benefit cost ratio of around 7 over a 25-year period. This means that overall national welfare benefits are seven times greater than the national costs and represent good value for money. However, about 99 per cent of these benefits (£210 million per year) relate

to non-use values. Around 51 per cent accrues as non-use value to the Scottish general public and 48 percent accrues as non-use value to visitors to Scotland. Around £1.5 million (1 per cent) of the benefits relate to use values (e.g. walking and angling etc). Consequently, most of the benefits seem to arise from non-use values.

Benefits of Natura 2000 in France. As part of a wider economic and institutional assessment of Natura 2000 in France, several studies were carried out to determine the benefits arising from Natura 2000 across a range of sites (Maresca et al. no date, Hernandez & Sainteny 2008.). The objective of the assessment was to estimate the net benefits related to the management of Natura 2000. In the framework of this project, in 2008 a study was carried out to determine the cost and benefits of the Natura 2000 site 'Pleine de la Crau'. The calculated overall benefits amounted to 182 EUR/ha/year, and net benefits to 142 EUR/ha/year, i.e. the benefits were estimated to be around seven times higher than the costs associated with the Natura 2000 site.

Estimated benefits arising from the Burren National Park in Ireland. In 2009, the cultural value and benefits particularly arising from tourism were estimated at the Burren National Park, Ireland (Rensburg et al. 2009). The national park is located on the largest area of limestone in Britain and Ireland and it is unique for its rich natural and cultural heritage. The study investigates whether the farming practices recommended by BurrenLIFE project (BLP) are economically viable in providing a desirable public good. According to the study, the aggregate benefits provided by the park's limestone pavements and the orchid rich grasslands were estimated to amount to EUR 842/ ha / year (prediction based approach) or EUR 4,420 / ha / year (traditional CE approach). Based on these values, the total benefit from the karst limestone pavements and the orchid rich grasslands is estimated to be 15.89 (67.93) million EUR and 9.38 (64.6) million EUR per year respectively. In addition, the total revenue (e.g. multiplied effects) from domestic tourists was estimated to be about 71.47 EUR / hectare / year. All and all, the total rate of return on government support to the park was estimated (conservatively) to be around 353 – 383 per cent, (without or with tourism), and 235 per cent if all operating costs of the farming programme and all direct payments are considered.

Source: as documented by Gantioler et al. 2010

Gaps in evidence mean that a full quantitative assessment of the ecosystem services delivered by Natura 2000, and the associated socio-economic benefits of investing in the network, can not yet be made. However, numerous case studies demonstrate that such investment is likely to enhance ecosystem services and generate benefits which may be several multiples of the investment. Due the site specific nature of ecosystem services, and differences in the methodology employed to evaluate them, it is not possible to use these case study results to accurately determine the value of the ecosystem services on a Europe-wide scale. However, the frequency of positive evaluations at the local level indicates that the funding for the Natura 2000 network, when it is used to deliver and maintain good quality sites, is likely to generate benefits which outweigh costs.

5.4 The role of different EU funds in delivering environmental and socio-economic benefits via Natura 2000

The designation of an area or habitat as a Natura 2000 site does not in itself ensure that the full range of potential ecosystem services will be delivered. When an ecosystem or habitat is in a degraded state the ecosystem services provided may be significantly reduced, and thus the improved management of a site is central to delivering the potential range and level of ecosystem services. Funding is required to ensure that the proportion of Natura 2000 sites achieving favourable conservation status increases, thus enhancing the levels of ecosystem service provision across Europe.

The EU funds for Natura 2000 provide a range of possibilities in terms of supporting the maintenance and restoration of ecosystem services and the delivery of related socio-economic benefits. The key possibilities are summarised in Table 5.4 below, ranging from support to food security, mitigation of and adaptation to climate change, prevention of environmental risks and job creation.

As for the future, the EU funding to improve the conservation status of the Natura 2000 network, with consequent gains for ecosystem service delivery, is likely to be increasingly important over the medium- to long-term. Europe is facing multiple threats to its biodiversity and ecosystem services, including habitat destruction, fragmentation and under-management, the establishment and spread of invasive alien species, pollution from agricultural runoff, water abstraction, over-exploitation of natural resources, and the increasing impact of climate change (EEA 2010). The impacts of these threats are Europe-wide and cannot be tackled by Member States alone. Therefore, investing EU funding in the Natura 2000 network will crucial in ensuring that Europe has the capacity to deliver the socio-economic benefits derived from ecosystem services. As the conservation status of sites improves, the range of ecosystem services supported by individual sites and the whole network is likely to increase. In general, Natura 2000 sites which are properly financed, achieving favourable conservation status, and meeting their potential in providing a range of ecosystem services are also likely to support a range of socio-economic benefits.

Table 5.4 Overview of the key environmental and socio-economic benefits foreseen to be related to the use of different EU funds for Natura 2000

EU fund for Natura 2000	Possible environmental and socio-economic benefits related to financing Natura 2000
European Agricultural Fund for Rural Development (EAFRD)	• Food security: maintenance of pollination and support to food security via maintenance of habitats / species diversity • Food security: protection of the genetic diversity / wild relatives of crops and domesticated animals • Recreation, tourism & cultural values: maintenance of agricultural landscape → protection of cultural values, support to recreation and tourism • Environmental quality / risk management: protection / restoration of wetlands in agricultural areas can help to improve water quantity and quality • Climate change mitigation & adaptation: protection of habitats (e.g. old growth forests, peatlands, certain grass lands) maintains natural carbon storage and helps to mitigate climate change • Job opportunities & diversification of livelihoods: support to tourism activities and support to the development of sustainable / certified products from / associated with Natura 2000 areas (e.g. honey, berries, game, ornamentals, natural medicines & cosmetics)
European Fisheries Fund (EFF)	• Food security: well-managed marine protected areas help to maintain / recover fish stocks → support to food security and maintaining livelihoods • Job opportunities & diversification of livelihoods: support to tourism activities and support to the development of sustainable / certified fisheries products from / associated with Natura 2000

	areas
Structural Funds: European Regional Development Fund (ERDF)	• Environmental risk management: protection and sustainable management of ecosystems ability to prevent and mitigate environmental risks (e.g. flooding, drought, intensity of wild fires) • Water supply & water purification: Protection and sustainable management of ecosystems' natural ability to retain and purify water supports sustainable environmental development and can also lead to significant cost savings. • Mitigation of and adaption to climate change: Support to ecosystem-based mitigation and adaptation strategies to climate change (e.g. protection of forests' carbon storage, protecting / restoring natural ecosystems to mitigate flooding/droughts/fires) create significant co-benefits for both biodiversity and sustainable development of regions within the EU. • Job opportunities via promotion of natural assets & heritage (e.g. for tourism). Promotion of opportunities for sustainable tourism, recreation and the maintenance of cultural and heritage values can increase revenues from tourism and help to diversify regional livelihoods in sustainable manner.
Structural Funds: European Social Fund (ESF)	• Diversification of livelihoods, education & capacity building: interventions on education and capacity building can create win-wins for both Natura 2000 and regional development. For example, support for self-employment and business start-up can be targeted to promoting sustainable ecotourism, agriculture & forestry (e.g. producing, labelling and marketing biodiversity-friendly certified products). Also, support to the inclusion and rehabilitation of unemployed, immigrants, ex-criminals etc. can be linked to conservation and restoration of biodiversity, ecosystems and their services in the area (e.g. management of Natura 2000).
LIFE programmes	• All of the above
Framework Programme for Research & Development (FP)	• FP7 projects can help to test and develop the possibilities for Natura 2000 in delivering different ecosystem services

5.5 Conclusions

Good management of Natura 2000 sites, supported by adequate financing, is necessary to achieve the favourable conservation status of the Natura 2000 network. Based on the recent reporting under the Habitats Directive, however, only 17 per cent of habitats and species assessments show a favourable condition. This further supports the conclusion that there is a gap between the current level of funding and resources required to manage the network successfully.

Achieving favourable conservation status of the Natura 2000 network and/or individual sites also helps to improve the quality of broader ecosystems, e.g. enhance the level of ecosystem service provision across the landscape. In general, ecosystems supported by and located within well-managed Natura 2000 sites can be considered as the backbone of European 'green infrastructure', creating a natural buffer against future environmental risks

and helping to mitigate and adapt to the impacts of climate change. Furthermore, there is an increasing evidence base on the role of Natura 2000 sites in improving our physical and mental health. Therefore, investing EU funding in the Natura 2000 network plays an important role in ensuring the continued delivery of socio-economic benefits derived from European ecosystems.

Due to the fragmented nature of the evidence on the benefits and socio-economic impacts of the network, it is not possible to estimate the total socio-economic benefits associated with the Natura 2000 network. However, a number of studies have indicated that, even based on a relatively limited number of ecosystem services, the benefits of the Natura 2000 network can be greater than the associated costs.

The EU co-financing framework for Natura 2000 provides a range of possibilities that can be used to link the management of the network to also support the maintenance and restoration of ecosystem services and the delivery of related socio-economic benefits. Also, as the conservation status of sites improves, the range of ecosystem services supported by individual sites and the whole network is likely increase. In general, Natura 2000 sites which are properly financed, achieving favourable conservation status, and meet their potential in providing a range of ecosystem services are also likely to support a range of socio-economic benefits. Therefore, investing in the Natura 2000 network supports - directly and indirectly - Europe's capacity to deliver the socio-economic benefits derived from ecosystem services.

6 ANALYSIS OF THE CURRENT EU FRAMEWORK FOR CO-FINANCING NATURA 2000

As Chapter 4 showed, there is a gap in financing Natura 2000 in the EU, in the sense that the contribution from the EU budget to managing the network is relatively limited compared to the total requirements. This Chapter explores the underlying reasons behind the limited EU contribution by, firstly, analysing the general scope and possibilities for financing Natura 2000 under the EU co-financing framework and, secondly, presenting key lessons learned from the practical use of the EU funding instrument in different Member States (e.g. exploring the barriers for limited uptake).

Section 6.1 below presents an assessment of the current EU co-financing arrangements. To complement this analysis, section 6.1 also includes a number of case examples that provide insights into the use of funds at the national level. The key insights from the national examples, summarised in section 6.2, are included as Annex 2. Section 6.3 focuses on assessing the eligibility of different Natura 2000 management measure under the different EU funds. In particular, it aims to identify any possible gaps in the opportunities available and compare these gaps with resources required to implement different measures. Finally, section 6.4 explores other possible shortcoming and constraints explaining unexpectedly low uptake of EU co-financing at the national level.

6.1 Assessment of the possibilities for financing Natura 2000 under the current EU funds

Section 6.1 presents an overall assessment of the current EU co-financing arrangements, e.g. opportunities and challenges in using the current EU funds. In addition, it outlines a

number of suggestions on how to increase and/or improve the uptake of opportunities under the funds have been developed. The results of this assessment, including a detailed SWOT analysis of the most relevant EU funds for financing Natura 2000 (EAFRD, EFF, ERDF & LIFE), has been presented below. The detailed SWOT analysis is presented in Table 6.1.

The SWOT analyses focuses on the EU funds that provide the most dedicated frameworks for Natura 2000, i.e. EAFRD, EFF, ERDF and LIFE+. No specific SWOT analyses have been prepared for the Cohesion Fund, European Social Fund (ESF) and the 7th Framework Programme for Research and Development (FP7). This is because the latter are not considered to provide a dedicated enough framework for addressing Natura 2000 (see Chapter 4).

6.1.1 European Agricultural Fund for Rural Development (EAFRD)

The rural development fund, including a sizeable share of rural development spending for agri-environmental measures (AEM) is potentially the biggest EU funding source for biodiversity. As described in chapter 4.1.1, it includes measures both directly and indirectly concerned with Natura 2000 (e.g. Natura 2000 payments and agri-environment measures).

Unfortunately, as outlined in Chapter 4, it is not easy to measure the concrete effects of these investments to biodiversity. In general, experts from Germany and Austria estimate that not more than 30-50 per cent of AEM are used to benefit of biodiversity. This is explained by the fact that the payments pursue a variety of different objectives including landscape protection, soil conservation, climate mitigation and reductions in water pollution. These objectives are often delivered jointly by a single measure or management option. Those measures that are concerned with biodiversity have various goals and objectives, and are not necessarily specifically targeted on areas, species or habitats that are high priority in European terms. In addition, procedures in place to monitor the actual spending and to verify how it has been targeted vary greatly within Europe and are not always informative about biodiversity impacts on the ground. Other measures play various different roles but their precise impacts are difficult to quantify. The Less Favoured Areas (LFA) (cost category 211/212) will contribute to the economic viability of the majority of farms in Natura sites since most of them are in the LFA, which covers about 55 per cent of the agricultural land area. There is a strong overlap between the LFA and HNV farms. However, the conditions attached to LFA support rarely include biodiversity requirements. Typical requirements include an obligation to keep livestock which thus helps to maintain grazing and thereby will usually contribute to meeting Natura objectives (IEEP 2008).

The two measures focussed on Natura 2000 - specifically those concerning agriculture (213) and forestry (224) - are designed to provide compensation for land owners who are subject to legal restrictions arising from the EU legislation in this area. For example, they may not be permitted to drain fields, remove or modify small habitats or introduce inorganic fertilisers. This is an exception to most EU environmental legislation, applicable in rural areas, which does not permit the payment of compensation for meeting mandatory standards. Many Member States do not have mandatory standards applying to agricultural or forestry practice in Natura sites and not all yet have management plans in place, although these are

required by the EU legislation. These Member States are mainly relying on voluntary compliance by farmers and others therefore do not need to pay compensation as they have not imposed costs on land managers, apart from the more general 'transaction costs' of having land in designated sites – which may be non-trivial. A second group of Member States, England is one example, have imposed rules (and subsequent costs) on land managers but have chosen not to compensate them – treating this as a social obligation which is efficient in cost terms if it is politically acceptable. These rules generally focus on prevention of damaging practices, such as changes of land use, for which land managers are not eligible for compensation payments. However, in these cases it is still possible and often desirable to pay farmers for undertaking positive management of the land on a voluntary basis on top of the mandatory measures. In this case the Member States must use agri-environment rather than Natura payments. Thus in England, for example, a large proportion of farmed Natura 2000 sites are covered by management agreements funded through the agri-environment programme, although the scale of funding is difficult to disentangle from expenditures on these measures outside Natura 2000. More widespread positive management of sites would require an increase in agri-environment measures.

The above helps to explain why relatively few Member States use the Natura measures at present. Their numbers may increase over time if more mandatory requirements are put in place, inside or outside management plans. There will also be Member States where the measure is not being used for other reasons, for example because they don't wish to provide national co-funding for the measure.

In some cases the budget line for supporting the rural and natural heritage (323) under Article 57a of the EAFRD has been used to support the management of Natura 2000. For example, in Germany a number of biodiversity measures are funded under this measure and many regions use this funding to prepare Natura 2000 management plans. Other countries like Austria, France and Spain also seem to make some use of this measure whereas it is completely lacking in major agricultural countries like Poland and Romania.

There are a number of ways in which the utilisation of EAFRD for Natura 2000 could be increased. At an EU level it would be possible to envisage:

- A payment for farms in Natura sites within Pillar 1 of the CAP, which would be applicable in those areas in which management plans and/or other obligations on land managers were in place.
- Changes in the allocation key for EAFRD so that Member States with larger areas in the Natura 2000 network received a larger share of the total.
- An overall increase in funding for EAFRD to ease competition for funds.
- Lowering the level of national co-funding required.
- More explicit EU strategic guidelines in relation to the application of Natura areas with associated reporting requirements.
- A continuing obligation on all Member States to spend at least a proportion of their EAFRD budget on a group of key public goods measures, including the agri-environment measure and the Natura compensation measures.
- More targeting of a range of EAFRD measures on Natura sites; which could be achieved in various ways, including dedicated measures for restoration and improvement of sites.

- Specific improvements to individual measures, to enhancee their environmental effectiveness and attractiveness to farmers. For example, at least one government has suggested that agri-environment payments could be capitalised into a single sum early in an agreement rather than paid annually.
- Encouragement of innovative measures such as the use of the rural heritage measure in Germany and Austria.
- Improved monitoring and evaluation feeding into better scheme design.[20]

At the same time, action is required by Member States to prioritise the establishment and implementation of management plans and the use of EU co-funding measures that are available.

Box 6.1.1 National level insights regarding the use of EAFRD

In Austria integration of Natura 2000 in EAFRD spending has been quite successful. A key reason for the high level of this integration is the fact that NGOs and authorities for nature conservation participate since 1995 in the development and evaluation of the programme. The result is a 'win – win' situation where many farmers in extensive regions were supported to maintain their work - and many habitats were successfully managed by the farmers.

In relation to the EAFRD Natura 2000 payments, in Spain only two of the 17 regions have made use of this possibility. An important reason seems to be the low level of management planning; making cost estimates of profit foregone estimates more difficult. As a consequence, regions with a high percentage of Natura 2000 often receive less EAFRD funding per farmed hectare.

6.1.2 European Fisheries Fund (EFF)

Unsustainable fisheries are considered as one of the key threats to European biodiversity, and at the same time the EFF is considered as a key tool in achieving the EU's sustainable fisheries objectives. As was highlighted in Chapter 4, the way the EFF is structured, and the limited information available in annual reporting by Member States, makes it difficult to assess current funding for Natura 2000 through EFF. Moreover, the delay in the implementation of Natura 2000 in many areas might explain the general absence of Natura 2000 in National Strategic and Operational Plans.

However, despite the extremely limited role of Natura 2000 in the EFF national programmes there is evidence of some co-financing of Natura 2000 related measures through EFF in some Member States. Most realised projects are accounted for under Axis 3 (Measures of

[20] Results vary but can be concerning, e.g. over the 60 per cent of the agriculture subsidies in Hungary in 2008 were evaluated as being environmentally harmful. Laszlo Podmanizcky, 2010; Presentation at the Conference REMOVING ENVIRONMENTALLY HARMFUL SUBSIDIES: POSSIBILITIES AND BENEFITS, Green Budget Europe, Budapest July 2010. http://www.foes.de/pdf/2010-07%20Laszlo%20Podmaniczky%20-%20Environmentally%20Harmful%20Subsidies%20in%20the%20Hungarian%20Agriculture.pdf?PHPSESSID=06a72543f7058077fdaa49cd094e451b

common interest[21]) and most often relate to restoration of anadromous species' spawning areas. Spending on marine Natura 2000 per se is close to zero. A rather surprising trend seems to be an increase in biodiversity and Natura 2000 related spending through overarching Axis 4 (sustainable development of fishing communities)[22]. Many of the newly established Fisheries Local Action Groups (FLAGs) seem to have set up strategies that also include restoration of natural habitats. As many of them are located in Natura 2000 areas, this is likely to have significant consequences for Natura 2000 management co-financing in future.

Despite some positive trends, there do not appear to be any European front-runners regarding the use of EFF financing for Natura 2000 and uptake of EFF funding for this purpose is generally absent. Although there is a large potential in EFF, there is still a long way to go before the benefits for Natura 2000 are fully reaped and become visible at a European-wide scale. Completing the implementation of Natura 2000 network in marine areas seems to be the main bottleneck for greater use of EU funds as it would help to provide more clarity on the exact funding needs. In parallel, there is a need to ensure that the future framework for EFF provides clearer incentives and financial allocations (e.g. a dedicated funding line) for Natura 2000 management, with appropriate co-funding requirements for Member States.

Box 6.1.2 National level Insights regarding the use of EFF

The Cypriot EFF Operational programme includes marine biodiversity, protection and improvement of the marine environment – but makes no specific reference to Natura 2000. However, under Priority Axis 5, Measure 5.1, Action 2 ('Conduct of studies that will contribute in the protection of the environment') a mapping exercise of Neptune Grass meadows (Posidoniaoceanica) around Cyprus being undertaken. As part of this exercise, the meadows located in marine Natura 2000 areas will be analysed more in depth as a baseline for future monitoring, of key importance for monitoring of the Cypriote marine Natura 2000 management plans.

In terms of biodiversity conservation, the Danish operational programme has the best worked out set of measures in the EU, with clear references to Natura 2000 – both in the overarching description of Article 6.5.5. ('Protection and development of aquatic flora and fauna') as well as a specific measure under the same article ('Protection and enhancement of the environment within the framework of NATURA 2000, where the initiative directly concerns fishing activities'). However in practice, uptake for Natura 2000 has so far been absent, and planned spending until 2013 is also relatively modest.

6.1.3 European Regional Development Fund (ERDF)

The opportunities to finance biodiversity and Natura 2000 in the context of ERDF have grown significantly in the 2007-13 funding period. In particular, the regions eligible for support under the ERDF 'Convergence Objective' and the new Member States in particular

21 In particular: 38.1 - Measures intended to protect and develop aquatic fauna and flora & 38.2c. The protection and enhancement of the environment in the framework of Natura 2000 where its areas directly concern fishing activities, excluding operational costs.

22 Written correspondence with FARNET

have used the chance to allocate significant amounts of funding for promoting biodiversity and nature conservation, including Natura 2000 (ERDF category 51). In addition and with a much lower budget, the programmes for cross-border and transnational cooperation under the territorial cooperation objective give a lot of room for projects related to the joint management of protected areas and other nature oriented projects. Budget planning and the definition of measures is based on ERDF Article 4(4) in the 'Convergence Objective' regions, and Article 5(2)a in the 'Regional Competitiveness and Employment Objective' regions. For 'Territorial Cooperation Objective' the relevant ERDF Articles are 6(1)b, 6(2)b and 6(3)a. Furthermore, some potential for biodiversity funding exists also under the category of expenditure for promotion of natural assets (ERDF category 55). However spending through this category can only have indirect benefits for Natura 2000 as it focuses on tourism.

In addition, there are also a number of other ways that can or could be used to support biodiversity conservation (including Natura 2000) in the context of ERDF. These include activities supporting mitigation of and adaptation to climate change, risk prevention and rural regeneration. However, such opportunities can also be used to fund activities that conflict with biodiversity goals, e.g. supporting heavy infrastructure development for flood protection.

Despite of the opportunities outlined above, the effective use of ERDF for Natura 2000 is hindered by the scope and design of national / regional Operational Programmes (OPs) and implementation procedures that govern the fund at Member State level. First and foremost, not all OPs include biodiversity as one of the priority areas for funding. Also, stakeholders have difficulties in accessing the funds as nature conservation projects do not easily match the traditional perceptions of what ERDF should finance, i.e. regional growth largely supported by infrastructure developments. This constraint applies for most of the indirect possibilities that otherwise could be available for Natura 2000. For example, using links to ecosystem-based risk prevention and/or climate mitigation and adaptation to support the management of Natura 2000 is not yet a common practise. Highlighting these biodiversity related opportunities systematically across OPs would be needed to mainstream such approaches.

Furthermore, it cannot be taken for granted that the ERDF expenditure allocated to biodiversity (i.e. ERDF category 51) will be targeted and/or taken up in the most effective manner. Many stakeholders that are, in principle, entitled to apply ERDF funding for Natura 2000 often find it difficult to obtain the necessary co- or pre-financing for ERDF projects (e.g. these institutions are often not-for-profit and/or operating with limited budgets). Furthermore, some OPs have restricted access that only applies to a few institutions, e.g. in some countries only national agencies can apply for Natura 2000 management planning. Consequently, the range of funded measures can be constrained by the capacity and know-how of the eligible institutions. Also, if institutional problems occur, the overall absorption of the available funds may suffer. Often there is also a communication gap between the authorities that manage OPs and authorities that are responsible for managing Natura 2000 at the national level. The latter are not often considered as partners in the design and implementation of OP, hence the focus on biodiversity often remains low. Finally, the use of ERDF opportunities for biodiversity seems particularly challenging in the regions falling

under the ERDF 'Regional Competitiveness and Employment Objective' where the funding needs to be linked with investments in and outputs related to reinforcing competitiveness and employment. This has made obtaining funding for 'pure' conservation activities (e.g. management of habitats and species) nearly impossible in many regions. Also, this explains why ERDF has been predominantly used for Natura 2000 sites in the new Member States, i.e. new Member States are often eligible for funding under the 'Convergence Objective' which seems to provide a broader basis for the funded measures.

In order to improve the overall sustainability of spending under ERDF, a number of networks have been established to facilitate the cooperation and exchange of experiences between Member States and different regions. For example, the European Network of Environmental Authorities for Cohesion Policy (ENCORE) network has a dedicated working group on biodiversity. Alternatively, EU funding itself can be used to try to enhance the integration of biodiversity into ERDF, e.g. an EU funding 'SURF Nature' project (InterregIVc Programme) tries to improve the funding for biodiversity under the Cohesion Policy. According to the first analyses of the SURF Nature, 87 per cent of the OPs analysed in Europe (~50) have successfully integrated biodiversity as their objective / priority[23]. However, the analysis has also confirmed that there are significant problems in actually implementing the biodiversity related allocations under ERDF (ERDF category 51). Also, no evidence has been found for using the other abovementioned possibilities to finance biodiversity under ERDF (e.g. ERDF category 55).

Based on this conclusion and set out in the SWOT analysis presented in Table 6.1, steps need to be taken to improve the scope and design of ERDF OPs so as to ensure that the possibilities for financing Natura 2000 are taken up in practise. In principle, this could require a change in the funding Regulation itself for example, through the addition of a dedicated Article, aimed at clarifying and harmonising the opportunities available for Natura 2000 across different ERDF regional objectives. Also, better defined budget categories would be helpful to differentiate in ERDF category 51 and elsewhere between direct categories of expenditure; differentiating between those that are directly related to conservation and those that re indirectly related and indirect investments to Natura 2000 under ERDF (e.g. tourism, climate and risk prevention related). Such a distinction would provide more transparency in evaluating the real spending on biodiversity and help to better estimate the true contribution to managing Natura 2000. A 'Natura 2000' indicator could also be applied in the context of the project selection / appraisal to identify whether the project includes dedicated support to Natura 2000. More focussed monitoring and evaluation could be improved as well. Finally, national / regional stakeholders responsible for managing Natura 2000 sites should be unequivocally recognised in the socio-economic partnerships as defined in the ERDF Regulations. Efforts should also be made to ensure the capacity of these relatively new ERDF partners to effectively access the available funding.

Box 6.1.3 National level insights regarding the use of ERDF

[23] Wolfgang Suske, Brigitte Allex and Marija Martinko, Vienna January 2011: Summary of the analysis of operational programmes, Interreg Ivc SURF nature project

The Polish ERDF Infrastructure and Environment operational programme and its implementation are an interesting case of how biodiversity financing can be integrated in ERDF programming. The OP has a special priority axis under which several key activities directly related to nature protection can be financed. A specially established agency supports beneficiaries in application and implementation. This resulted by now in a good uptake of euro 89 million allocated under category 51.

The OP of the German Brandenburg Region emphasises the importance of Natura 2000 and protected areas for the region's economy as it covers nearly 30 per cent of the territory. But the funding strategy does not include any strategic funding for the biodiversity challenge. Priority 4 of the programme is *Environment and urban infrastructures* but here only technical environmental protection is foreseen.

6.1.4 LIFE +

LIFE + is the main EU funding instrument dedicated to the promotion of the environment within the EU 27 for the period 2007-2013. The LIFE+ component 'LIFE+ Nature and Biodiversity' supports best practice or demonstration projects that contribute to the implementation of the Birds and Habitats Directives and the Natura 2000 network and the work related to biodiversity in general. There are already useful tools (e.g. guidelines, publications, workshops) provided by the Commission which should help applicants to submit proposals.

In principle, LIFE+ can finance Natura 2000 conservation actions which are not eligible under other EU funds (LIFE+ Regulation - Article 9[24]). Also, LIFE+ projects can focus on targeted conservation actions which aim at achieving a better implementation of the Birds and Habitats Directives. The money spent under LIFE+ for Natura 2000 is clearly targeted to nature conservation. Conservation activities are even essential to submit a successful application corresponding to the needs of species and habitats of European importance.

The main limitation of LIFE+ is the limited budget. The lack of resources limits the overall impact of LIFE+ funding 'on the ground' and it is also responsible for the specific scope of LIFE+ towards only demonstrating best practice and/or innovation. Consequently, ongoing management activities which are unlikely to be seen as 'best practice' could fall outside the scope of LIFE+. Another limitation is the rate of co-financing: with some exceptions the co-financing rate under LIFE+ is 50 per cent which can cause difficulties for the potential applicants (especially applications from some new EU Member States).

The existing information strongly indicates that, regardless of its small size, LIFE+ is an effective fund for Natura 2000 (e.g. Gantioler et al. 2010). This is because the fund offers opportunities and funding allocations that are clearly targeted and earmarked for financing Natura 2000, e.g. to finance very specific, targeted conservation measures which are more difficult to receive from other EU funds. With an increase in its budget, LIFE+ (or its successor) could play a stronger and more systematic role in ensuring effective management of Natura 2000, especially to allow the financing of recurring activities that are

[24] LIFE+ 'shall not finance measures which fall within the eligibility criteria and main scope of, or receive assistance from, other Community financial instruments.'

not sufficiently covered under other EU funding instruments (see section 6.3 below). Finally, a bigger LIFE+ budget alone would not automatically increase the uptake of the fund in practise. The co-financing requirements for LIFE+ would need to be reviewed in order to facilitate the use of the fund. Experience has shown that, for example, the new EU Member States and NGOs have difficulties with finding match funding for LIFE initiatives.

6.2 Summary of the key insights from the national level

- Natura 2000 implementation is not the priority of most funds outside LIFE+ and the rules and incentives reflect this. Financing conservation and investment measures from national/regional operational plans can be difficult.
- Where biodiversity conservation is part of the operational plan, there still seems to be an administrative burden that scares away some potential beneficiaries. Relatively low investments in administrative support can create high returns for biodiversity.
- Natura 2000 management planning has not progressed far enough to provide sufficient impetus or data to make it eligible for funding. This is especially true for marine Natura 2000 sites, but also in parts of the terrestrial domain.
- Creativity plays an important role: there are different ways in which biodiversity conservation can co-benefit through EU funding. With increased knowledge of both ecosystem services provided by Natura 2000 areas and available funding, there seems to be space for improvement through exchange of best practice.
- Except for LIFE+, the EU funds do not contain sub-budgets which are targeted solely at Natura 2000 or nature conservation. In practice this often means a low uptake of the existing possibilities, and so a relatively small contribution of EU funds for achieving conservation goals.
- The use of different EU funding instruments is more a political choice than a decision based on hard rules in some cases. This for example leads to very different priorities, so in some regions or countries Natura 2000 Management Plans are financed through EAFRD and in others through ERDF.
- At Member State level, the partnerships drawing on EU funding often include environmental authorities with a technical background but nature and biodiversity organisations are often under-represented. More inclusion of these agencies and enhanced capacity building would be valuable.

In general, regardless of the shortcomings in the implementation of the 'integration option' for the financing of Natura 2000 and regardless of the challenges involved in seeking financial support under several different funds, there have been several positive examples of use of the integrated EU financing model for Natura 2000 and other biodiversity conservation programmes. However, ongoing analysis and monitoring at national level shows that the level of awareness of the costs related to biodiversity loss and the

importance of proper and effective budgeting for biodiversity conservation policies remains low.

Table 6.1 Analysis of the strengths, weaknesses, opportunities and threats (SWOT) of the key EU funds for Natura 2000

SWOT Analysis EAFRD		
STRENGTH	WEAKNESS	**Regulatory framework**
- The environmental component is an established part of the Rural Development policy. - It is widely acknowledged that land use and nature conservation are connected - EAFRD provides funding to those who actually manage the land and therefore is the most suitable instrument according to nature conservation requirements - EAFRD provides an earmarked budget for Agri – Environmental Measures which have significant potential in supporting Natura 2000 implementation - EAFRD provides for direct compensation payments for Natura 2000 (Art. 36a(iii) and 36b(iv)) - EAFRD provides for wider opportunities to conserve and upgrade rural heritage (Art. 52b(iii)), which allows for investment in nature conservation - Allows specific funding for the elaboration of Natura 2000 management plans (Art. 57 a).	- In most cases funding is restricted to farmers or foresters - It is difficult to measure the concrete impact of EAFRD funding on Natura 2000 as all spending declared as environmental is allocated to one budget line - Total Natura 2000 payments are very low in the budget as they are linked to N2000 management obligations which do not yet exist for many areas - Greater agricultural production and nature conservation are often conflicting targets that are not easy to meet and for which very diverse understanding exists - Measures are often not targeted to meeting conservation needs - The use of this fund for funding Natura 2000 (including the specifically mentioned compensatory payments and elaboration of management pans) is voluntary; in practice the national uptake of this fund for Natura 2000 is very low	
OPPORTUNITY	THREAT	**Wider policy context**
- Once the number of Natura 2000 management plans grows the Natura 2000 payments can increase significantly (see 6.1.1 above) - More conditionality to meet clear conservation objectives could make AEM and LFA payments more targeted towards N2000 - Creating budget sub-categories in the AEM and LFA spending could allocate funds directly to Natura 2000 management - Increased demand for public money for public goods could support the acceptance of a larger Pillar 2 of the CAP and of higher payments for biodiversity - Increased importance of agricultural provision of ecosystem services beyond food could favour spending for nature - Other measures mentioned above	- Generally, there is a high competition for funds under EAFRD and the environmental axis of the fund is already considered large by some. Therefore, it might be politically difficult to increase the funding dedicated to environment (e.g. biodiversity), especially if the overall budget for CAP (e.g. EAFRD) diminishes. - The traditional sending of EU funds is still predominating the debate on national level and within traditional groups of beneficiaries - Payments for Natura are not attractive enough compared to other payments farmers can receive - Poorly designed EAFRD measures at national level can be environmentally harmful	

SWOT Analysis EFF		**Regulatory framework**
STRENGTH	WEAKNESS	
- Conservation and sustainable use of fish resources in principle main CFP priority - CFP aims at progressive implementation of an ecosystem-based approach to fisheries management, and promotes restricted fishing zones as a key measure - Fish recovery and management plans may include targets relating to other living aquatic resources and the maintenance or improvement of the conservation status of marine eco-systems, offering a clear link with Natura 2000 implementation - Includes possibilities for financing Natura 2000 measures	- Very limited funding for Natura 2000 available - The use of this fund for Natura 2000 is voluntary - Absence of Natura 2000 in National Strategic and Operational Plans (submitted before Marine Natura 2000 guidance was published in 2007) makes accession to inflexible EFF allocation very difficult for this purpose - Poor breakdown of and reporting on actual spending makes tracking funding for biodiversity nearly impossible	
OPPORTUNITY	THREAT	**Wider policy context**
- Increasing number of marine Natura 2000 areas and management plans provides increased clarity and justification of funding needs for sustained marine species and habitats - Reform of the CFP important opportunity to include management of marine Natura 2000 as a key obligation in sustainable fisheries management - Increased demand for public money for public goods could support the acceptance of higher payments for biodiversity	- Continuation of a narrow approach (both in a socio-economic as in environmental sense) to fisheries and consequently the use of the EFF - Marine Natura 2000 network is still underdeveloped and the resources needed for its financing are still unclear. This hinders EFF programming. - Continued weak political and legal pressure (enforcement) on environmental performance in CFP implementation - Continuation of situation: Member States continue not to allocate EFF funding for Natura 2000 as remains low priority and there is a perceived shortage of EFF funding in general.	

SWOT Analysis ERDF		
STRENGTH	WEAKNESS	**Regulatory framework**
- In principle, significant budget available, with dedicated budget category for biodiversity and Natura 2000 - Regulation clearly points out the possibility to finance Natura 2000 and with the category of expenditure '51' a clear allocation of potential funds can be identified. - Raising awareness of positive economic effects delivered by healthy ecosystems and natural areas - Its use for nature conservation supports sectoral integration	- Significant share of the fund focuses on infrastructure investments and there is still a lack of clear, 'operational' definition of what is meant by direct and indirect impacts of infrastructure projects on biodiversity. - Funds managing authorities are not familiar with specific needs that biodiversity projects require. - Programme indicators do not measure progress on biodiversity goals. - Strong focus on economic performance, growth/ job oriented. - Low awareness among 'Nature' beneficiaries about the potential of this funding line - Its use for nature conservation is voluntary; in practice this has resulted in a very low national uptake for Natura 2000 - Support to Natura 2000 is included under three different Articles (i.e. under each Regional Objective). This makes adopting a targeted approach difficult.	
OPPORTUNITY	THREAT	**Wider policy context**
- Potential for increase in uptake if raised awareness that the loss of biodiversity has economic implications. - Values of natural resources and ecosystem services become more and more acknowledged in the debate on future economic development. - In light of the EU future priorities, reflected in the EU 2020 strategy's headline target on climate and resource efficiency flagship initiative. The ERDF can become a stronger tool for the protection of natural assets/biodiversity. - High potential to support investments with indirect positive effects on Natura 2000 as many opportunities exist and current overall spending related to Natura 2000 is around 1 per cent of ERDF (based on funding for 55 and 51)	- Ending the economic crisis and the focus on growth and jobs in a globalised world are often perceived as incompatible with nature conservation, leading to low political ambition on biodiversity. - MS are more interested in keeping the traditional focus of the ERDF rather than setting new goals. - Still unclear how the geographic focus and scope of the funds will be in future - allocation decisions based on short term economic interest can undermine long term environmental goals - Continued conflicting interests between large infrastructure projects and conservation of biodiversity and ecosystems, easy to find examples of environmentally harmful actions funded by ERDF	

SWOT Analysis LIFE +		
STRENGTH	WEAKNESS	**Regulatory framework**
- Allows financing of concrete actions specifically targeted to nature conservation in general, e.g. species and habitats listed in the Habitats Directive - Natura 2000 is one of the main priorities of LIFE+ - Offers good opportunities for innovative start up activities - Good instrument to develop new and innovative approaches that can be mainstreamed with other funds	- Limited current funding with little political ambition to significantly expand it - Funding only for 'best practice' or 'demonstration' for the Birds and Habitats Directives/Natura 2000 - Co-financing rate of only 50 per cent (with some exception up to 75 per cent) - Very demanding application procedure/long preparation activities with considerable bureaucratic burden of preparation and project implementation	
OPPORTUNITY	THREAT	**Wider policy context**
- Recent Natura 2000 cost-estimate suggests a case for significantly increasing the instrument's overall budget - Existing experience shows demand to expand the instrument to a programmatic approach	- European competition for projects is disadvantage for regions with low income and high biodiversity values, where organizational capacity is often low - Full proposal needed without any certainty whether the project will be funded, likely one reason why the number of projects is limited, - Uptake of fund is limited because of a combination of different issues (e.g. co-financing rate of only 50 per cent/with some exceptions up to 75 per cent)	

6.3 Gaps and shortcomings in the EU co-financing framework and constraints on using the framework for Natura 2000

To better understand the current use and uptake of the EU co-financing framework, one of the most important questions to explore is to what extent the limited use and uptake of Community co-financing can be explained by the legislative basis of the framework, i.e. the Regulations defining the eligibility for financing different measures under different EU funds. Assessing these Regulations for their potential relevance (e.g. scope, possibilities and restrictions) in financing the different Natura 2000 management activities provides an overview of the co-funding possibilities that in principle are, or are not, available (Box 6.3). Section 6.3.1 provides a summary of such an analysis, with the complete analysis provided in Annex 3. Furthermore, the gaps in the eligibility for funding are also compared with the existing information on the costs of different management measures (section 6.3.2). Finally, an assessment of the broader constraints on using the entire EU co-financing framework for Natura 2000 is carried out in section 6.3.3.

Box 6.3 Approach to analysing gaps in opportunities for EU co-financing

The following indicators were used to estimate the opportunities for and/or gaps in financing Natura 2000 under different EU funds:

Opportunities for funding – Determined by the number of legal articles within the financing Regulation that provide opportunities for financing a given measure and the direct relevance of these articles to Natura 2000. For example, EAFRD provides 21 articles in the Regulation that can be potentially used to finance Natura 2000, however only a few of them (like Natura 2000 payments) are directly linked to supporting Natura 2000.

Restrictions related to beneficiaries – Determined by the level of access to the fund for different types of beneficiaries. For example, several measures eligible for funding under EAFRD are restricted for farmers and foresters only.

Restrictions related to area and land type – Determined by level of restrictions in the use of the fund linked with area and land type. For example, ERDF has a bias towards financing activities in regions that fall under the convergence objective.

Restrictions related to eligible projects – Determined by the possibilities available to fund projects with direct benefits to Natura 2000 and/or the level of possible restrictions on the type of projects. For example, FP7 sets minimum standards for consortium size and the number of MS involved whereas under EFF some funding opportunities are only for aquaculture. The Structural Funds finance mostly capital projects.

In general, using the number of legal Articles supporting Natura 2000 as a criterion for estimating gaps in the formal EU funding opportunities available is considered to be a good starting point or indicator for the analysis, but is not decisive. The number of Articles specifying funding avenues generally reflect the level of opportunities taken up in national or regional operational programmes: programmes that include clear objectives and measures to address biodiversity or Natura 2000 in its

own right or as part of the overall programme are usually linked with a wider set of Articles supporting Natura 2000 in the actual funding Regulation.

Table 6.3 Overview of the scoring used in the gap analysis

Legal opportunities for funding:	Beneficiaries	Land types and areal restrictions	Eligible projects	Analysis of the financing gap
More than 10 articles providing opportunities	No restrictions	All areas possible/included	All possible projects can be funded	Clear, direct possibilities available
More than 6 or if less at least one important article with strong positive direct impacts and funding (e.g. LIFE+, Art.57, EAFRD)	Some restrictions	Restricted but includes important areas for conservation	Important projects but with many restrictions	Possibilities for some key measures
Between 4 - 6 articles	Very restricted	Restricted	Only indirect positive impacts	Limited possibilities
Less than 4 articles provide an indirect opportunity for funding	As above	As above	As above	No direct support possible

6.3.1 Gaps and shortcomings in the opportunities available to finance different Natura 2000 management measures

The analysis of the legislative basis for different EU funds shows that, in principle, a rather wide range of Natura 2000 measures are eligible for financing under the different EU funds. **According to the analysis, the main gaps and shortcomings in the eligibility for funding relate to ongoing management and monitoring of Natura 2000 sites, whereas activities linked with one-off investments and remaining designations seem relatively well covered** (Table 6.3.1, with a more detailed analysis provided in Annex 3).

The absence of potential EU funding for ongoing administrative measures (e.g. staff costs) is not surprising as the Community budget is not commonly used to finance ongoing administrative costs in the Member States. In line with the subsidiarity principle, it is rather considered that such structural costs should be borne by the Member States themselves. In the context of Natura 2000, it is not clear to what extent Member States have been successful in realising this. However, it is widely acknowledged that several Member States have been struggling to find resources to finance the additional capacity required to implement the EU biodiversity legislation, and that the current level of Member States co-financing will likely be insufficient to respect the obligations under the Habitats Directive (Herkenrath et al. 2010, European Commission 2009c).

Another limitation concerns funding for ongoing protection of specific habitats and species. Except for LIFE+, all funds analysed have a specific socio-economic aim other than biodiversity conservation. Therefore, the use of these funds for concrete, 'pure' conservation actions is challenging. Especially for species conservation, the funds are neither intended nor designed to deliver on concrete conservation objectives, unless

conservation is related to species and habitats that have some commercial interest (e.g. via tourism or via sustainable use of biodiversity resources). The links between biodiversity, well-functioning ecosystems and provisioning of ecosystem service provide, in principle, clear arguments for linking conservation activities with broader sustainable development. However, these links are often complex and not yet commonly appreciated and/or understood and therefore it is often difficult to use them in practice. As the EFF case from Cyprus shows (see section 6.1.2 above), priority areas for development-oriented EU support sometimes overlap with habitats and species listed in the Nature Directives' Annexes. However, in most instances this is not the case and biodiversity objectives are only indirectly addressed under the different EU funds and related operational programmes, adding to the uncertainties of applicants wanting to pursue strictly conservation objectives.

Monitoring and surveying and management of risks to Natura 2000 sites also come across as gaps in that the costs are not usually eligible for EU support. Only LIFE+ seems to provide opportunities for funding these important activities. In general, it could be argued that risk prevention and monitoring the impacts of development activities on Natura 2000 sites should be a higher priority but whether it should be financed entirely at a national rather than EU level is worth further debate.

Table 6.3.1 Summary of the gaps in financing the key management measures within the current EU co-financing framework for Natura 2000

Gaps in the EU co-financing for Natura 2000 related management measures				
Natura 2000 management activity			**Identified gap** in the overall co-financing framework	**More detailed explanation re: gap** Inc. habitat coverage, eligible stakeholders & project types
Establishment of Natura 2000 Sites	1	ADMINISTRATION OF SITE SELECTION PROCESS	Minor gaps	Only LIFE provides opportunities to fund projects related to this measure. However as terrestrial site selection is finished, only some marine selection processes might be suitable for financing on a project basis.
	2	SCIENTIFIC STUDIES/INVENTORIES FOR SITE IDENTIFICATION	Minor gaps	In some countries some work might be needed to complete inventories, again this will apply rather to marine site selection. Here LIFE again gives selected opportunities on a project basis. In the light of climate change some projects might be possible under FP7.
	3	PREPARATION OF INITIAL INFORMATION AND PUBLICITY MATERIAL	No major gaps	Funding possible across all budget lines with the exception of FP7. Projects must link to specific funds objectives like vocational measures, tourism, rural or cultural heritage. ERDF provides additional possibilities under territorial cooperation. LIFE+ is the only direct source for projects under the communication objective.
	4	PILOT PROJECTS	Moderate gaps	In principle, possible in all budget lines apart from LIFE+. Also, restricted under EAFRD. The pilots must usually be in line with the funds general requirements (i.e. have links with rural / regional development). Information if funds have been used for pilot projects is not available.
Management planning	5	PREPARATION OF MANAGEMENT PLANS, STRATEGIES AND SCHEMES	Minor gaps (marine)	Management plans sometimes are financed through Art. 57 EAFRD but mostly in Germany and Austria, whereas many new MS use ERDF funding for the preparation of management plans. Some LIFE projects provide project financing as well. Opportunities limited under EFF.
	6	ESTABLISHMENT OF MANAGEMENT BODIES	Significant gaps	Some possibilities under ERDF but most probable only used indirectly in some transboundary projects.

	7	CONSULTATION AND NETWORKING – PUBLIC MEETINGS, NETWORKING, LIASON WITH LANDOWNERS	Moderate gaps	LIFE communication can provide direct project funding. ERDF provides several indirect options but the real uptake is only realised through transnational cooperation projects.
	8	REVIEW OF MANAGEMENT PLANS, STRATEGIES AND SCHEMES	Minor gaps	EAFRD provides possibilities under art. 57 but no information available whether this is used. LIFE projects to cover the topic are possible, however financing a review of an existing plan might be difficult to justify under the general LIFE+ criteria that requires funded activities to demonstrate innovation. ERDF provides indirect possibilities if linked with plans for risk prevention. But there is no information available if was any project has been realised.
	9	RUNNING COSTS OF MANAGEMENT BODIES	Significant gaps	None of the funding lines provides funding for running costs. Some use might be possible if beneficiaries 'sell' their projects as innovative and new to cover ongoing costs.
	10	MAINTENANCE OF FACILITIES FOR PUBLIC – ACCESS TO AND USE OF SITES	Minor gaps (marine)	Possible for EAFRD and ERDF and to some extent EFF, mostly with the link to promoting cultural or natural assets as well as support in developing new economic activities in an area. No information about systematic use available, project based examples of single measures supporting these activities might be found in different areas.
	11	ONGOING STAFF COSTS	Significant gaps	LIFE provides staff costs only during the project lifetime.
Ongoing habitat management and monitoring	12	CONSERVATION MANAGEMENT – HABITATS	Moderate gaps (e.g. marine)	Under EAFRD AEM and Natura payments can be linked to specific conservation. Most use although often not targeted enough is made through AEM and agricultural land conditions with possibilities also for forests. Especially Germany refers many biodiversity measures to Art. 57. EFF provides several opportunities but most legal opportunities remain unclear with low or no uptake in the national programmes as measures are usually linked to fish stock recovery. LIFE has a clear track record of projects in this field. FP7 provides indirect research possibilities with wider biodiversity context and ERDF provides good opportunities for transboundary activities and several good opportunities in sectoral programmes with priorities in the field of biodiversity mostly used n new MS with different experience in uptake. However, under ERDF there are very limited possibilities in competiveness objective regions as nature projects must be investment related and show economic effects.
	13	CONSERVATION MANAGEMENT – SPECIES	Moderate gaps	In principle the same situation as for measure 12. species conservation is more difficult under ERDF as funding has a clear territorial dimension and species project need to be linked to concrete land based measures.

	14	CONSERVATION MANAGEMENT – INVASIVE ALIEN SPECIES (IAS)	No major gaps	All funds provide good legal opportunities, uptake mostly in line with biodiversity or site restoration measures under EAFRD or LIFE, possibilities for IAS measures as risk prevention activities under ERDF possible but no information available about real uptake.
	15	IMPLEMENTATION OF MANAGEMENT SCHEMES AND AGREEMENTS	Moderate gaps (i.e. non-rural areas)	Biggest potential under AEM where a huge diversity of measures exists, can be difficulties to target measures on sites as the measures are voluntary. Some positive impacts might come from LFA and Natura 2000 payments but these payments are not targeted at specific outcomes.
	16	PROVISION OF SERVICES, COMPENSATION FOR RIGHTS FOREGONE AND LOSS OF INCOME	Moderate gaps (i.e. non-rural areas)	AEM and Natura payments allow for wide coverage of payments but can lack clear targeting. Also, these payments only cover loss of income and additional cost for agriculture-related activities, not for urban development etc.
	17	MONITORING AND SURVEYING	Moderate gaps (e.g. marine)	In principle measures could be included under LEADER activities but no information is available on the uptake. Under ERDF monitoring and surveillance could be realised under the risk prevention schemes but no information about uptake is available as most risk prevention plans are linked to industrial risks and hazardous materials. LIFE projects can realise all kind of measures in this field.
	18	RISK MANAGEMENT	Moderate gaps (e.g. marine)	In principle the same as measure 17
	19	(ONGOING) SURVEILLANCE OF SITES	Significant gaps	None of the funds provides possibilities for ongoing surveillance.
	20	PROVISION OF INFORMATION AND PUBLICITY MATERIAL	No major gaps	Most funds allow for activities to develop information materials when linked to vocational training, education, eco-tourism or rural or cultural heritage.
	21	TRAINING AND EDUCATION	No major gaps	See 20
	22	FACILITIES TO ENCOURAGE VISITOR USE AND APPRECIATION OF NATURA SITES	Minor gaps (e.g. marine)	For encouragement of non-agricultural activities and eco-tourism promotion many measures are possible under EAFRD. Similar measures are possible under ERDF when tourism related.
Invest-ment costs	23	LAND PURCHASE, INCLUDING COMPENSATION FOR DEVELOPMENT RIGHTS	Minor gaps (e.g. marine)	EAFRD and ERDF allow under specific conditions land purchase up to 10 per cent of the project value. LIFE allows for more targeted land purchase.
	24	INFRASTRUCTURE NEEDED FOR THE RESTORATION OF HABITAT OR SPECIES	Minor gaps (e.g. marine)	EAFRD allows for activities under non-productive investments. Practical use is made through conservation and upgrading of rural heritage. ERDF allows for different measures when linked to environmental protection and risk prevention.

	25	INFRASTRUCTURE FOR PUBLIC ACCESS	Minor gaps (e.g. marine)	See 22

6.3.2 Comparing the gaps and the opportunities to finance Natura 2000 management with information on costs

The gaps identified can be compared with the estimated overall costs of implementation of the Natura 2000 network. A total of 25 Member States responded to the recent questionnaire survey on the costs of implementing the Natura 2000 network (Gantioler *et al* 2010). Some of these provided detailed breakdowns of the estimated costs of implementing the network, identifying the costs of specific activities, while others provided a less detailed summary, grouping costs into main categories. Estimates of the main categories of costs for the 25 respondents are given in Table 6.3.2.1.

The figures indicate that one third of the estimated costs of running the network properly relate to one-off investments, and two thirds to recurrent management activities. As for the recurrent management activities, ongoing habitat management and monitoring account for more than one half of the overall costs of the network, with infrastructure costs adding 16 per cent and recurrent management planning a further 14 per cent.

The largest cost category – habitat management and monitoring – is one where moderate to significant gaps are identified in section 6.1 above. The next largest cost category – infrastructure costs – seem to be relatively well covered in term of funding opportunities available from the EU budget. However, the gaps in financing opportunities for ongoing management planning activities – which are estimated to account for 14 per cent of total costs – appear to be more significant.

The assessment by Gantioler *et al* 2010 also provided estimates of a breakdown of costs by different land uses. The figures indicate that terrestrial sites account for almost 80 per cent of the overall cost estimates and that farmed and forested land accounts for 68 per cent of the total. By comparison marine sites account for only 1 per cent of cost estimates and coastal sites and wetlands a further 6 per cent each. However, the small proportion of costs allocated to marine sites reflects the incomplete knowledge of and relative lack of focus on these sites to date – cost estimates are expected to increase in future.

Table 6.3.2.1 Summary of Main Costs of Implementing the Natura 2000 network

Cost category		Costs for 25 MS (€m)	per cent
One off costs (annualised)	Management	255.4	5%
	Land purchase	398.0	8%
	Infrastructure	835.4	16%
	Sub-total	*1671.4*	*33%*
Recurrent costs (annual)	Management planning	702.6	14%
	Habitat management and monitoring	2707.0	53%
	Subtotal	*3427.5*	*67%*
Total (25 MS)		**5098.8**	**100%**

A more detailed breakdown is available for a subset of 11 Member States (Czech Republic, France, Greece, Ireland, Latvia, Luxembourg, Malta, Slovenia, Spain, Sweden and the UK) which together account for 57 per cent of the available cost estimates (Table 6.3.2.2). These estimates indicate that individual activities accounting for a significant proportion of overall cost estimates include:

- Implementation of management schemes and agreements: 18 per cent of overall costs (**Moderate gaps** in financing opportunities identified in section 6.1 above)
- Conservation management measures for habitats: 12 per cent of overall costs (**Moderate gaps** in financing opportunities identified)
- Running costs of management bodies – 12 per cent of overall costs (**Significant gaps** in financing opportunities identified)
- Infrastructure for habitat/species restoration – 11 per cent of overall costs (**Minor gaps** in financing opportunities identified)
- Risk management – 9 per cent of overall costs. (**Moderate gaps** in financing opportunities identified).

Overall it is estimated that around 15 per cent of estimated costs in these 11 Member States are in activities for which there are **significant** gaps in financing opportunities whereas more than a half (52 per cent) of estimated costs in these 11 Member States are in activities for which there are **moderate** gaps in financing opportunities. Finally, 33 per cent of estimated costs in these 11 Member States are in activities for which there are **minor** gaps in financing opportunities.

Table 6.2.2.2 Estimated detailed breakdown of Natura 2000 costs for 11 Member States

Type of cost category	Proportion of overall cost	Significance of gap in financing opportunities
One-off costs		
Scientific studies, administration, consultation etc	1%	Minor
Preparing management plans, establishing management bodies, consultation etc	3%	Minor
habitat inventories	2%	Minor
establishing management bodies	0%	Significant
Subtotal: One-off costs management	*6%*	
Land purchase[25]	6%	Minor
One-off (ie not regular annual) payment of compensation for development rights.	2%	Minor
Infrastructure needed for the improvement / restoration of habitat or species	**11%**	**Minor**
Infrastructure for public access, interpretation works, observatories and kiosks, etc (contributing to	4%	Minor

[25] Note: the possibilities to fund land purchase from the EU funds might be more limited in the future, e.g. based on rulings by the European Court of Justice

conservation)		
Other	1%	
Subtotal: infrastructure	18%	
Subtotal: Investment	24%	
Subtotal: One-off costs	30%	
Recurrent Costs		
Running costs of management bodies	**12%**	**Significant**
Review of management plans	1%	Minor
Public communication	1%	Moderate
Subtotal: management planning	15%	
Conservation management measures– maintenance and improvement of habitats' favourable conservation status	**12%**	**Moderate**
Conservation management measures– maintenance and improvement of species' favourable conservation status	3%	Moderate
Implementation of management schemes and agreements with owners and managers of land or water for following certain prescriptions	**18%**	**Moderate**
Provision of services; compensation for rights foregone and loss of income; developing acceptability 'liaison' with neighbours	5%	Moderate
Monitoring	4%	Moderate
Maintenance of facilities for public access to and use of the sites, interpretation works, observatories and kiosks etc.	2%	Minor
Risk management (fire prevention and control, flooding etc)	**9%**	**Moderate**
Surveillance of the sites	2%	Significant
Subtotal: Habitat management and Monitoring	56%	
Sub-total: Recurrent Costs	70%	
Total Costs	100%	

6.3.3 Constraints on using the EU co-financing framework for Natura 2000

Based on the analysis above, it is clear that gaps in the eligibility of certain management activities for EU funding do not fully explain the failures to use the current EU co-financing framework for Natura 2000. Consequently, this section identifies and analyses a number of other key shortcomings and barriers hampering the successful use of EU financing for Natura 2000 funding.

As explained in Chapter 1, Member States are not obliged to draw down EU funding, they can only be encouraged to do so, although this encouragement may be amplified by pressure from the Commission to accelerate implementation of Natura 2000 on the ground. Based on the existing information and analysis carried out in the context of this study, the following constraints in using the EU co-financing framework by Member States have been identified.

Lack of clear targeting of funds other than LIFE+ on Natura 2000. Although all funds analysed provide for financing to support environmental objectives, most of them lack the specificity to drive more focus on Natura 2000. Supporting Natura 2000 may be within their scope (e.g. in the case of agri-environment measures under EAFRD) but dedicated measures that would ensure the financial allocations are fully and clearly used to support Natura 2000 are absent. For example, despite the clear links between biodiversity and social wellbeing, there are no targeted opportunities for Natura 2000 in the context of ESF. Furthermore, as highlighted in Chapter 4, the integration of Natura 2000 with the broader biodiversity and/or environmental objectives does not allow for making clear conclusions as to what extent the available opportunities have been taken up (e.g. as in the case of ERDF category 51 and EAFRD agri-environment payments).

Lack of uptake at national and regional operational programmes (OPs) (Member States level). Directly linked with the above, most Member States are not using all the opportunities available to co-finance Natura 2000. One of the most obvious shortcomings in the current framework is the absence of obligations for Member States to allocate a sufficient amount of the available EU funds for Natura 2000. The EU co-financing framework for 2007-2013 supports sectoral dialogue and integration, offering opportunities and flexibility to finance Natura 2000 from different EU funds. However, in most cases it is up to the Member States to ensure that the available opportunities are taken up - as the legislative basis for the funds does not oblige this. As shown in Chapters 4 and 6 above, the information on Member States available suggests that national uptake has been low – this could have been avoided through more stringent obligations to allocate a larger share of EU funding for Natura 2000 under the different funding instruments.

Competition between different policy goals. Member State sectoral administrations often focus on securing the primary socio-economic objectives of the fund (e.g. income support, support to economic activities, transport infrastructure etc.). Despite the environmental and biodiversity rhetoric in different OPs, in reality Natura 2000 often comes as a secondary priority for funding. This results in very limited financial allocations to Natura 2000 in most operational plans.

Lack of coherence & coordination in securing total funding needs. None of the Member States or regions has adopted a coordinated programmatic approach to Natura 2000 financing which defines priorities, allocations through different funds, role divisions and monitoring. This results in a myriad of different constructions to financing Natura 2000 from EU funds and lack of clarity on the actual financing needs and how these needs should be met. Responsible authorities for Natura 2000 management are most often not the same as the ones deciding on actual allocation and spending under different sectoral funds and, consequently, are often not included as a partner in planning and implementation of funds.

The lack of coherence and absence of a certain level of obligatory coordination has made Natura 2000 financing very dependent on political goodwill in different sectors and therefore vulnerable to – both intended and unintended - under allocation.

Slow development of Natura 2000 management plans. Slow progress in site designation has significantly delayed the establishment and adoption of management plans for Natura 2000. Without these plans, the evidence base for most financial planning is missing (see EAFRD case for Spain in section 6.1.1). Especially in case of the EFF, uptake is very limited due to the fact that the designation and planning of the management of marine sites has only recently been accelerated. Hence, only the first Member States are currently starting with Natura 2000 related allocation[26].

Lack of capacity and know-how to access EU funds. Although knowledge about the European funds and the opportunities they provide is growing, there is still progress to be made in terms of improving stakeholders' capacity to use these funds (e.g. see above). With both direct administrative support, as well as awareness raising there seems to be space to increase the number of beneficiaries and total uptake of funds for Natura 2000. The Polish ERDF case (see section 6.1.4 above) shows that with even a rather limited investment in administrative staff, significantly high uptake of funding can be secured. Similarly, national agencies in other Member States could also support beneficiaries in placing their projects in a broader socio-economic context. This could significantly increase the eligibility under other funds as well as foster partnerships that would offer beneficiaries the necessary capacity to engage in projects that would otherwise be out of reach.

High administrative burden. For some funding lines, especially those administered centrally by the European Commission, the administrative capacity needed to obtain funds discourages and even excludes certain beneficiaries. For example, developing a full proposal for LIFE+ and FP7 takes a significant amount of time. In combination with the 50 per cent co-financing rate, many potential beneficiaries consider that putting in a LIFE+ application is beyond their capacity and is not likely to be worth their efforts. Furthermore, as the Commission generally prefers LIFE+ projects to be budgeted above 1 million EUR, this can result in pushing up investments required and administrative costs to find additional funding sources. Funds like LIFE+ and FP7 can be unattractive and risky choices for stakeholders as a result.

Lack of transparency and information on actual spending. Lastly, one of the largest difficulties in monitoring the effectiveness of EU co-financing of Natura 2000, or financing of biodiversity in general, is the fact that for most of the funds there is little or no information available on actual spending.

6.4 Conclusions

The analysis reveals that even though a rather wide range of measures are eligible for financing under the different EU funds, some gaps still remain, especially in terms of support

[26] As presented by DG MARE at Financing Natura 2000 Conference – confirmed in written by DG MARE

to ongoing management and monitoring of Natura 2000 sites. On the other hand, support to the remaining designations and activities linked with one-off investments seem relatively well covered.

The identified lack of opportunities to finance ongoing management measures is of concern since, according to section 6.3.2, these activities (especially habitat management) are also estimated to form one of the most significant costs of implementing the network. Costs related to national management bodies have also been identified as among the highest Natura 2000 related costs in Member States. According to the analysis, opportunities to finance these actions under the EU co-financing framework are also limited. However, since the EU budget is not aimed at financing national administration it is not foreseen that such costs would be eligible for co-financing in the future.

In addition, a range of constraints hinder the uptake of opportunities provided by the EU co-financing framework. One such constraint is the absence of obligations for Member States to allocate a sufficient amount of the available EU funds for Natura 2000 in their national Operational Programmes (OPs). This leaves Natura 2000 to compete with a range of different – often more broadly supported -policy goals, such as support to economic activities and infrastructure, and despite the OPs' environmental and biodiversity rhetoric, in reality Natura 2000 often comes as a secondary priority for funding. The situation is further exacerbated by the relatively limited number of specific and/or earmarked opportunities for Natura 2000 within the EU level framework (i.e. in the context of fund-specific Regulations and/or strategic guidance).

Also, foreseen budget allocations for Natura 2000 do not guarantee that this money will be made fully available or taken up by stakeholders in practise. For most of the EU funds there is little or no information available on actual spending on Natura 2000 and this prevents conclusions to be drawn on the actual amount of funding used to manage the network. Furthermore, the lack of coherence, coordination and planning in using different EU and national funding sources makes it difficult to form an overall picture on the actual financing needs and how these needs should be met.

Finally, at the level of stakeholders, the lack of capacity and know-how on access to EU funds and (perceived) high administrative burden prevent an optimal use of the EU co-financing opportunities.

7 INNOVATIVE WAYS TO FUND NATURA 2000 – BROADENING & COMPLEMENTING THE EU CO-FINANCING FRAMEWORK

Building on the insights and examples provided in Chapter 5, Chapter 7 focuses on analysing the possibilities to use more innovative thinking and/or mechanisms to increase the overall funding for Natura 2000. In the context, two aspects of innovative financing are considered. These include, firstly, enhancing the use of Community funds via establishing links between the management of Natura 2000 and the supply of ecosystem services and, secondly,

complementing the existing funding mechanisms (e.g. the EU co-financing) with new instruments that recognise the multiple benefits of the network to society and the economy (e.g. market-based instruments). It is to be noted that the new innovative mechanisms are not foreseen to form an integral part of the future EU co-financing arrangements for Natura 2000 but they are considered as a possibility to complement the EU framework.

7.1 Key to innovation: identifying the links between ecosystem service and managing Natura 2000

To date much of the debate regarding the funding of the Natura 2000 network has focused on the need for public sector funding, and the role of EU co-financing. The previous sections focus on the role and adequacy of different EU financial instruments and Member State budgets in funding Natura 2000. However, there is also scope to enhance funding of the network by considering a wider range of financial instruments, recognising the multiple benefits of the network to society and the economy.

As outlined in Chapter 5, the Natura 2000 network provides a variety of ecosystem services which deliver a range of benefits to society and the economy. Biodiversity has intrinsic value, and it can be argued that we have a strong moral obligation to ensure its conservation, and to commit the resources necessary to achieve this. However, a further rationale for funding the network can be based on the services that it provides to society. These ecosystem services give rise to both:

- Public benefits: the contribution that the network makes to enhancing air quality, landscape, climate and our cultural heritage benefit the public as a whole, and display public good characteristics of non-excludability and non-rivalry;
- Private benefits: certain benefits of the network benefit private firms and individuals. Examples include recreation, purification of water (for example where this benefits a water company or specific users) and flood management (where this benefits specific interests rather than wider communities).

Classification of services and benefits in this way helps us to understand different financing options for the network that can be used to both improve and complement the use of current EU co-financing framework (Table 7.1). The importance of Natura 2000 in the production of a range of public goods provides a strong weight to the case for continued public sector funding (e.g. EU funding) of the network. Indeed, many of the network's benefits would be under-valued in the market place and therefore be under-provided in the absence of public funding.

However, it is also clear that Natura 2000 sites offer a variety of benefits to private firms and individuals. These private benefits have the potential to be captured by other, market based transactions. Some of these are well established, such as user fees, farm tenancy agreements and marketing of food, timber and other products of ecosystems. There are also opportunities for new, more innovative, market-based financial instruments such as targeted PES schemes, carbon credits, product labelling and marketing initiatives, and the

sale of licences for rights to natural resources. Exploring the use of such instruments has the potential to increase the scope of funding sources for the network.

It is also to be noted that the public benefits of the network may contribute to a variety of different aspects of public policy, thereby creating opportunities not just for public funding through the nature conservation budget but also through other financial instruments and budgets, including, for example, those relating to economic development and cohesion, rural development, fisheries management, food security, education and health. Traditionally the value of ecosystem services to a broader range of sectors and public welfare has been poorly recognised. Therefore, the level of support to these services from the existing sector specific public funds remains limited and could be broadened.

An important issue when considering funding opportunities relates to the additionality of the services delivered by Natura 2000 sites. In general, PES schemes have a stronger rationale where a payment is needed to deliver or secure the ecosystem service in question. If the delivery of the service in question is not in doubt, the rationale for the PES scheme is removed. For example, there is a strong rationale for payments to secure the provision of services by forests in developing countries, which would otherwise be at risk of conversion. PES schemes have also been used to achieve sympathetic management of water catchments to encourage alternatives to intensive farming and protect water supplies.

However, the rationale for PES schemes may often be reduced in Natura 2000 sites where there is less risk of land use change or inappropriate management, and hence where the perceived risk of loss of ecosystem services is seen to be small. For example, there may be a good case for a water utility to enter a PES agreement with the manager of an unprotected grassland or woodland site to secure the water purification services that the site provides, and to avoid conversion to intensive arable farming. The opportunity to interest the water utility in a PES agreement may be reduced, however, if the site is a Natura 2000 site and the services it provides are therefore seen as protected. There is therefore a potential free rider problem that limits the opportunities for innovative funding. We might similarly question the opportunity for forested Natura 2000 sites to benefit from carbon trading when they already receive a high degree of protection, unlike many forests in developing countries for which added incentives are needed to secure their future.

Table 7.1 Overview of ecosystem services and implications for Natura 2000 financing

Service	Possible Effect of Natura 2000	Public good aspects	Private good aspects	Opportunities for Natura 2000 financing	Key requirements and / or limitations
Provisioning Services					
Food, fibre, fuel	Likely negative net effects as Natura 2000 management reduces agricultural and forest yields; possible increases in quality of produce and wild food	Some public good aspects – e.g. wild food for public harvesting, nursery functions	Private rights to food and fibre output	Direct sale of produce Opportunities to enhance markets through product labelling and marketing initiatives ('Natura 2000 eco-label') Sale of licences for rights to food and timber, renewables development, where appropriate Income from farm tenancy agreements Fisheries budgets to support sustainable management, nursery role	Balance needs to be found between production and conservation interests – Natura 2000 management may have opportunity costs and depress revenue generating opportunities. But many sites have potential to generate some revenues in this way and Natura 2000 can provide additional marketing opportunities. Natura 2000 may offer benefits for fisheries but balancing different interests and short term/long term priorities is a barrier
Genetic resources	Natura 2000 sites conserve genetic resources with potential to provide services to society (e.g. medicines, new crops etc)	Societal benefits of conserving genetic resources for future uses – e.g. control of diseases, food security etc	Profits to food and drug companies	Sale of licences for rights to genetic material	Limited private sector demand, especially in EU, as few examples of commercial exploitation Societal benefits add another argument for public funding
Fresh water	Provision of fresh water -in cases where water abstracted directly from Natura 2000	Fresh water for amenity and recreation	Abstraction of water by water companies, farmers	Water pricing and sale of abstraction licences	Ensuring water abstraction is fully priced offers potential for conservation benefits and revenue generation, contributes to WFD
Regulating					

Services:					
Air quality	Improvements of air quality by natural ecosystems, especially in urban fringe locations	Air quality is a public good with benefits for public health		Public funding justified – contribution to environmental objectives (PES)	Added case for public funding, opportunities to highlight health benefits Limited scope for market creation
Climate	Reduced impacts on global climate through carbon sequestration/storage	Global climate is a public good		Public funding justified – climate objectives (PES) Possible role for funding from industry through carbon credits/trading/ offsets	Carbon trading offers significant funding potential; substantial benefits of Natura 2000 network for carbon storage can be demonstrated Questions about additionality of benefits of Natura 2000 sites (e.g. compared to threatened developing country forests)
Water regulation	Localised effects in reducing flooding through water storage/reduced run-off	Protection of public property and infrastructure	Protection of private property	PES schemes to reward flood protection etc. Likely to be mostly public funded but possibility of private involvement where clear case can be made and beneficiaries identified	Ecosystems have potentially greater role to play in flood risk management – requires new thinking and site-specific evidence
Water purification and waste treatment	Woodlands, wetlands and other habitats can enhance water quality and assimilate waste	Protection of aquatic environment, recreational resources, open access fisheries	Reduced costs for water companies	PES schemes; case for public funding; possibility of private agreements with water companies	Natura 2000 sites may play valuable role, but additional funding depends on devising workable schemes and overcoming free rider problems
Pest regulation	Possible positive effects in harbouring predators or negative effects in harbouring pests	Possible regulation of pest and disease outbreaks at national/regional/sub-regional scale	Possible changes in yields/ pest control costs for neighbouring farmers/foresters	PES schemes	Hard to find conclusive evidence re: role of Natura 2000 sites in providing the service. Therefore, unlikely to be significant opportunity in the future.
Pollination	Possible increase in insect pollination	Healthier populations of pollinators at national/regional level	Possible benefits to neighbouring farmers	PES schemes	Hard to find conclusive evidence re: role of Natura 2000 sites in providing the service. Therefore, unlikely to be significant opportunity in the future,

					except perhaps in localised cases where benefits of site are understood (e.g. fruit farm benefits from neighbouring flower rich grassland)
Natural hazard regulation	Effects of ecosystems on coastal protection, risk of avalanches etc	Protection of public property and infrastructure	Protection of private property and infrastructure	Habitat creation projects (e.g. coastal realignment), PES schemes to reward protection against natural hazards. Likely to be mostly public funded but possibility of private involvement where clear case can be made and beneficiaries identified	Clear evidence of benefits (e.g. creation of intertidal habitats) adds to funding case Opportunities for private funding likely to be limited
Cultural Services:					
Recreation and ecotourism	Enhanced opportunities for countryside recreation through biodiversity and landscape effects	Public benefits from landscape Wider socio-economic benefits through tourism. Public good aspects as consumption is often non-excludable and non-rival	Individuals benefit from entry to sites	Entry fees (and related measures such as car parking charges) Structural funds/economic development budgets where there are tourism benefits to wider economy not captured by site operator Public benefits (including public health benefits) justify expenditures from wider public budgets	Entry fees/user charges are not innovative and scope for growth likely to be limited Opportunities to make greater use of other public budgets (economic development, public health) where additional benefits of Natura 2000 can be evidenced
Educational values	Opportunities for education, learning and training	Increased education and learning	Benefits to schools and individuals	Entry fees Educational budgets to fund educational infrastructure Public funding to capture wider public benefits	Natura 2000 can play a clear educational role but funding opportunities likely to be limited and specialised Education is an added argument for general public funding
Aesthetic and spiritual values	Conservation of species and habitats for benefit of current and future generations	Appreciation, inspiration, non-use values	Individuals benefit and have a positive willingness to pay	Membership of conservation organisations Public funded PES schemes to capture wider societal benefits	Limited scope for new funding measures but added argument for public sector / NGO funding

7.2 Potential use of new, innovative financing instruments for Natura 2000 network

Funding for the Natura 2000 network can be provided through a variety of different types of financial instruments. The principal forms of instruments currently used to fund the network include:

- Direct government funding – especially of publicly owned sites;
- Management agreements – such as agri-environment schemes which provide incentives to private land managers within Natura 2000 sites;
- Grants – such as capital grants provided through the Structural Funds and LIFE;
- Marketed products – such as food and timber produced from Natura 2000 sites;
- Other established instruments such as user charges and farm tenancy agreements may provide important sources of revenue for certain sites.

The different types of financial instruments that could be used for the Natura 2000 network are described in Table 7.3 below. In principle, there could be scope to extend the use of funding instruments, to include other more innovative instruments such as loan finance, biodiversity offsets, carbon trading schemes and tax incentives.

Experience confirms that markets on their own rarely deliver sufficient resources for conservation management, and that public intervention is usually needed. This may include provision of funding (through direct government expenditures, publicly funded incentive schemes or provision of government grants), or measures to create, promote and/or regulate markets (for example by facilitating PES schemes, creating carbon markets, requiring biodiversity offsets or introducing labelling and marketing schemes). Government intervention may also be needed to provide or facilitate the 'third party' functions necessary for functioning private instruments, such as certification, evaluation and monitoring. These elements can pose significant transaction costs, and as such may undermine the viability of PES schemes. These functions are generally necessary for private investment instruments as they ensure some degree of credibility with investors.

Tax incentives can be an efficient way of directing private money towards projects that provide public goods, since they can reduce the transaction costs associated with collecting and re-spending tax revenues.

In terms of different management activities required for the Natura 2000 network, some key conclusions can be drawn (see Annex 4 for full analysis). In general, direct public sector funding for Natura 2000 activities remains the most versatile financial instrument, applicable to all of the activities required. There is little alternative to this funding for some key activities, especially administrative measures. Business sponsorships are potentially flexible and applicable to a wide range of Natura 2000 activities, however they pose a number of challenges that might need to be carefully considered (see Box 7.1 below). Also, a wide variety of financial instruments,

including innovative instruments, can potentially be applied to core species and habitat management actions. Finally, capital funding for land purchase and infrastructure for conservation and public access can in principle be provided by a variety of sources, potentially loan finance, tax incentives and biodiversity offsets as well as grants and direct funding measures.

Box 7.1 Establishing Biodiversity Technical Assistance Units (BTAUs) to create Pro-Biodiversity Business in SME sector

Biodiversity Technical Assistance Units (BTAUs) project (2007-2010) was an European Commission funded initiative led by the Royal Society for the Protection of Birds (RSPB) that explored the possibilities to direct commercial loan funding along with public subsidies to create or develop profitable micro, small and medium enterprises (SMEs) which maintain or enhance biodiversity. In the context of the project, Technical Assistance units were created in Bulgaria, Hungary and Poland to assist the process of development of 'Pro-Biodiversity Businesses' in each of these countries. The project focused specifically on those areas recognised by their high natural value and included in the Natura 2000 network.

During the duration of the study a number of key lessons were learnt regarding attempts to secure bank financing for SMEs actively supporting (achieving) the favourable status of Natura 2000 sites:

- Political commitment is essential to guarantee a successful development of pro-biodiversity projects.
- Technical assistance is required to develop project ideas and applications for banks. Also, capacity building is needed to establish effective channels of communication between the financial and biodiversity sectors as these sectors differ in their approaches, use of terminology and negotiation techniques.
- Public incentives are required to encourage bank financing. Banks are interested to develop new products, but need tax breaks, subsidised interest rates, etc, in order to create commercially attractive products for PBBs.
- Loans supporting Natura 2000 friendly businesses require preferential banking conditions (low interest rate, flexibility in own capital, collateral, investment types, company types, etc) in order to be able to compete with other available potential borrowers.
- Allocating resources to market analysis and demand studies is essential in developing new loan products and getting them funded.

Source: BTAU final report 2010 (draft)

7.3 Limitations of using innovative instruments

Table 7.3 highlights a variety of innovative approaches to funding the Natura 2000 network, but also a range of issues and limitations encountered in attempting to apply these in practice. These limitations include, for example:

Limited market returns. The management requirements of sites usually limit opportunities for profitable commercial activities on them, and this in turn limits the scope to generate revenues from product marketing and licensing of commercial activities. Opportunities for loan finance depend on an ability to generate revenues to repay the loan, and are therefore likely to be limited to a small proportion of sites, though particular businesses operating within sites may benefit.

Administrative and transaction costs. Many of the opportunities identified have significant administrative and transaction costs, which limit their practical uptake. The need for public involvement to develop or facilitate, oversee and regulate instruments such as biodiversity offsets, product labelling/certification, tax incentives and PES schemes is a barrier to effective application.

Uncertainties and information gaps. Many of the benefits of Natura 2000 sites are not fully understood and this can provide a barrier to developing instruments – for example convincing companies to participate in PES schemes.

Additionality of benefits and other environmental priorities. One of the barriers to securing funding for Natura 2000 may be that sites already benefit from a significant degree of protection and, at least in principle, should already deliver significant ecosystem services and public benefits. Securing investment may therefore be a challenge compared to other priorities (e.g. halting tropical deforestation) where the negative impacts of a lack of funding or appropriate incentives may be more urgently apparent.

Market failures. The public good aspects of many of the benefits of Natura 2000 place limits on the scope for privately funded solutions, and mean that the network will always rely to a great extent on public sector funding.

Limited budgets and competing funding priorities. While a strong case can often be made for Natura 2000 financing in principle, based on public goods and multiple benefits – in practice the opportunities identified often face constraints caused by limited funding and competition for those funds available. Similarly some of the instruments identified potentially compete with one another – offering tax incentives, for example, reduces the funding available to public budgets.

The analysis in Table 7.1 of the ecosystem services and public and private benefits delivered by the network demonstrates that there is a strong rationale for the continued use of the existing EU financial instruments used to fund Natura 2000. This rationale is based on market failures and the public good aspects and multiple benefits of many of the services that the network delivers. The analysis also suggests that there is scope for more innovative applications of some of these existing instruments (Table 7.4).

Table 7.3 Overview of the different funding mechanisms for Natura 2000 and the scope for innovative approaches

Type of Instrument	Applications	Scope for Innovation	Key criteria/ success factors	Opportunities for co-use of EU and private funds.	Possible future scope for use	Examples
Direct public funding	Direct funding of Natura 2000 sites by government and NGOs. Applicable to both capital and management funding.	Possible scope to apply other public budgets to Natura 2000 projects – e.g. public health, education, economic development. Possibilities for innovative delivery to enhance returns from limited budgets (e.g. contracting to NGOs)	Ability to demonstrate multiple benefits of Natura 2000 and hence benefits of investment	Scope for partnership approaches, using public funding to lever private investment	**High** - core public funding will remain important, but squeezed by budget limitations. Innovative approaches and better evidencing of the benefits may be needed to maintain funding.	Widely used for government and NGO owned Natura 2000 sites. Transfer of National Nature Reserves to NGO ownership is being explored in UK.
Grants	Government, Lottery funding for good causes, charitable foundations may contribute to Natura 2000	Widely used (e.g. LIFE, economic development projects, forestry grants, grants for good causes) Possibility to make new or greater use of some grant giving mechanisms (e.g. Lottery funds)	Most applicable for capital funding	Opportunities for matching public with private funding	**High** – will remain significant and possible scope to extend range of grant funds applied	LIFE and Structural Funds provide significant grant funding for Natura 2000 sites Heritage Lottery Fund in UK has provided substantial capital funding for habitat restoration and public access, including Natura 2000 sites
Trust funds and endowments	Different types of funds may be applicable: endowment funds (interest but not capital is spent); sinking fund (income and part of the capital is spent, sinking fund to zero over time); revolving funds	Scope for wider use – could fund long term management	Offer a long term solution but high capital requirement. May be used with biodiversity offsets to provide funding for future management.	Opportunities for private and/or partnership funding	**Moderate** – high capital requirement limits attractiveness	WWF has used to invest in Amazon region New South Wales BioBanking Scheme uses trust fund in biodiversity offsets.

	(continually receive revenues and make expenditures). May be funded by private sector, Lottery funds etc.					
Management agreements (including PES schemes)	Incentives to private land managers – usually publicly funded e.g. agri-environment schemes	Scope for new schemes outside agriculture, and innovation in instrument design (e.g. linked to Natura 2000 outcomes and site management requirements, tendering schemes) Opportunities for PES schemes including private involvement	Widespread application where private land management generates external benefits	Scope for increasing private finance through PES schemes where benefits to companies can be demonstrated	**High** – 'public PES' schemes will remain important and scope to extend to wider range of sites and broaden funding base	Management agreements widespread through agri-environment Some innovative examples in forestry – e.g. Finnish Metso programme – public PES scheme with competitive tendering by providers Private PES schemes – e.g. Vittel in France and United Utilities in UK.
Tax incentives	Making private funding for Natura 2000 projects by firms and individuals tax deductible. Could apply to existing or new taxes	Limited use at present so wide scope for innovative applications	Needs to demonstrate benefits compared to government raising and spending taxes – e.g. by lowering transaction costs, political benefits. Requires government regulation/monitoring	Increases private involvement in Natura 2000 and may strengthen partnerships and reduce transactions costs	**High**, given scale of taxation, but highly dependent on being able to demonstrate benefits compared to raising and spending tax.	UK Landfill and Aggregates taxes have used credits for environmental (including nature) projects
Loan finance	Possible loan funding from public loans (e.g. European Investment Bank) or private sources	Rarely used in nature conservation – wider application would be innovative	Depends on ability to repay loan, i.e. capital investment generates revenue returns over time.	Scope for combining public and private finance where financial returns can be demonstrated;	**Low-** Likely to be low as few Natura 2000 investments generate market returns. Those that do may	European Investment Bank has committed over €30 million to investment fund which will seek

			Likely to be most applicable to private sector managers of Natura 2000 sites.	public loans may play a catalytic role	attract private loan finance though public funded loans could play a role at the margin.	returns from forestry and sustainable forest management, with focus on EU-27 and neighbouring countries. Similar fund could be used for Natura 2000 sites that provide financial returns. Public funded loan finance has been piloted for SMEs in Natura 2000 sites in Poland.
Private equity	Potential to fund commercial activities in and around Natura 2000 sites (e.g. forestry, product processing and marketing)	Private equity is widely used for business investment but focusing on Natura 2000 based businesses would be innovative	Depends on profitable business opportunities consistent with sustainable management of sites	Primarily private sector, could be catalysed by public facilitation and funding (e.g. EIB)	**Low** - opportunities to attract additional finance for Natura 2000 management likely to be limited	Dasos Timberland Fund raised €85m in 2009 for sustainable forest management in EU, including input from EIB
Marketed products	Many Natura 2000 sites generate revenues from sales of products (e.g. food and timber), especially where farming or forestry is the predominant land use	Scope to enhance returns through labelling and marketing initiatives, encouraging sympathetic management	Production methods need to be compatible with management requirements. Labelling schemes need to be based on appropriate and certifiable standards to contribute to sympathetic management – transaction costs may be significant	Potential to enhance private revenues and to contribute to site management	**Moderate** – some scope to add value to existing products and extend range of products marketed	French regional parks Marque label, Parcs Naturels Régionaux links products to protected landscapes Tourism eco-labels have been used in various Natura 2000 areas
User fees, tourist levies	Capturing some of the benefits visitors gain from Natura 2000 sites through	Widely established so scope for innovation limited. Possibility to develop new	May work where the site offers a special experience with	Provides funding from private users, though this is usually small	Likely to remain widespread but limited scope for	Minority of sites in EU have entry fees, but car park charges are

	entry fees, car parking charges, visitor donations and retail sales	approaches – e.g. levies collected through tourism operators in Natura 2000 areas.	limited competition from alternatives, and where it is possible to limit entry or provide on-site services. Car parking charges offer added opportunities for many sites. Voluntary tourism levies require co-operation from tourism sector.	contribution to site running costs	innovative growth	widespread and many visitor centres raise revenue from retail sales Tourism levies have been widely used in different parts of EU
Biodiversity offsets and compensatory measures	Developers are required to fund habitat recreation or restoration to offset damage to habitats.	Natura 2000 sites are highly protected and any habitat loss should be subject to compensatory measures, under existing laws. However, offsetting biodiversity loss outside Natura 2000 could generate funding for Natura 2000 restoration projects.	Wider application of offsets to Natura 2000 depends on demonstrating additional benefits for habitat restoration to offset losses elsewhere	Provides private funding for biodiversity projects	**Low** - significant opportunity for biodiversity funding, but opportunities for new funding are greatest outside Natura 2000	Biodiversity offsets have been widely used in US and Australia and are currently being explored in UK.
Carbon trading/offsets	Natura 2000 sites store carbon so offer potential opportunity to participate in carbon markets, e.g. selling carbon credits/offsetting emissions	Application to habitats in EU would be innovative	Need to demonstrate additionality and avoid imbalances in carbon markets Case is weaker than for habitats at risk in developing countries.	If workable would stimulate private funding for habitat conservation	Potentially significant but substantial challenges would need to be overcome	Being pursued in developing countries through REDD
Licensing of extraction/harvesting/ grazing rights	Natura 2000 sites provide marketable outputs including (farmed and wild) food, timber, fibre, and genetic resources; rights to these can yield revenue through licensing rights, tenancy agreements etc	Widespread and not particularly innovative, though opportunity for new initiatives linked to product marketing schemes	Works where the provisioning service is sufficiently valuable to yield income, and where this is consistent with sustainable management of the site, and where	Private returns from marketable resources support management regime and help to fund other management actions	Already widespread, but some scope for growth through new approaches	Certain forms of agreement (e.g. farm tenancies) are widespread

			resources are not already privately managed by landowner			
Licensing of development rights	Natura 2000 sites may offer potential for small scale sustainable development – e.g. renewable energy, tourism accommodation etc; rights could be licensed or land sold	May offer some new opportunities	Only applicable for certain types of small scale development in certain areas where development does not compromise conservation objectives	Offers opportunity to bring new private funding to Natura 2000	**Low** - likely to be limited in scale but may generate funds for some sites	No specific initiatives identified
Business funding/ sponsorship	Opportunity to secure funding/ sponsorship for Natura 2000 as part of corporate social responsibility agenda	Already happens (e.g. business partnerships with NGOs) but may be some scope for expansion	Business likely to be attracted by image/ reputational benefits	New private funding could supplement existing funding provision	Significant potential	RSPB (2010) gives various examples including HSBC support for WWF work for fresh water habitats in UK
Regional accounts	Bank financing of regional conservation projects through regional fund based on percentage of total interest at regional level	Possible innovative funding mechanism	Depends on bank being convinced to give up share of profits May be attractive to mutual lenders	Private funding	**Low** - uptake likely to be limited	The Dutch land foundation Taking Green Forest and Rabobank have jointly launched 'Rabo Green Forest' to raise funding for sustainable development initiatives in National Landscape Het Groene Woud (The Green Forest).

7.4 Innovative use of existing EU instruments

While the role of public funding will remain critical, the analysis also suggests that there may be some scope to complement the existing funding streams for Natura 2000 with additional, innovative thinking. In this context, more innovative application of the existing EU funds, could increase opportunities for Natura 2000 (see Table 7.4 below and also Chapter 5 on socio-economic benefits). For example, piloting sustainable fisheries management projects, nurseries and no-take zones with support from EFF could help to improve the uptake of this fund for Natura 2000. Similarly, Natura 2000 could be used a corner stone for the so called green infrastructure that could form a basis for sustainable regional development in the context of Cohesion Policy.

As for the possible use of new, private instruments, even though they are not foreseen to replace EU or national public funding sources for Natura 2000 there seem to be a number of possibilities for complementing the current EU co-funding framework. For example, there might be possibilities to combine EU, public and private funds in the context of the EU Cohesion Policy through integrated green infrastructure programmes.

Table 7.4 Innovative application of the EU co-financing opportunities and possibilities to complement EU funding with the use of new, innovative funding mechanisms

EU Financial Instrument	Public funding rationale	Possible innovative applications of EU fund for Natura 2000	Possible future scope re: use of fund for Natura 2000	Factors enabling innovative use of the EU financing in practise	Complementing EU funding with new, innovative funding mechanisms
EU Structural and Cohesion Funds	Natura 2000 benefits the wider economy – e.g. through stimulating tourism, enhancing quality of places and creating a better environment for investment, providing ecosystem services needed to support economic activity. Benefits are widespread and not captured by individual firms.	Opportunities to redesign/ rebrand Natura 2000 projects to emphasise benefits for economy and society – e.g. Green Infrastructure role in regional development.	High, providing a convincing case can be made and evidence of economic benefits demonstrated. However, potential for new approaches such as green infrastructure programmes is uncertain as concept is emerging and operability uncertain	Ability to demonstrate clear economic benefits while still achieving core Natura 2000 objectives	Possible to combine EU, public and private funds through integrated green infrastructure programmes
European Fisheries	Fisheries rely on healthy ecosystems	Piloting sustainable	Moderate – limited	Depends on ability to	Barriers to private funding

Fund	and sustainable management of marine and aquatic environment; Natura 2000 contributes to this	fisheries management projects, nurseries, no take zones in Natura 2000 sites	funding, competing priorities, uncertainties regarding benefits, significant resistance to innovative approaches	balance interests of stakeholders, gain support of fisheries interests and promote long term approach	- resistance and limited profitability of fishing sector
EAFRD	Agri-environment and land management schemes are a form of public funded PES scheme where land managers are rewarded for benefits to society as a whole	Scope for some innovation within approach – e.g. more outcome focused approaches or greater site focus linked to Natura 2000 management plans	High – already widely used	Focus particularly on farmed and forested sites	Limited scope for private funding
Nature conservation budgets (LIFE+ and MS budgets)	Natura 2000 delivers wide range of public benefits and merits core funding, irrespective of contribution to other policy goals. Core funding is needed to plug gaps not covered by other funds.	Innovative projects could trial approaches to delivering/ demonstrating multiple ecosystem services and benefits on Natura 2000 sites in order to develop funding options	Significant, but limited by available budget relative to needs	Versatile in delivering core management of Natura 2000; innovative approaches could deliver added benefits	Scope to increase private contributions and to trial approaches amenable to private funding in future
Research budgets (Framework programmes / FPs)	Effective (and cost-effective) management of Natura 2000 depends on adequate knowledge base; research benefits society as a whole and there is a strong public good rationale	FPs have established role in funding biodiversity research; research to improve understanding of biodiversity/ ecosystem service linkages could help in future funding strategies	Low direct applicability to network	Direct applicability to needs of the network is limited	Some scope for private contributions

7.5 Conclusions

The analysis in this Chapter demonstrates that the case can be made for using a wide range of financial instruments to implement the Natura 2000 network. Establishing links between the management of Natura 2000 and the maintenance of ecosystem services and related socio-economic benefits is foreseen to encourage a more innovative and wider application of the existing instruments for Natura 2000 (e.g. the EU funds).

Furthermore, there is a possibility to develop a variety of new, more innovative instruments that draw on private as well as public funding. However, various constraints mean that these new innovative funding instruments are likely to account for only a small proportion of the overall financing of the network in future, and that core public funding from the EU and Member States will continue to be required to deliver the conservation benefits of the network. Public funding will continue to be justified as a result of the public benefits that the network delivers. While the majority of public funding is likely to continue to be delivered through traditional means, there is scope for innovative approaches to public funding, which may help to catalyse contributions from the private sector.

8 POSSIBILITIES TO ADDRESS THE GAPS IN AND CONSTRAINTS ON USING THE EU CO-FINANCING FRAMEWORK FOR NATURA 2000

Based on the insights gained in the analysis of the current use of EU co-financing for Natura 2000 (Chapters 4 and 6) and exploring the socio-economic benefits associated with financing Natura 2000 (e.g. the possibility of using these benefits as a way towards more innovative financing for Natura 2000) (Chapters 5 and 7), a number of key measures to address the gaps and shortcomings in the current EU framework can be identified. These measures are introduced in section 8.1 below and their ability to address the identified gaps and shortcomings is analysed in sections 8.2 and 8.3. A complete systematic analysis supporting the key conclusions is available in Annex 5.

8.1 Possible key measures to address the gaps in and constraints for using the EU co-financing framework

Altogether six key measures and/or approaches to address the gaps and shortcomings in the EU co-financing model for Natura 2000 have been identified.

Changes to existing EU funds. Changes in the scope and/or means of implementing the EU funds is a possible change, i.e. expanding and/or clarifying the scope of

existing funds and increasing and/or clarifying the amount of actual allocations to Natura 2000 via (obligatory) earmarking.

The analysis in Chapter 6 has shown that even though numerous Natura 2000 management measures are eligible for funding under the current EU co-financing arrangements, there are a number of gaps. In particular, there are limited possibilities to fund ongoing conservation measures and monitoring activities, which make up to two thirds of the total annual costs.

In addition, there is a lack of dedicated, unambiguous opportunities for Natura 2000 under different EU funds (e.g. clearly earmarked budgetary allocations for Natura 2000). This, incidentally means that there is a lack of information on and traceability of actual spending on Natura 2000 spending.

Improving coordination & coherence. Lack of coordination and coherence at the national level is one of the key factors hindering an effective use and uptake of the existing opportunities for EU co-funding. Consequently, improving coordination and coherence in financing Natura 2000 by adopting dedicated national programmes is foreseen as a way forward to improve the situation in the future. Article 8 of the Habitats Directive already foresees the need to develop a prioritised action framework (PAF) when sites are designated as Special Areas of Conservation. In order for such a framework to be established, Member States would need to establish national or regional Natura 2000 prioritised action frameworks. Such PAFs would provide a clearer framework to set out objectives and priorities for the next EU financing period, including systematically outlining the measures required to be financed and identifying the potential contribution of each EU fund as well as Member State's own share in financing these measures.

Supporting measures for the uptake of EU funds. The lack of stakeholder capacity makes it hard to deal with the high administrative burden associated with many of the EU funds. This is commonly identified as one of the reasons behind the low uptake of EU funds. As examples in Chapter 6 show, addressing these barriers can significantly boost the uptake of financing at the national and regional level. Consequently, systematically improving measures to increase accessibility and support the use of EU funds can be seen as one key approach to improve the EU co-financing framework in the future.

Innovative use of existing EU funds via links to ecosystem services. As highlighted in Chapter 6, the majority of EU funds are aimed at supporting sustainable rural and regional development, making it challenging to use them for financing purely conservation-oriented activities. However, as Chapters 5 and 7 show, systematic links between the protection of Natura 2000 and the supply of related ecosystem services and socio-economic benefits suggest that there is potential to put more emphasis on the economic as well as conservation advantages of good site management, to develop activities to pursue these economic opportunities and in due course to draw down more funding from EU sources. This trend , however,

needs more active support at both the Member State and EU level if it is to gather pace and make a significant difference.

Adoption of new, innovative (e.g. market-based) mechanisms. The development and update of new (e.g. market-based) mechanisms for Natura 2000 is commonly seen as a possible way to complement the existing co-funding framework. As Chapter 7 above shows, a range of innovative instruments can help to diversify the portfolio of European and national mechanisms for financing Natura 2000 and increase the overall funding available. Even though these new instruments are not foreseen to replace current or future EU and national public funding sources, there seem to be a number of possibilities that could be explored in the future. Nonetheless, on the limited evidence currently available, they are not expected to result in a major new flow of funds in any way comparable to public funding in the next decade.

A new, comprehensive EU instrument for financing Natura 2000. In principle, abandoning the existing integrated co-financing framework and replacing it with a new, comprehensive instrument for financing Natura 2000 could offer a way forward in the future. However, the greatest challenge – and risk – for the approach would be to guarantee adequate amount of dedicated financing through such a fund.

Note: with the exception of a new EU instrument, the measures to address gaps and shortcomings outlined above are considered complementary, not exclusive of one another. This means that they can be adopted jointly and/or to a varying degree to find the most (cost-) effective and politically feasible solution for financing Natura 2000 in the future.

8.2 Addressing the limitations and gaps in financing different management measures

Not so surprisingly, a number of strategic changes to existing EU funds (e.g. EAFRD, EFF, Structural Funds, FP7 and LIFE) could help to address the existing gaps in financing Natura 2000 management measures. In particular, Natura 2000 would benefit considerably from more dedicated funding opportunities for ongoing management activities under all EU funds (e.g. opportunities specifically targeted to support species and habitat conservation). In particular, more specific funding opportunities for Natura 2000 could be included under EFF, EAFRD (e.g. in the context of agri-environment measures) and ERDF (e.g. to create clear opportunities for Natura 2000 across the different ERDF regional objectives, see Chapter 6).

Furthermore, changes to the EU funds could be introduced so as to provide more opportunities for non-productive investments and investments related to the restoration and provision of public goods (e.g. under EAFRD and EFF). Similarly, clear acknowledgement of the links between the protection and restoration of natural habitats and functions and the delivery of ecosystem services would be beneficial.

For example, targeted reference to the possible cost-effectiveness of investing in the maintenance and restoration of ecosystem services could be included in the regulatory framework and/or guidance for the Structural Fund (e.g. ERDF support aimed at environmental risk management and mitigating and adapting to climate change).

As regards financing different administrative tasks associated with Natura 2000, the EU funds (with the potential exception of LIFE+) are not in general targeted to supporting ongoing administration and governance in Member States. Therefore, it is probably not appropriate and/or possible to expand EU funding to systematically cover such activities in the future. However, given the importance of being able to verify the achievements in meeting the common EU goals, activities supporting the monitoring of Natura 2000 could possibly be covered more comprehensively under the future EU co-funding arrangements. However, it is likely that in order for the EU funds to support such measures, the remits of these funds (i.e. to whom and to what overall purpose support is directed) might need to be broadened. This would include, for example, catering for a broader group of beneficiaries under EAFRD and EFF and expanding the support to monitoring under ERDF to also apply beyond environmental risks. Furthermore, or alternatively, increased funding under LIFE could help to address the current deficit in the current level of monitoring activities.

As for innovative sources (e.g. wider use of existing Community funds), linking Natura 2000 and the supply of ecosystem services (without jeopardising a site's conservation goals) is foreseen to help to finance a number of ongoing management activities that require links with broader rural and regional development goals (e.g. EAFRD, EFF and ERDF). Similarly, new innovative funding mechanisms (e.g. PES schemes, partnership with businesses) can be established to help to support site management and/or maintain nature-friendly land use, especially when Natura 2000 can be shown to play a role in supplying ecosystem services. Support from new private and public sources (e.g. businesses using or benefiting from restored Natura 2000 areas) could contribute to financing restoration in order to mitigate environmental risks (e.g. flooding, droughts and degradation of water quality). However, ensuring clear links and synergies between conservation oriented management activities and activities aimed at maintaining or enhancing ecosystem services is a prerequisite for establishing such mechanisms - and demonstrating these links might not always be straightforward.

Innovative instruments can also possibly help to compensate for opportunities foregone (e.g. loss of income and restrictions related to the future land use). For example, PES schemes established to support certain management activities beneficial for both conservation goals and supply of ecosystem services can help to compensate for the possible loss of other opportunities. The innovative mechanisms can also be used to try to expand the existing networks of protected areas (e.g. via different voluntary schemes, such as land auctions). While not directly contributing to Natura 2000, identification of these new sites can support the overall status of the network. Finally, support from private sources (e.g. businesses using / benefiting

from Natura 2000 areas), user fees and tourism levies could further contribute to financing infrastructure for public access and information material.

Improved coordination and increased use of supporting measures (such as capacity building) are foreseen to have indirect impacts in addressing the identified gaps in financing different Natura 2000 management measures. Improved coordination and coherence via adoption of national PAFs could help to identify and address management activities that suffer from lack of funding. For example, PAFs could be used to target LIFE funding towards these activities. Furthermore, better inclusion of nature conservation authorities in the planning and implementation of different EU funds could help to ensure that all relevant Natura 2000 measures are catered for. Finally, improved capacity to access EU funds could help to enhance the uptake of funds for all Natura 2000 related management activities.

Finally, depending on its design and goals, a new dedicated instrument for Natura 2000 should be able to better address financing needs for the entirety of Natura 2000 management measures. However, even such a dedicated financing instrument would need to be guided by the general rules and priorities of the EU budget. Hence, there might be some limitations on the extent to which it could help to support some management activities foreseen to fall outside the EU competence and added value, such as ongoing administrative costs.

8.3 Addressing broader shortcomings in the uptake of the EU co-financing

Changes to existing EU funds could also address several of the identified shortcomings in the overall EU co-financing framework. Adoption of clearer priorities and dedicated earmarking of funds for Natura 2000 at the EU level (i.e. in the context of Regulations for EU funds) would significantly help to ensure increased and more systematic uptake of EU funding at the national level across the different funds. Such measures would also help to minimise competition with other political priorities that currently hamper the possibilities for obtaining funding for Natura 2000. In particular, continued or increased support could be made available to specifically support the development of Natura 2000 management plans.

Simplifying and mainstreaming the application and administrative processes related to the use of EU funds would possibly diminish the need for capacity building and lower the administrative burden to stakeholders, facilitating greater uptake. Finally, expanding the objectives of the EU funds to also support activities and processes aimed at monitoring the performance of funding (e.g. broader monitoring schemes) could help to address the current deficit in monitoring performance to achieve biodiversity goals.

Improved coordination via the adoption of national PAFs could specifically help to improve coherence and coordination between different EU co-funding instruments. Furthermore, the introduction of PAFs could lead into a clearer identification of

financing needs and facilitate a more systematic use and uptake of different EU funds for Natura 2000. By improving coherence and coordination, PAFs could also help to improve clarity and stakeholder know-how regarding which funds are available for different Natura 2000 management activities. Enhanced coordination at the national level could also indirectly help to share administrative burdens between stakeholders. Finally, PAFs could (directly or indirectly) support and/or initiate monitoring of EU funds' performance in delivering biodiversity goals or, the very least, help to identify funding to support these monitoring activities.

As regards supporting measures, capacity building is foreseen to be crucial to address current shortcomings resulting from limited stakeholder access to EU funds. Capacity building at the level of relevant government officials (e.g. different ministries) could help to improve integration of Natura 2000 into relevant EU funds at the national level and also possibly improve coordination and cooperation between relevant administrative bodies. Also, increasing stakeholders' capacity to deal with EU funds is foreseen to help stakeholders to more effectively deal with the related admin issues. Finally, increased efforts in capacity building are needed if new innovative financing mechanisms are to be adopted for Natura 2000.

As regards innovative financing, making links to ecosystem services and related socio-economic benefits could help to better use and access existing EU co-financing opportunities. For example, such links (e.g. the role of Natura 2000 in recreation and tourism, water retention and purification, risk management) could help to facilitate the integration of Natura 2000 into different operational programmes at national and regional level and increase the overall financing portfolio available. On the other hand, increasing the portfolio of funding mechanisms could further increase the overall complexity and administrative burden related to financing Natura 2000. Thus, due consideration to this should be given to these aspects, e.g. in the context of PAFs.

Finally, a new comprehensive EU instrument for Natura 2000 would cover all relevant management needs of the network. Such an approach would, without a doubt, help to solve the existing problems related to clearer earmarking and competition between different policy objectives under different funds. However, the greatest challenge – and also a risk – for the approach would be to guarantee adequate amount of dedicated funding for such a fund.

8.4 Conclusions

Above, six approaches to address the gaps and shortcomings in the EU co-financing for Natura 2000 have been identified. All of these approaches seem to have significant potential to improve the EU co-financing framework in future. These include: 1) changes to existing EU funds; 2) improving coordination & coherence; 3) supporting measures for the uptake of EU funds; 4) innovative use of existing EU funds via links to ecosystem services; 5)adoption of new, innovative (e.g. market-

based) mechanisms; and 6) a new, comprehensive EU instrument for financing Natura 2000

However, it also appears that none of the approaches alone is sufficient in addressing all shortcomings in and constraints for using the existing co-financing framework. For example, changes to the scope and objectives of existing funds would help to address gaps in the eligibility for funding and provide a more secure basis for financial allocations at national level. They would not, however, help to improve coherence and cooperation between different EU funds and secure the most effective use of the entire co-financing framework. Similarly, while new innovative financing mechanisms are expected to broaden the scope for financing Natura 2000, it is not foreseen that such instruments could replace the role of EU and national funding – especially since there is a significant gap in the overall financing that still needs to be breached (see Chapter 4). Finally, a new comprehensive instrument for Natura 2000 could help to solve a range of existing problems but it is likely that also such a fund would need support from other financing mechanisms to guarantee adequate levels of overall funding.

Consequently, it seems likely that the options for future EU co-financing arrangements for Natura 2000 should be based on a combination of measures and approaches of the kind identified in this Chapter.

9 IDENTIFICATION AND ASSESSMENT OF OPTIONS FOR THE FUTURE EU CO-FINANCING FRAMEWORK

The analysis in Chapter 8 has been used to identify and develop a set of possible options for financing Natura 2000 in the future. This Chapter introduces these options while a preliminary analysis of the possible impacts of the options (e.g. their pros and cons) will follow in Chapter 10.

9.1 Options for the future EU co-financing for Natura 2000

Altogether five alternative options for the future EU co-financing framework for Natura 2000 have been developed. The options, outlined in Table 9.1 below, range from 'business-as-usual' to a number of approaches aimed at improving the overall EU co-financing framework for Natura 2000.

Option 1: Business as usual. The 'business as usual' option refers to maintaining the EU co-financing arrangements for Natura 2000 as is, i.e. continuing with the integrated funding approach with no significant changes to the current scope, functioning and implementation of the EU funds. Under this future option funding for Natura 2000 is foreseen to be provided by existing the EU funds, including LIFE-nature (or similar), EAFRD, EFF, ERDF, ESF, Cohesion fund and RTD-FP8. This option suffers from several shortcomings now apparent and likely to prevail also in the

future. However, the 'business-as-usual' option sets the baseline for assessing the possible other alternatives for the future.

Option 2: Improved integration – enhanced financing under the existing EU funds and improved transparency. The second option entails maintaining the current integrated approach but improving the existing co-financing framework by systematically creating new and clear funding possibilities for Natura across the different EU funds. As suggested earlier, this could for example include broadening the eligibility criteria (e.g. to improve the opportunities for ongoing management activities) and adopting more dedicated objective for Natura 2000 in the context of EFF and ESF. In addition, the enhanced range of funding opportunities would be complemented by clear earmarking of funds for Natura 2000 in the national budget allocations for different EU funds. This would especially apply to EAFRD and EFF (e.g. Natura 2000 funding under the agri-environment measures) and it could also be used in the context of ERDF (e.g. ERDF category 51 for biodiversity). Such increased transparency would be crucial in determining the actual EU support to Natura 2000 and assessing the remaining gap in financing the network (see Chapter 4). Finally, the improved integrated approach for co-financing could also be complemented by developing procedures for systematically monitoring the actual spending on Natura 2000 under different funds. Finally, given the apparent importance and strategic role of LIFE in financing Natura 2000 the continuation of this type of funding is also seen crucial in the context of Option 2.

Option 3: Improved integration – enhanced financing under the existing EU funds, supported by a programmatic approach. The third identified option would comprise the Option 2 above, complemented by the development of prioritised action frameworks (PAFs) to help to coordinate financing of Natura 2000 at national level. As identified in the earlier Chapters, the lack of coordination between different EU and also national funds currently hinders the effective use of available funding opportunities for Natura 2000. Thus, enhancing coordination and complementarity between different funding sources via PAFs would further support the integrated co-financing approach for Natura 2000.

Option 4: Improved integration - focusing on a strategically targeted LIFE, supported by a programmatic approach and improved transparency. The fourth option is also a variation of improving the integrated model for co-funding Natura 2000. This option foresees the integration of Natura 2000 into the EU funds to continue but instead of introducing a range of improved opportunities across all existing funds (i.e. Options 2 and 3), it focuses on both increasing the opportunities and resources under LIFE+ (or its successor) and targeting (a part of) the fund towards further integration. In other words, Option 4 uses LIFE funding as a catalyst to improve the uptake of existing opportunities and absorption of available budgetary allocations for Natura 2000 under other EU funds. For example, a dedicated amount of the LIFE funding could be specifically targeted towards projects that innovatively combine funding from different Community funds. Also, finding co-financing to match the EU funds can be a barrier for several stakeholders. Consequently, the new LIFE fund could provide more flexibility in terms of applicant-

specific co-financing requirements. Furthermore, LIFE or its successor could also be used to increase stakeholders' capacity to use the existing EU co-funding opportunities (see also the supporting Options below). As above, the enhanced LIFE fund would be supported by developing prioritised action frameworks (PAFs), increasing transparency in the budgetary allocations and improving the monitoring of actual spending for Natura 2000.

Option 5: Dedicated and comprehensive new funding instrument. Finally, Option 5 envisages the development of a comprehensive and dedicated instrument for funding Natura 2000. Depending on the political decision, such a dedicated instrument could still be supported by maintaining a basic level of integration of Natura 2000 into the other EU funds. However, Natura 2000 would also cease to be one of the areas eligible for funding across the EU funds. Basing the EU co-financing on a single instrument specifically targeted towards Natura 2000 would simplify the framework for Community funding.

9.2 Horizontal options to support the future EU co-financing framework

In addition, as concluded earlier, a combination of measures identified in Chapter 8 is likely to be the most effective way to address the existing shortcomings and constraints. Therefore, it is foreseen that each of the five alternatives outlined above could be supported by two horizontal options, aimed at increasing the overall financial resources available for Natura 2000 and securing an effective use of the EU framework.

These two supporting options could be adopted individually or jointly to complement any of the five alternative 'core' frameworks above. Furthermore, the extent and scope of these supportive actions could vary depending on the political will and agreed level of ambition. In practise, the implementation of these horizontal options could be facilitated by support from the EU funds, e.g. a part of the future LIFE funding could be earmarked to support capacity building and/or development of innovative financing. Also, the Structural Funds could be specifically targeted for this purpose, e.g. funding under ESF could be more specifically targeted to support capacity building in the environmental sector whereas ERDF investment could function as a catalyst to pioneer innovative funding mechanisms that build on the links between ecosystem services and socio-economic benefits (e.g. PES different schemes) (see also 7.4).

Horizontal / supporting option: Capacity building. The capacity of stakeholders to effectively utilise the existing EU co-funding opportunities, including absorbing available funding, has been identified as one of the major constraints for using the current EU co-financing framework for Natura 2000. Consequently, improving stakeholders' capacity to maximise the use of available EU funding for Natura 2000 is seen as a key requirement for all future options that continue to build on the integrated Community co-financing (i.e. Options 1-4). In addition, the development, implementation and use of innovative financing instruments require expertise that

goes beyond stakeholders' traditional competences (e.g. Natura 2000 site managers and environmental administrators). Therefore, it is foreseen that support for capacity building is also required in the context of a dedicated EU fund for Natura 2000 (Option 5).

Horizontal / supporting option: Innovative financing. Given the gap between the funding available for Natura 2000 and resources needed to manage the network (Chapter 4) it is foreseen that complementing the EU co-financing framework with innovative instruments (e.g. market based instruments) could be beneficial. Furthermore, establishing links between the management of Natura 2000 and the supply of ecosystem services (i.e. broader socio-economic benefits) could enhance the use of existing Community funds. Consequently, it is suggested that all future options for co-financing Natura 2000 would be supported by further exploring the possibilities for using innovative instruments and thinking to finance Natura 2000, both at the EU and national level.

Table 9.1 Future options for the EU co-financing arrangements for Natura 2000

Option		Key elements
Alternative main options	**Option 1**. Business as usual	Continued integrated funding approach as in 2007-2013. Funding for Natura 2000 provided by existing EU funds: LIFE-nature (or similar), EAFRD, EFF, ERDF, ESF, Cohesion fund, RTD-FP8.
	Option 2. Improved integration - enhanced allocations under existing funds, support by improved transparency	**New funding possibilities** and/or **earmarked funds** for Natura 2000 under existing funds. Improving **transparency** of funding for Natura 2000 under all existing EU funds. Improving monitoring of **actual spending** under different funds.
	Option 3. Improved integration - enhanced allocations under existing funds, supported by programmatic approach.	*As in Option 2, plus* Developing **prioritised action frameworks (PAF) for financing Natura 2000** at national level in order to improve coordination between different funds.
	Option 4. Improved integration - focusing on strategically targeted LIFE, support by programmatic approach & improved transparency	**Adapting and increasing funding for LIFE (or its successor)** and targeting this fund more strategically towards enhancing / enabling integration. Developing **prioritised action frameworks (PAF) for financing Natura 2000** at national level in order to improve coordination between different funds. Improving **transparency** of funding for Natura 2000 under all existing EU funds Improving monitoring of **actual spending** under different funds
	Option 5. Dedicated and comprehensive new funding instrument	Developing a **new, comprehensive & dedicated EU funding instrument** for Natura 2000. Also possibly maintaining a basic / limited level of integration of Natura 2000 into other EU funds. However, Natura 2000 would not be a clear, dedicated priority under other EU funds.

Supporting / horizontal options	**Option:** Capacity building - a horizontal option to support Options 1 - 5	**Capacity building** re: use of EU funds and/or exploring the possibilities for innovative financing. Support for building **new partnerships** to gain resources (e.g. linking conservation & broader socio-economic development, see also 'support to innovative' financing below).
	Option: Innovative financing - a horizontal option to support Options 1 - 5	Use of **other / innovative instruments** (EU and national) to complement the use of EU funding for Natura 2000 (e.g. market based instruments). Note: the new innovative mechanisms are not foreseen to form an integral part of the Community co-financing arrangements for Natura 2000 but rather to complement the EU framework. Also, supporting more **innovative use of existing Community funds** via establishing links between the management of Natura 2000, supply of ecosystem services and related socio-economic benefits.

9.3 Analysis of different options for Natura 2000 financing

As the final component of this study, key options identified in sections 9.1 and 9.2 above have been assessed in terms of their potential effectiveness in improving the existing arrangements for co-financing Natura 2000 and delivering the future goals for biodiversity conservation in the EU. In order to do this, key characteristics and criteria foreseen to determine the success and effectiveness of the EU co-financing framework have been defined and the ability of different options to fulfil these criteria has been assessed (see Box 9.1 below). This assessment has been carried out based on the evidence and analysis presented earlier in this report. The key conclusions of this assessment are outlined in this section (e.g. Table 9.1) while the detailed analysis of the options is included in Annex 6.

Box 9.1 Assessing the success of different future options for co-financing Natura 2000

The set of criteria used to assess the success and effectiveness of the different identified options for co-financing Natura 2000 has been outlined below. Note: please see Annex 6 for a detailed analysis.

Considered criteria

I Capacity to successfully address gaps and constraints
- Covering the whole range of Natura 2000 management measures
- Constraints for use: coherence & coordination
- Constraints for use: transparency, accountability & monitoring effectiveness
- Constraints for use: uptake & access by stakeholders
- Constraints for use: long term continuity
- Financing gap: ability / likelihood to adequately meeting Natura 2000 funding needs

II Compatibility and synergies with and impacts on the other relevant EU policy objectives
- Biodiversity policy
- Environmental policy (e.g. water, env. risks)
- Agricultural policy
- Fisheries & Marine policies
- Cohesion Policy
- EU Strategy for 2020

III Compatibility with the EU budget review & general principles
- Foreseen goals of the EU budget review
- General principle: subsidiarity
- General principle: best policy instrument
- General principle: proportionality

IV Capacity to deliver broader environmental and socio-economic benefits
- Creation of jobs, business opportunities & revenue
- Maintenance of ecosystem services: health benefits
- Maintenance of ecosystem services: risk prevention
- Maintenance of ecosystem services: mitigation & adaptation to climate change
- Other intangible benefits, e.g. cultural values, education, inspiration etc.

V General performance

- Political feasibility
- Effectiveness
- Benefits
- Risks

Scale of assessment (qualitative & semi-quantitative)

+ / +++	beneficial effects in improving the existing co-financing framework / compatibility & synergies with broader EU policy goals
0	no improvement to the current situation
- / ---	negative impact on the current situation / incompatible compatible with broader EU policy goals
N/A	not applicable
Y/N	yes/no

9.3.1 Capacity to successfully address gaps and constraints

According to the analysis, all identified options (apart from business-as-usual) will help to address a range of existing shortcomings in the EU co-financing framework for Natura 2000. In general, Options 2 and 3 (i.e. options focusing on enhancing opportunities and increasing financial allocations for Natura 2000 under existing funds) and Option 5 (i.e. new, dedicated fund) seem the most capable of addressing the identified gaps in the opportunities available to fund Natura 2000 management, helping to cover the whole range of relevant activities related to the implementation of the network (e.g. ongoing management measures and monitoring). Option 4 (i.e. enlarging the budget for LIFE or a LIFE-like fund and using it as a catalyst for further integration) could help to facilitate the uptake of existing opportunities for Natura 2000, however it does not allow for creating new funding possibilities nor earmarking spending for Natura 2000 under the other EU funds.

As regards the constraints on effectively using EU co-financing, all suggested options (apart from business-as-usual) would aim to improve the transparency of the financial allocations and monitoring of the actual spending on Natura 2000. On top of this, it seems that Options 3 and 4 (i.e. options envisaging the adoption of Prioritised Action Frameworks (PAFs) to coordinate the financing of Natura 2000 at national level) offer the best opportunities in terms of improving the lack of coherence and coordination between the different EU funds. In addition, PAFs are also likely to help to plan the financing of Natura 2000 in longer term, i.e. align the available funding with the estimated resource need. Naturally, a dedicated fund for Natura 2000 (Option 5) would help to simplify the EU framework for financing Natura 2000, this way diminishing the need for coordination and making EU co-financing more accessible to stakeholders. However, the 'a single fund' approach requires securing a significant amount of resources under one fund and, even if successful in the first instance, it might not be the most sustainable alternative in the long term.

Finally, all options (apart from business-as-usual) seem to be able to increase the overall funding available for Natura 2000 (i.e. help to breach the gap between the needs for funding and opportunities available). In all cases it is envisaged that EU co-financing cannot be the only means of financing for Natura 2000 but other, mainly national resources, are still required.

Regarding the supporting options, it appears that improving stakeholders' capacity to access and effectively utilise different funding opportunities can (directly and indirectly) help to address a number of current shortcomings in the EU co-financing framework for Natura 2000 (see Table 10.1 below). In addition to improving the uptake of existing opportunities, capacity building can also contribute to enhancing stakeholders' ability to seek new, more innovative sources for funding, thus increasing the overall resources available and securing the financing of Natura 2000 in the long term. These latter aspects can also be further supported by seeking closer synergies with, or even dedicating EU investment in (see 9.1), the development and testing of innovative financing mechanisms.

9.3.2 Compatibility and synergies with and impacts on the other relevant EU policy objectives

Despite several good examples of financing Natura 2000 from Community funds there are gaps in, and significant constraints for, using the existing EU co-financing framework in an effective manner. Consequently, it is very likely that continuing to co-finance Natura 2000 on a 'business-as-usual' basis would jeopardise reaching the future objectives of EU biodiversity policy, in particular as the delivery of the new EU post-2010 goals (i.e. to halt the loss of / restore biodiversity and ecosystem services) is likely to require even more resources than before. All suggested changes to the current EU arrangements for co-financing Natura 2000 would help to improve the situation, thus bringing the co-financing framework more in line with the post-2010 EU biodiversity policy. Interestingly, however, opting to fund Natura 2000 via 'an exclusive fund' could be seen to be contradictory to the overarching EU policy principle of biodiversity integration. This might send a wrong political message and have implications for the role of Natura 2000 and biodiversity in the context of broader EU policies.

It also seems that continuing 'business-as-usual' would not be fully in line with the environmental goals of the sectoral policies relevant to biodiversity. Firstly, suboptimal management of the Natura 2000 network due to lack of funding hinders, or even endangers, the ability of the network to support the objectives of broader EU environmental policies. For example, as highlighted in Chapter 5, ecosystems protected by the Natura 2000 network can play a significant role in securing water quality, preventing environmental risks (e.g. floods) and mitigating the impacts of climate change. Similarly, support for protecting public goods (e.g. biodiversity and related ecosystem services) might increase in the context of the future Common

Agricultural Policy (CAP). It is also apparent that current financial allocations for Natura 2000 under EFF are disproportionately small compared to the stated environmental (e.g. biodiversity) objectives under the Common Fisheries Policy (CFP) and the EU Marine Policy. Funding for Natura 2000 in the context of the EU Cohesion Policy (e.g. ERDF) seem also limited given the increasing evidence on the role of biodiversity, well-functioning ecosystems and related services in supporting sustainable socio-economic development (see Chapter 5).

From the perspective of the supporting options, innovative ways of financing the Natura 2000 network are often dependent on the role of Natura 2000 in contributing to the societal wellbeing or delivering benefits to private stakeholders and economic sectors (Chapter 5). Therefore, exploring opportunities for innovative financing is foreseen to further improve links between biodiversity conservation and the quality of ecosystems. Hence, the development of innovative instruments could be both supportive of and supported by the relevant EU sectoral polices. Finally, building stakeholders' capacity to establish concrete links between Natura 2000, environmental sustainability and the delivery of broader socio-economic benefits could also be in the interest of other sectoral policies, unless perceived to require too significant an amount of resources.

Given the role of biodiversity, ecosystems and ecosystem services in supporting sustainable development and the functioning of different economic sectors (see Chapter 5), improving EU co-financing for Natura 2000 should be fully compatible with the goals of the Europe 2020 Strategy.

9.3.3 Compatibility with the EU budget review & general principles

The future biodiversity challenge, including reaching the favourable conservation status of the Natura 2000 network, cannot be addressed by Member States' actions alone. For example, several current and future threats to Natura 2000, such as climate change and the contamination of transnational water bodies, are of a transboundary nature, therefore requiring measures to be taken at the EU level, beyond the national borders. Similarly, a number of issues including the conservation of migratory species and the fragmentation of the Natura 2000 network can be effectively addressed only when tackled also at a wider Community level. The EU Habitats Directive already foresees that the implementation of the Natura 2000 network is eligible for co-financing from the EU budget and, given the reasons above, it seems fully justified to continue using the Community funds for this purpose.

Reaching the desired conservation status and effective management of Natura 2000 network requires a range of interventions of different kinds and in a variety of sectoral policies. For example, given the need to obtain the cooperation of private land managers and other interests it is not considered feasible to pursue these goals by legislative instruments alone but there is a need for a wider range of measures, including the provision of incentives and financial support. Also, the role of financial

support from the Community budget in securing the effective implementation of the Natura 2000 network has already been demonstrated in practice, particularly in Member States and candidate countries with limited resources. The establishment of the network in marine areas is still far from being completed and it is likely that financing the establishment and management of marine protected areas continues to be a low priority in several Member States. Therefore, Community funding is foreseen to play an important role in reaching the EU biodiversity goals in marine areas, in particular in areas situated outside national jurisdictions.

Given the above, it is apparent that all options aiming to improve the EU co-financing for Natura 2000 are in line with the subsidiarity principle of the EU budget, i.e. action at the EU level complements and adds value to national efforts in managing the network. In addition, the establishment of Prioritised Action Frameworks (PAFs) (as in Options 3-4) could help to clarify roles between EU and national funding, this way further supporting the implementation of the subsidiarity principle. Furthermore, co-financing Natura 2000 from the EU budget is essential for successfully implementing the network, i.e. it also complies with the principle of best policy instrument. As the current co-financing framework is not working in an optimal manner, attempts to improve the co-financing framework (i.e. Options 2-5) can also be considered to comply with the best policy instrument principle. Finally, a significant share of the Natura 2000 network still remains in unfavourable conservation status. This indicates that the financial support for implementing the network is not yet proportional to the current policy challenge. Thus, increasing the Community's financial support to Natura 2000 seems entirely justified and in line with the EU budget requirement for proportionality, especially given the increasing threats to biodiversity.

9.3.4 Capacity to deliver broader environmental and socio-economic benefits

In principle, the options for co-financing Natura 2000 (including 'business-as-usual') could contribute to the delivery of broader environmental and socio-economic goals. Naturally, increasing the funds and opportunities available for Natura 2000 increases the possibilities to establish further links between the management of Natura 2000 sites and the delivery of ecosystem services and related socio-economic benefits (e.g. job creation) (i.e. Options 2-5). On the other hand, depending on the agreed scope, a dedicated fund for Natura 2000 might put less emphasis on these aspects.

Innovative financing establishes links between the management of Natura 2000 sites and socio-economic wellbeing (Chapter 5). Consequently, supporting the exploration of opportunities for innovative financing would further support the delivery of Natura 2000 related ecosystem services and related wider benefits. Capacity building can also be useful in supporting the establishment of concrete links between Natura 2000 and social and economic wellbeing.

Table 10.1 Summarising the analysis of options for the future EU co-financing arrangements for Natura 2000. For more detailed analysis, see Annex 6.

Option		General effectiveness in delivering EU co-financing for Natura 2000	Key benefits	Key risks	Political feasibility
Alternative main options	**Option 1**. Business as usual	**Ineffective** Based on the current experience, not likely to be effective on reaching set goals for Natura 2000 post-2010	Very limited, but possible benefits from increased familiarity and better practice.	The choice for the use of EU funds (apart from LIFE and FP) remains fully with the MS → continued low uptake at national level Not likely to result in enhanced uptake of funding for Natura 2000, unless changes in the mission of the existing funds, as proposed by CEC.	Failed to effectively deliver for Natura 2000 in the past → likely to jeopardise delivery of post-2010 biodiversity goals Unlikely to cause resistance in other political sectors
	Option 2. Improved integration - enhanced allocations under existing funds	**Increased effectiveness**	Increased possibilities for / uptake of EU funding for Natura 2000, supported by an increased level of pre-commitment to Natura 2000 within the funds at the EU level Increased accountability and clarity re: actual spending Possibly better links between EU spending and benefits delivered (e.g. conservation and broader socio-economic benefits) → further justification for political / public support	New funding possibilities likely to be limited. Resources to monitor actual spending might be limited	Compatible with delivering the set EU post-2010 goals However, in practise possible conflicting interests with other sectoral policy priorities (EU / national / regional)

	Option 3. Improved integration - enhanced allocations under existing funds, supported by PAFs	**Increased effectiveness** Note: increase in effectiveness likely to be higher than under Option 2, due to better coordination & coherence.	*As in Option 2, plus* Increased coordination & coherence → improved effectiveness	*As in Option 2, plus* Development of PAFs not guaranteed if done on a voluntary basis	*As in Option 2, plus* Development of PAFs, especially if to be obligatory, need to be negotiated
	Option 4. Improved integration - increased and strategically targeted LIFE, support by PAFs	**Increased effectiveness** Note: increase in effectiveness likely to be somewhat more limited than under Options 2 and 3 as this Option does not guarantee improving / clarifying opportunities and earmarking funding for Natura 2000 under other EU funds.	Improved funding / increased uptake of EU funding for Natura 2000 LIFE / LIFE-like funding helps to create a solid 'core' to further enhance / facilitate integration Increased accountability and clarity re: actual spending Possibly better links between EU spending and benefits delivered (e.g. conservation and broader socio-economic benefits) → further justification for political / public support	No new funding possibilities / earmarking under other funds Limitations re: amount of funding available under LIFE-Natura Development of PAFs not guaranteed if done on a voluntary basis Resources to monitor actual spending might be limited. Also, possibly resistance from MS (e.g. compare EAFRD).	Compatible with delivering the set EU post-2010 goals Limited new requirements re: other sectoral funds → unlikely to cause significant resistance in other political sectors Development of PAFs, especially if to be obligatory, need to be negotiated

	Option 5. Dedicated and comprehensive new funding instrument	**Increased effectiveness**, if large enough financial allocations secured. **Ineffective**, if financial allocations insufficient	Increased EU funding available (if sufficient allocation of funds secured) Limited efforts re: coordination and monitoring actual spending needed Increased clarity re: allocations for biodiversity	Natura 2000 not a dedicated priority under other funds → effectiveness depends on political will to allocate sufficient financing for this fund Also, securing long-term financing in the context of EU financial frameworks might be difficult. Abandoning the integrated model for co-financing Natura 2000 altogether might be interpreted as back tracking from the point of view to mainstream / integrate biodiversity into other EU sectoral policies.	Creation of a new fund, with large enough financial allocations, likely to be politically difficult
Supporting / horizontal options	**Option:** Capacity building - a horizontal option to support Options 1 - 5	**Increased effectiveness**	Increased / more effective uptake of EU funds	Allocating funds to support capacity building might somewhat diminish funding available for actual Natura 2000 management activities (due to general limited availability of funds).	Depending on the scope, if significant new resources foreseen across EU funds might cause some resistance from other political sectors

	Option: Innovative financing - a horizontal option to support Options 1 - 5	**Increased effectiveness (in a long run),** if complementary and well-coordinated with the use of EU funds. Also requires capacity building.	Increased total funding for Natura 2000 - especially in a long run	Lack of knowledge limits the update and effective use of market-based instruments Could be perceived as replacing, not complementing, existing EU funds Requires due coordination and strategic thinking in order to best complement existing funding streams. Difficult to foresee some possible innovative instruments to be negotiate at EU scale (e.g. new fiscal or levy measures)	Feasible, e.g. unlikely to cause significant resistance in other political sectors Could be perceived as replacing, not complementing, existing EU funds → diminished political support to EU funding.

9.4 Conclusions

Continuing 'business-as-usual' (Option 1). The analysis indicates that the 'business-as-usual' Option is an ineffective way forward in terms of co-financing Natura 2000 from the EU budget. The evidence collected in the context of this study reveals that there are gaps and significant failures in utilising the existing EU co-financing framework and it is likely that continuing 'business as usual' would jeopardise the delivery of the EU biodiversity policy post-2010. In addition, the failure to integrate Natura 2000 more effectively into the existing Community funds (e.g. EAFRD, EEF and Structural Funds) can also be considered a shortcoming from the perspective of other EU sectoral policies. This is because the lack of integration – and the consequent lack of funding - hinders the ability of the Natura 2000 network to support the broader EU goals on environmental stability and sustainable socio-economic growth.

Improving the integrated approach to co-financing (Options 2-4). All options aiming to improve the integrated approach to finance Natura 2000 can help to enhance the effectiveness of the EU co-financing framework, bringing the framework more in line with the post-2010 EU biodiversity objectives. All of these options are also foreseen to improve the transparency of financial allocations for Natura 2000 (e.g. monitoring actual spending). In general, Options 2 and 3 (i.e. options focusing on improving opportunities and financial allocations for Natura 2000 under the existing funds) seem the most capable of covering the whole range of relevant activities related to the implementation of the network. Option 3 also enhances the coordination of financing Natura 2000 via Prioritised Action Frameworks (PAFs) at national (or even regional) level. In addition, while providing an overall picture of the situation (e.g. sources and level of funding available vs. estimated needs for funding), PAFs also help to plan the financing of Natura 2000 in the longer term. Option 4 (i.e. improved LIFE fund, supported by PAFs) could also help to facilitate the uptake of existing opportunities for Natura 2000. However, it does not envisage improving funding possibilities or earmarking spending for Natura 2000 under the other EU funds.

Developing a new, dedicated fund for Natura 2000 (Option 5). A dedicated fund for Natura 2000 would help to minimise the competition between different sectoral policy priorities and guarantee easier, more straight forward access to funding. Such a dedicated fund would also simplify the EU co-financing framework, this way diminishing the need for coordination and lowering the barriers to Community financing for stakeholders. However, financing Natura 2000 from a single fund requires securing a significant amount of resources under one financing instrument and, even if successful in the first instance, such an approach might not be the most sustainable alternative in the long term. In general, the overall effectiveness of a dedicated fund is dependent on sufficiently supporting political will for its establishment, implementation and long term continuation. Finally, opting to fund Natura 2000 only via a dedicated fund could be seen as contradictory to the overarching EU policy principle for biodiversity integration. This might send a wrong

political message and have implications for the role of Natura 2000 and biodiversity in the context of the broader EU policies.

Supporting EU co-financing framework with capacity building and exploring innovative financing. It appears that the supporting actions improving stakeholders' capacity to access and effectively utilise different funding opportunities can (directly and indirectly) help to address a number of current shortcomings in the EU co-financing framework for Natura 2000. Capacity building can also contribute to enhancing stakeholders' ability to seek for new, more innovative sources for funding, thus increasing the overall resources available and securing the financing of Natura 2000 in a long term. Enhancing the opportunities for innovative financing is foreseen to support the delivery of all options for future EU co-financing for Natura 2000. For example, the development of innovative instruments could be both supportive of and supported by the relevant EU sectoral polices, such as CAP, CFP and Cohesion Policy. However, it is important to note that the development of new, innovative financing instruments (e.g. market based instruments) should be seen to complement, not replace, the existing funding sources for Natura 2000.

According to the analysis, all options aiming to improve EU co-financing for Natura 2000 (Options 2-5 and the supporting Options) are in line with the key principles of the EU budget. In addition, the establishment of PAFs (Options 3-4) could help to clarify roles between EU and national funding, supporting subsidiarity. Also, increasing the funds and opportunities available for Natura 2000 increases the possibilities to establish further links between the management of Natura 2000 sites and the delivery of broader environmental and socio-economic benefits (e.g. job creation) (Options 2-5).

Based on the analysis above, it can be concluded that improving the integrated approach to co-financing Natura 2000 (i.e. Options 2-4) seems to provide the most effective, politically feasible and risk adverse way forward.

In particular, a combination of enhancing the available funding opportunities and improving the transparency of financial allocations (e.g. monitoring of the actual spending), supported by coherent implementation at the national level via Prioritised Action Frameworks (i.e. **Option 3**) seems likely to the most successful candidate for the future.

In addition, it is foreseen that support for capacity building and development of innovative resources could help to guarantee the most effective use of the EU co-financing and also secure adequate resources for Natura 2000.

10 CONCLUSIONS – THE VALUE ADDED OF FINANCING NATURA 2000

The EU has adopted collective goals for the conservation of nature and made these more ambitious over time, not only with respect to the objectives of the Birds and Habitats Directives but also with the new biodiversity targets for 2020. It is clear that the benefits of conservation arise not only in the immediate localities where Natura sites are found or in the relevant Member States but also at a broader European level. Benefits are shared, both at an ecological level - since the network aims to protect species and habitats because of their European importance and their place in a representative network - and at a socio-economic level because of shared access and an ability to appreciate existence values by citizens who may not experience Natura sites directly themselves. There is thus a good case to share a proportion of the costs of the Natura network within the European Union as well as sharing the benefits. Furthermore, the costs of the network do not fall evenly on all Member States; some have contributed a bigger proportion of areas to the network than others and it is justifiable to compensate them through the EU Budget. As it happens, some of the largest contributions are made by some of the least affluent Member States where resources are scarce, as noted in the case studies. This is a further reason to rebalance the costs of implementing Natura 2000 by financing a significant proportion through the budget.

On a broader level, investment in Natura 2000 supports sustainable development and growth in the EU. Ecosystem protected by the Natura 2000 network can play a significant role in securing water quality, preventing environmental risks (e.g. floods) and mitigating the impacts of climate change. Therefore, suboptimal management of the Natura 2000 network due to a lack of funding hinders, or even endangers, the ability of the network to support the objectives of broader EU policies. Consequently, improving the funding for biodiversity and the Natura 2000 in the context of the EU budget is also crucial in order to deliver the EU objectives for sustainable growth and development (e.g. EU 2020 Strategy).

Finally, investment in Natura 2000 sites can also deliver co-benefits to climate change adaptation and mitigation. The ecosystems supported by well-maintained Natura 2000 sites help to mitigate against climate change induced environmental risks, such as flooding and droughts. Furthermore, a number of ecosystems protected by Natura 2000 (e.g. bogs and old forests) are important in the sequestration and storage of carbon from the atmosphere. Therefore, securing funding for Natura 2000 from the Community budget can simultaneously help to address two of the most urgent environmental challenges in the EU.

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Annexes

Annex 1. National funds for Natura 2000 – insights from a number of EU Member States

Overview of national financing sources for Natura 2000 in Denmark

For the period 2007 to 2011, the Danish government set out a number of new measures and approaches to redefine its approach to managing nature and protecting the environment, all of which either directly or indirectly impact upon the implementation of Natura 2000 and have implications for national funding for biodiversity.

Denmark is an interesting example of how Member States may transpose and implement EU legislation. Whilst fulfilling the requirements of EU law, the country has established quite an individualistic policy and legal groundwork to its conservation activities. For instance, the government took the decision to combine implementation of the Water Framework Directive and parts of the Birds and Habitats Directives, placing a binding obligation to produce harmonious management plans for all Natura 2000 sites and all water bodies[27]. Additionally, the 'Action plan for Biodiversity and Nature Conservation in Denmark 2004-2009'[28] requires every ministry to develop a plan or initiative to integrate biodiversity and the environment in general across sectors.

As a country, Denmark has quite particular geographic characteristics - small, densely populated, composed of numerous islands, with lots of open land and coastal habitat. Conservation needs are correspondingly different from many Member States. National legislation[29] places protection on the open habitats of freshwater meadows, coastal meadow, marshes, heathlands, dry grassland and lakes, which have particular significance in biodiversity and national heritage terms. Almost 50 percent of these protected habitat areas are also now designated Natura 2000 (see Table 1). Natura 2000 and 'Section 3' protected habitats form the first level in prioritisation of nature conservation efforts as set out in the Danish government's 2004 action plan for biodiversity, with repercussions on allocation of state funding in particular. As is the case in other Member States, the overlapping of designations makes it difficult to isolate national funding resources going specifically to Natura 2000.

In response to the need to 'make space for nature', Denmark has furthermore established or planned five National Parks based on pilot projects in the early 2000s

[27] Environmental Targets Act 2003 – Lov om Mijømal etc. 2003.

[28] Danish Government (2004) Action Plan for Biodiversity and Nature Conservation in Denmark 2004-2009.

[29] Section 3 of the Danish Nature Protection Act (amended 2004)

prompted by the Wilhjelm Committee report[30]. The final two parks are due to open in 2011. The parks were conceived to combine nature protection, conservation of historical and cultural heritage, outdoor recreation and experiencing nature, and economic and enterprise goals.

Table 1: Section 3 protected areas and Natura 2000

Open-land natural habitat type	Area (ha)	per cent Denmark's land area	per cent situated in Natura 2000 habitat sites
Dry grassland	25986	0.6	12.6
Heathland	82013	1.9	49.7
Freshwater meadows	103722	2.4	56.1
Marshes	89919	2.1	32.6
Coastal meadows	43622	1.0	76.4
Dunes (est'd)	30000	0.7	-
TOTAL	375262	8.7	47.2

More broadly, Denmark employs a range of tools to achieve conservation objectives: protected areas designations, conservation orders, restrictions on use, restoration programmes, as well as integrating nature into spatial planning and protected sites into the physical planning process[31]. The aim is to achieve a coherent ecological network of interconnected nature areas and space to accommodate and allow movement of biodiversity[32]

Summary of national funding available

Table 2: Budget for forest and nature management under the Finance Act for 2011 – million DKK

Budget strand/area/item		2011
235	**Forest and Nature Management etc**	**490.5**
2351	Shared expenses	250.6
2352	**Nature management etc**	**178.4**
2355	Private forestry etc	61.5
235202	Nature management etc	43.4
235204	Water and green partnerships	5.0
235206	National parks	15.0
235208	Watercourse improvements etc	0.0
235209	Stop watercourse maintenance etc	23.4
235210	Wetlands and river valleys	77.3

[30] Wilhjelm Committee (2001) Danish Nature – status, trends and recommendations for future biodiversity policies. Danish Nature and Forest Agency.

[31] Danish Forest and Nature Agency (2003) CBD Thematic report on protected areas or areas where special measures need to be taken to conserve biological diversity – Denmark submission.

[32] Wilhjelm Committee (2001) Wilhjelm Committee (2001) Danish Nature – status, trends and recommendations for future biodiversity policies. Danish Nature and Forest Agency.

235211	Nature management, landowner compensation etc	14.3

Activities in Denmark regarding Natura 2000 and biodiversity conservation are guided by the Action Plan 2004-2009 and are overseen by the Danish Forest and Nature Agency. According to the Action Plan, its implementation was to be funded within the existing financial framework provided by the Ministry of the Environment, and the Ministry for Food, Agriculture and Fisheries (MFAF), supported by private partnerships and EU co-financing.

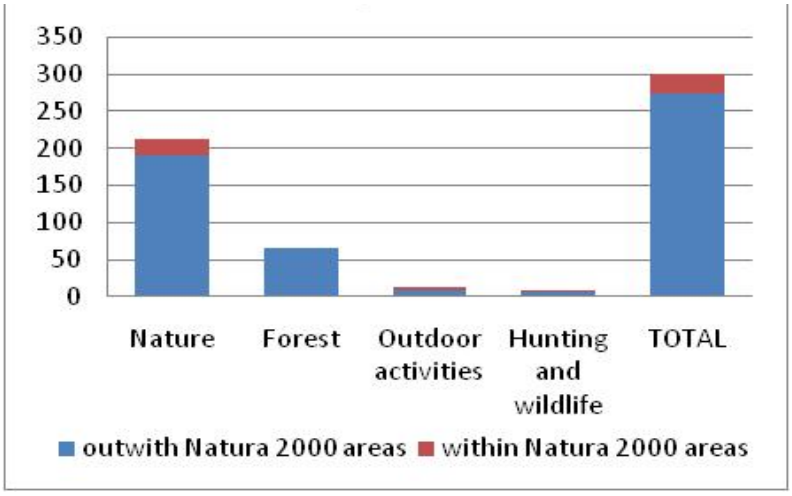
Government ministries and agencies are allocated funding from the State budget in annual Finance Acts (Finansloven). However, as a diversity of departments are implicated in nature conservation in line with the integrated approach, it is difficult to say in aggregate how much funding is put in to conservation and Natura 2000 from national funds. Nonetheless, the budget strands and items under the Environment Ministry give an indication of resource distribution. Under the nature management strand, allocations are made to watercourse improvements, activities on wetlands, landowner compensation, National Parks, 'green partnerships', state afforestation, nature conservation, LIFE projects and more. For the 2011 Finance Act, 178.4 million DKK was allocated to the budget activity area 'nature management etc' and 61.5 million DKK to 'private forestry' (see Table 2).

On top of the Ministry of the Environment spending, MFAF can channel support through the Rural Development Programme (Landdistriktsprogrammet) to initiatives that increase the natural diversity in agricultural zones. For its part, the Ministry of Culture can contribute to restoration projects of cultural significance.

The accounts of the Danish Forest and Nature Agency indicate for the year 2010[33] operating expenditures of DKK 816 million, of which DKK 638 million on land management activities. It is not possible to say how much relates to expenditure for Natura 2000 or even to protected areas.

33 http://www.skovognatur.dk/Om/Skov+og+Natur+i+Tal/Oekonomi.htm

Figure 1: Danish Forest and Nature Agency spending from Annual Budget 2007 – million DKK



The published Annual Report from 2007[34] indicates that the Forest and Nature Agency expended as state nature conservation funding from the annual government budget DKK 300.7 million (see Figure 1). Natura 2000 areas received only 9 per cent of this expenditure overall, though a relatively higher proportion of the spending on outdoor recreation and hunting and wildlife management (31 per cent and 28 per cent respectively).

A host of funding schemes are available which can be used for management and restoration activities in Natura 2000, although a significant proportion of national funding is channelled as match funding under EU co-financed schemes, notably rural development. However in the context of purely national subsidy schemes administered by the Agency, expenditures in 2009 and budget for 2010 are summarised in Table 3 below.

Schemes fall variably under the administration of the Directorate for Food Affairs of the MFAF and the Forest and Nature Agency. Depending on the scheme, beneficiaries may be local authorities, public or private organisations and associations, or private landowners.

Table 3: Danish Forest and Nature Agency spending on EU unrelated subsidy schemes 2009 and 2010

Expenditure scheme	2009 expenditure	2010 budget
Watercourse Improvements - iron pollution reduction and stream restoration	1.2	0.0
Subsidies for forestry measures according to the Forest Act	72.7	123.0
Subsidies for replanting, etc. after storm damage	0.5	0.7

34 Miljøministeriet – Skov-og Naturstyrelsen (2009) Naturforvaltning 2007 – Årsberetning. Miljoministeriet.

Subsidies for water and nature initiatives and green partnerships	53.5	5.0
Wetlands and river valleys	0.0	187.8
Provision for ancient monuments ???	0.0	4.0
Source: Forest and Nature Agency Accounting 2009 and Finance Act 2010		

The Danish Forest and Nature Agency furthermore launched a grant scheme for 2009 'Better Outdoor LIFE' (Bedre friluftsliv), aiming to improve the possibilities for the public to enjoy the outdoors through better access to nature[35]. Funding goes to projects conceived and proposed by members of the public, CSOs and businesses etc, rather than works prescribed by the Agency. The information site states that projects failing to win funding may be able to access financing through other channels, such as the RDP, or lottery funding.

Table 4: Danish Forest and Nature Agency's grant scheme for 2009 'Better Outdoor LIFE' (Bedre friluftsliv)

Scheme	Fund size per year (unless specified)	Purpose	Beneficiaries	Administrator
Local nature conservation	Set by municipality	Nature conservation, restoration, and outdoor recreation. Focus on local and smaller projects.		municipality
State nature conservation	30 + 20 m DKK	Nature restoration, state afforestation, outdoor recreation, restoration of the seas, landscape and cultural heritage.	State, local, private orgs.	Forest & Nature Ag.
Green Partnerships	5 m DKK /yr 2010-2015	Citizen based projects to improve nature, outdoor recreation, and knowledge of nature	State, municipalities, organisations.	Forest & Nature Ag.
Outdoor facilities at monuments and nature areas	4 m DKK / yr 2010-2015	Improving opportunities for outdoor activities through facilities and communications. Funds can only be used on PRIVATELY OWNED LAND	Landowners associations, orgs, authorities.	Forest & Nature Ag.
Aquatic flora and fauna NY	(23 m DKK)	Grant to protect and develop aquatic flora and fauna while enhancing aquatic environment. Inc. stream restoration and conservation measures within **Natura 2000**	Municipalities, other authorities, public and private orgs.	Dir. For Food Affairs
Ponds	2 m DKK	Establishing new small wetlands/ponds over 600 m2 on arable land	Private	Forest & Nature Ag.
Wildlife planting	2 m DKK	Establishing new small planting in open country with game species.	Private	Forest & Nature Ag.

35 http://www.skovognatur.dk/Naturprojekter/Projekttyper/BedreFriluftsliv/

Roles of national, regional and local authorities in administrating funding

Local and municipal authorities in Denmark take a large role in nature conservation. Whereas forestry planning is conducted at national level by the Ministry of the Environment, regional and local government have responsibility for planning with regards to international conservation areas. Previously overseen by County Councils, the 2007 reform of local government dissolved this mid-tier governance level, enlarging and fusing municipalities and passing certain responsibilities including planning to municipal control. Newly created regions adopted responsibility for environmental planning coordination, but without tax-raising powers they rely on funding both from the state and municipal governments[36]. The Danish municipalities account for an unusually high 62 per cent of total government expenditures[37] based on 2006 IMF figures. 46 per cent of municipal revenues are from income taxes levied at municipal level, with 39 per cent of revenues comprising grant transfers from central government or international level[38]. It is however not possible to say how much money municipalities use to support nature conservation.

Availability and importance of private sources, civil society and charitable sources

The partnership approach is a central theme in the Danish approach to nature conservation, with a strong focus on local participation and collaborative working to strengthen project and programme outcomes.

Green Partnerships scheme agreements are formed between the Danish Forest and Nature Agency, local government authorities, the Danish Society for Nature Conservation and the Outdoors Council, with an aim to provide more and better opportunities for volunteer projects and community involvement in nature. Civil society groups, businesses, institutions and associations can work together on projects alongside municipalities and the government. It is through these partnerships that Danish government support conservation works on non-state land.

The projects must contribute to the improvement of nature, of outdoor activities or of knowledge and understanding of nature, and preferably have multiple objectives. Projects should also include a significant element of civil society volunteering and involvement, and be supported locally, as attested by winning the agreement of the local Green Council. The programme also gives priority to projects in open countryside, rather than in urban or peri-urban environments. Furthermore, the Forest and Nature Council can set particular priorities for a given period. For 2010 and 2011, projects focusing on engaging new groups in nature are given precedence, such as the socially disadvantaged or young people from ethnic backgrounds.

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36 Andersen, Hans Thor (2008) The emerging Danish government reform – centralised decentralisation. *Urban Research & Practice*, 1(1); 3-17.

37 UN-HABITAT (2009) Guide to Municipal Finance.

38 UN-HABITAT (2009) Guide to Municipal Finance.

The Danish Forest and Nature Agency has set aside 5 million DKK per year for the Green Partnerships, which must be matched with other resources. Match funding for projects can be sought from municipalities, lottery funding from the Outdoor Council, local businesses, foundations, and from contributions of money or resources in-kind from associations or individuals. It is not possible to assess the funding contributed from these other sources.

Possible limitations & conditions for using existing national funding instruments for Natura 2000

As indicated in Table V, restrictions apply to many of the funding options available, either in function of the intended beneficiary, the project aim, or the environment in which it is set. Wetland recreation and restoration projects appear to be a particular focus of many of the funding schemes, for instance. That said, the diversity of schemes available appears to offer some accessible options to most types of project.

Moreover, due to the decision taken to prioritise the conservation of existing nature[39], and in particular Natura 2000 and Section 3 protected areas, measures within the Natura 2000 network have an advantage for winning grants from green partnerships and other schemes even though they are not specifically reserved for these sites.

National insights regarding the use of EU funds for biodiversity

The Danish policy and measures for nature conservation are based around the outcomes of the Wiljhelm Committee (2001) and the action plan 2006-2009 which followed. The implementation of the Habitats and Birds Directives and the Water Framework Directive has been moulded quite significantly by the particular vision of integrated implementation, a coherent, long-term and priority-led strategy, significant devolution of power to municipalities and a focus on partnerships and community engagement.

EU funding is a significant part of the financing structure, with the RDP particularly employed to channel funding to private landowners to encourage the adoption of pro-biodiversity practices. LIFE programmes meanwhile have supported many restoration projects and targeted species protection efforts in Denmark run by local, regional and national authorities: 24 since its launch in 1992, and six under the LIFE+ programme covering the 2007-2013 financial period. Finally funding can be secured for collaborative projects between Germany and Denmark relating to biodiversity conservation through INTERREG.

[39] Danish Government (2004) Action Plan for Biodiversity and Nature Conservation in Denmark 2004-2009.

Table 5: Funding possibilities under the RDP offered by Danish government agencies				
Scheme	Fund size per year (unless specified)	Purpose	Beneficiaries	Administrator
Wetlands and river valleys	1,058 m DKK for period 2010-2015	Establishing wetlands and river valleys. Fulfilment of WFD.	Municipalities	Forest & Nature Ag.
Private afforestation, sustainable forestry etc	123 m DKK	Private afforestation and SFM, including within **Natura 2000**	Private	Forest & Nature Ag.
Landscape and Planting	15 m DKK	Planting of new windbreaks in open countryside	Private	Dir. for Food Affairs
VMPIII – Aquatic Envt. Plan	Not yet open	Establishment of private wetlands. Complement municipal schemes	Private landowners	Dir. For Food Affairs
Grants for restructuring for ecology	(119 m DKK)	Environment conditional grants and conversion to organic agri. Focus on reducing supply of nitrogen and pesticide use.	Private, secondary public authorities.	Dir. For Food Affairs
Maintenance of grass and natural areas	(185 m DKK)	Env-friendly operation of grass and natural grazing or cutting, maintenance of drainage. Focus on **Natura 2000**	Private, secondary public authorities	Dir. For Food Affairs
Natural and environmental NY	20 m DKK	Grant for planning nature and environment as well as non-productive investment...	Public and private	Dir. For Food Affairs

Conclusions

Denmark follows a quite individual approach to nature conservation policy, with a relatively developed, committed, comprehensive and integrated national policy framework. Natura 2000 sites are among the areas prioritised for financing and action in the scheme of national conservation efforts. National government funding through the annual budgets is significant, though distribution across sectors and budget lines prevents aggregation. Municipalities are also strongly involved in both generation of and allocation of government funding for nature management. The Danish Government operates a large number of focused schemes to deliver financing, covering different land uses, ownership regimes, beneficiaries and conservation goals. On the other hand, much government funding is related to EU funds, in particular the RDP, which is the key support mechanism for land in private ownership. Civil society and the private sector are important sources of financing, notably through Green Partnerships with government institutions, which are taking an increasingly prominent place in the finance structure. The strongly local and participatory approach followed to achieve conservation policy development and implementation bolsters the potential to generate funding from other sources.

Sources

Andersen, Hans Thor (2008) The emerging Danish government reform – centralised decentralisation. *Urban Research & Practice*, 1(1);3-17.

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http://www.skovognatur.dk/Om/Skov+og+Natur+i+Tal/Oekonomi.htm

Overview of national financing sources for Natura 2000 in Germany

General introduction to Natura 2000 and its investments needs in Germany

As of May 2010, Germany designated 4,622 Sites of Community Importance (SCIs), with a total area of 54,342 km², representing 9.7 per cent of the country's terrestrial area. Of those, 53 SCIs have a marine component, referring to an area of 19,768 km². The number of Special Protection Areas (SPAs) amounted to 738, with a total area of 59,784 km², representing 12.2 per cent of the country's terrestrial area. The number of marine SPAs was 15, with an area of 16,055 km²[40].. Compared to other Member States such as Slovenia and Bulgaria a rather small percentage of Germany's territory is covered by Natura 2000. Nevertheless, the country's total Natura 2000 area in km^2 represents a significant percentage of the overall network, and is similarly high compared to other densely populated countries such as Belgium and the Netherlands.

According to reporting by the Member State, as of January 2010 management plans were completed for 20.9 per cent of Natura 2000 sites. For the remaining sites, 30.4 per cent had management plans in preparation and 48.7 per cent were without a management plan completed or in preparation.

In Germany the responsibilities for nature conservation and consequently the designation of sites under the Habitats and Birds Directives and their financing are shared between the 16 Länder (federal states). The definition of different forms of protected areas designation is provided by Germany's Federal Nature Conservation Act (BNatSchG)[41]. It *inter alia* includes the obligation of establishing a network of interlinked biotopes (Biotopverbund) covering at least 10 per cent of the total area of each Land. The planning, implementation and financing of national ecological networks, however, occurs at the Länder level. No concrete deadline is provided and the degree of implementation strongly varies between the Länder[42]. The majority of protected areas are designated by authorities in charge of nature conservation at regional government level, and to some extent by local government authorities. The federal level mainly provides guidance, for example, through support by the Federal Agency for Nature Conservation. Also National Parks are designated by the federal states (Länder), but in consultation with the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety and the Federal Ministry of Transport, Housing and Construction. Germany currently has 14 national parks covering a total of 962,051 ha.

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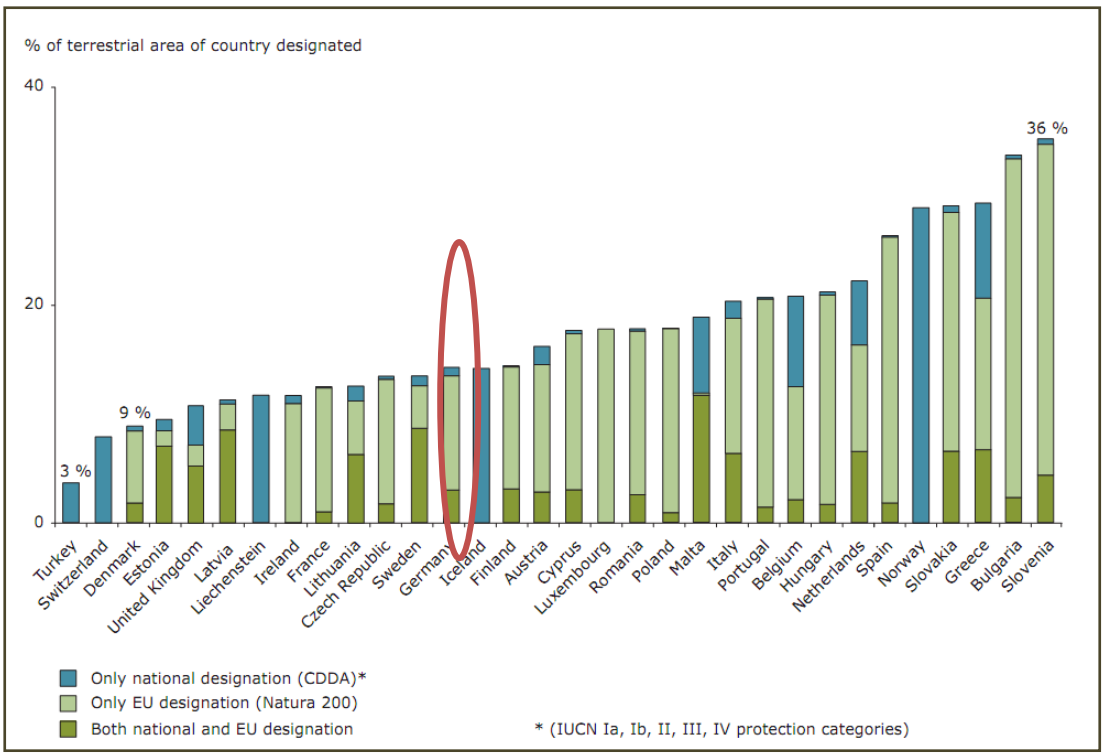
[40] EC Natura 2000 Barometer. DG ENV, May 2010 http://ec.europa.eu/environment/nature/natura2000/barometer/index_en.htm

[41] Gesetz zur Neuregelung des Rechts des Naturschutzes und der Landschaftspflege, BGBl. I S. 2542

[42] COM(2010) 548 final. Report from the Commission to the Council and the European Parliament - The 2010 Assessment of implementing the EU Biodiversity Action Plan and accompanying country profiles http://ec.europa.eu/environment/nature/biodiversity/comm2006/bap_2010.htm

Figure 1: Percentage of terrestrial protected areas in EU-27



Source: EEA 2010. The European Environment — State and Outlook 2010 (SOER 2010). Biodiversity. http://www.eea.europa.eu/soer/europe/biodiversity

In the context of the recent report on the costs and benefits associated with the Natura 2000 network (Gantioler et al. 2010), Germany submitted an estimate of the costs involved in establishing the network at national level, building on an analysis carried out by the Member State in 2003 for a first cost estimate to be submitted to the European Commission. The figures are a rough estimate based on calculations of average expenses for main activities by habitat type across federal states.

The final report estimated the average cost of implementing the network at 63.4 EUR per hectare per year (ha/yr), across the 25 responding Member States. Compared to these figures, Germany's per hectare costs were relatively high, amounting to 107.35 EUR / ha / yr, but similar or even lower than average per hectare costs in other densely populated areas such as Belgium (195 EUR / ha / yr) and the Netherlands (281 EUR / ha / yr). According to the Member State, estimated costs among federal states varied between 65 EUR / ha / yr and 190 EUR / ha / yr, but no detailed breakdown was provided. The yearly financial need estimated by the federal states amounted to a total of 620 million EUR in 2003, which would correspond to roughly 4.34 billion EUR over the financing period 2007-2013. No official update on those estimates at the level of federal states has taken place since.

However, in 2005 the Federal Agency for Nature Conservation commissioned a study (Guethler and Oppermann, 2005) which provided a detailed estimate of the

financing needs of Natura 2000 conservation and restoration activities based on contractual agreements with the agriculture sector.

A particularity that Germany shares only with few other EU Member States (e.g. Austria) refers to the extensive use of contractual agreements (Vertragsnaturschutz) to achieve nature conservation objectives, including those of the Habitats and Birds Directives. Contractual agreements should represent incentives, particularly for farmers, to go beyond legislative requirements (e.g. cross-compliance) on sustainable land use. Public authorities and land users voluntarily agree on a contract running for approximately five to seven years, which includes payments depending on the additional effort required for nature conservation activities and the compensation of foregone opportunities. These contractual agreements very often represent a high share of the costs budgeted to nature conservation.

For their costs analysis, the authors of the study considered sites designated under the Habitats Directive (excluding marine areas, water bodies and forests) and grassland rich in biodiversity. They multiplied the area of different habitat types with the reward rates applied across federal states for different management activities and income forgone. A rough national average estimate was then calculated, amounting between 628 million EUR / year (only sites with minimal level of protection) to 961 million EUR / year (if costs of agricultural intensification in neighbouring areas are taken into account). The overall costs would amount between 4.4 billion EUR to 6.7 billion EUR for a 7 year funding period on contractual agreements with the agricultural sector. The following table presents an overview of financing requirements under different assumptions. The total area and the amount of funding to be safeguarded is supposed to strongly depend on the degree of agricultural intensification and the assumption of financing shifting from the 1st pillar of the Common Agriculture Policy (CAP) to its 2nd pillar on rural development.

Table 1: Financing requirements for nature conservation based on contractual agreements with the agricultural sector

	Immediate safeguard needed	**Safeguard needed if further agricultural intensification**
Sum area	1.31 – 2.03 Mio. ha*	2.90 – 5.21 Mio. ha
Current financing requirements*	628 Mio. € - 961 Mio. €	
Future financing requirements for agri-environmental measures**	1,022 – 1,569 Mio. €	1,817 – 3,159 Mio. €
*Assuming that farmers receive €300/ha as direct payments under the 1st pillar for cross compliance		
** Assuming that funding from the 1st pillar would be shifted to the 2nd pillar, consequently adding €300/ha to the calculated costs.		
Right column: assuming that agriculture will develop towards a more intensive and high nature value farmlands won't be managed further, there is a higher need to finance agri-environmental measures		

Source: translated from Oppermann, 2006, based on Guethler and Oppermann, 2005.

The following sections provide key insights to what extent these estimated costs are likely to be covered by existing national funding. Due to the variety of different

financing approaches across the federal states only some are described in more detail.

Key insights regarding national public funding available (i.e. non-EU fund related funding)

National funding of nature conservation activities in Germany has been, to a very large extent, limited to programmes eligible to EU co-financing. In times of tight public resources, Länder as main entities responsible for the financing of such activities, have either completely dropped or significantly reduced financing means for nature conservation programmes not entitled to EU co-financing. The advantage of greater flexibility of Länder programmes as compared to the often perceived as bureaucratic provisions of the EU funding instruments has also been increasingly questioned. If additional funding is provided by the federal states it is very often available as top-up to the existing Member States contribution in the context of the EU financing instruments (Guethler and Orlich, 2009).

In Germany, it is also very difficult to separate spending for the implementation and management of the Natura 2000 network from general nature conservation activities. The information is usually published as an overall sum of planned expenditures by the federal states. Though Figure 1 shows that only a limited amount of national designations of protected areas is not covered by Natura 2000, it still remains unclear to what extent funding is provided for the implementation of the national and European network of protected areas compared to conservation and restoration of biodiversity in general.

As regards funding on the federal level (Bund), the German Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) is responsible for some national financing dedicated to nature conservation. Related funds are administrated, and technically and scientifically supervised by the Federal Agency for Nature Conservation (BfN), and cover the following areas:

- Large scale conservation projects („chance.natur')
- Projects carried out by nature conservation NGOs
- Research and Development Projects
- Testing and Development Projects

The funding for 'chance.natur' conservation projects can be substantial due to the usual large size of areas funded. It is covered by the federal government to a maximum limit of 75 per cent, whereas the remaining 25 per cent are either co-financed by the federal state involved in the project and/or by the organisation seeking monetary contribution (generally responsible for 10 per cent of total financing). The projects are usually structured in two phases, including a planning and implementation phase of maximum three years. The project time can last up to twelve years. Since 2001, 22 large scale projects have been concluded[43], with a

[43] Federal Agency for Nature Conservation http://www.bfn.de/0203_liste_laufend.html (last accessed 15 December 2010)

financing volume of roughly 70 million EUR in the federal state of Niedersachsen, where a significant amount of projects was carried out. Around five projects are currently ongoing in the federal state of Bavaria, with a financing volume of roughly 40 million EUR over the project period. However, it remains unclear to what extent Natura 2000 directly profits from this funding due to the general small scale of sites part of the network. As regards the support of research and development projects (Umweltforschungsplan), spending by the Bund increased from 6.3 million EUR in 2005 to 8.3 million EUR in 2008 in the category 'nature protection' In addition to the BMU, the Ministry for Education and Research (BMBF) invests yearly roughly 30 million EUR for research on biospheres and biodiversity[44].

No overall overview could be gathered in the time available on the level of spending by the Bund in the context of the above mentioned funding streams across a determined period of time.

National insights regarding the use of EU funds for biodiversity

Box 1: Structural Funds

Structural Fund (SF) allocations 2007-2013

Member State	Total cohesion & structural fund allocation (m€)	SF allocation under categories 51, 55 & 56 (m€)	Categories 51, 55 and 56 as per cent of Total allocation	SF allocation under category 51 (m€)	Category 51 as per cent of Total allocation
Germany	25,488.6	193.3	0.8 per cent	50.6	0.2 per cent

51: Protection of biodiversity and nature protection (including Natura 2000); Category 55 - promotion of natural assets; Category 56 - protection and development of natural heritage

Actual allocation 2007- 2009 for categories 51+55+56:

Member State	Actual allocation to selected operations as per cent of progress 2007- Sept 2009 for categories 51+55+56	Actual allocation to selected operations 2007- Sept 2009 for categories 51+55+56 in m€ (calculated)
Germany	**20 per cent**	**38.7**

Source: BAP 2010 Assessment - Country Profiles; DG Regio unpublished data extracted from official national reports

In Germany, the European Social Fund (ESF) and the European Fund for Regional Development (EFRD) are considered the most important financing instruments linked to the Structural Funds (DVL, 2008). The often restrictive interpretation of objectives to be funded (e.g. regarding their importance for sustainable economic development) by the economic and financing ministries, however, limits their application for nature conservation activities in Germany. An analysis of a range of

44 Bundesministerium fuer Umwelt, Naturschutz und Reaktorsicherheit (BMU (2009). Bericht der Bundesregierung zur Lage der Natur fuer die 16. Legislaturperiode. Berlin http://www.bmu.de/files/pdfs/allgemein/application/pdf/bericht_lage_natur_lp_16_bf.pdf

operational programmes at the federal level (WWF Germany, 2007) revealed that only one out seven federal states (representing 50 per cent of overall planned spending) allocated funding specifically to Natura 2000 though all listed the support of Natura 2000 as key objective. Berlin provided a budget of 8 million EUR for nature conservation activities and Natura 2000, whereas all other programmes refer to funding to be provided under the EAFRD. The actual financing of Natura 2000 under the Structural Funds is perceived to be limited to a range of examples, and not to provide substantial contribution. More opportunities are thought to occur as part of the territorial cooperation funding stream though no concrete figures on the actual expenditures were available (DVL, 2008) (Guethler and Orlich, 2009).

The existing data on expenditures from Structural Funds does not allow drawing any conclusions regarding the co-financing at national level and the amount specifically dedicated to Natura 2000.

Box 2: European Agricultural Fund for Rural Development

EAFRD planned expenditure 2007-2013 (including Member State co-financing)

Member State	Total public EAFRD (m€)	Community agri-environment (m€)	MS agri-environment (m€)	Member State agri-environment contribution per cent	Agri-environment as per cent of total public EAFRD
Germany	14,181.9	2,176.6	1,376.8	38.7 per cent	25.1 per cent

Member State	Community direct Natura 2000 payments (m€)	Member State direct Natura 2000 payments (m€)	Member State Natura 2000 contribution per cent	Natura 2000 as per cent of total public EAFRD
Germany	112.4	69.3	38.1 per cent	1.3 per cent

Cumulative payments 2007- 2008 (excluding Member State co-financing)

Member State	Agri-environment payments		Direct Natura 2000 payments	
	EAFRD actual commitments (m€)	As per cent of planned allocation	EAFRD actual commitments (m€)	As per cent of planned allocation
Germany	575.9	26.6 per cent	11.8	10.5 per cent

Source: European Commission, DG Agri unpublished data December 2009

Taking Germany as a whole, the European Agriculture Fund for Rural Development (EAFRD) constitutes the key element of funding for Natura 2000. However, the federal states have addressed the opportunity to finance nature conservation in the context of EAFRD in different ways. The following figure provides an overview of planned expenditure according to federal state based on analysis of the according Rural Development Programmes. This includes Community payments, Member State co-financing and top-ups provided by the federal states.

Figure 2: Rural Development Programmes of German federal states 2007-2013: Planned total public expenditures for nature conservation measures in € million and €/ha/yr. Source: translated from Guethler and Orlich, 2009

Measure/Federal State	BB+BE	BW	BY	HE	HH	MV	NI+HB	NW	RP	SH	SL	SN	ST	TH	Sum
Axis 2															
Contractual agreements - open landscape (as part of 214)	40.60	95.80	142.80	59.00	5.00	64.00	57.20	78.80	33.30	38.20	3.20	96.00	34.10	84.00	832.00
Contractual agreements - forest (as part of 225)	-	-	5.80	-	-	3.70	2.60	-	-	-	-	-	1.20	7.30	20.60
Natura 2000 compensation payments - Agriculture (213)	39.40	56.40	10.00	-	0.40	-	14.20	23.50	-	8.40	-	-	13.30	-	165.60
Natura 2000 compensation payments - forest (224)	-	7.80	-	-	-	-	-	22.30	-	-	-	-	1.40	-	31.50
Payments for non-productive investments with focus on nature conservation	-	-	35.50	-	0.40	na*	-	na*	1.10	-	-	6.40	-	na*	43.40
Axis 3															
Axis 3 focus - without water protection (incl. natura heritage)	50.5**	85.70	60.00	-	4.20	51.90	45.70	43.90	2.10	21.10	1.00	61.50	60.40	13.90	451.40
Ecological measures for water protection		41.80	32.40	-	-	30.00	35.00	-	29.90	45.70	-	-	42.10	6.00	262.90
Sum of nature conservation measures in €m	**80.00**	**287.50**	**286.50**	**59.00**	**10.00**	**149.60**	**154.70**	**168.50**	**66.40**	**113.40**	**4.20**	**163.90**	**152.50**	**111.20**	**1,807.40**
Sum of nature conservation measures related to Natura 2000 area in €/ha/yr	23.6	87.6	51.3	19	199.1	44.9	48	86.1	27.6	107.9	19.9	79.9	94.2	58.4	52.7
Sum of nature conservation measures related to agricutlural area in €/ha/yr	12.7	28.5	12.6	10.8	74.4	15.6	8.4	15.9	13.3	16.2	7.7	25.7	18.5	20	15.6
Nature conservation payments as percentage of total public spending (including top-ups)	9.40%	16.10%	8.20%	8.20%	14.00%	12.90%	7.30%	21.00%	9.80%	23.00%	7.40%	13.60%	11.50%	10.40%	11.30%

* no figures availble ** incl. water protection measures

BB: Brandenburg; HE: Hessen; HB: Bremen; SL: Saarland; BE: Berlin; HH: Hamburg; NW: Nordrhein-Westfalen; SN: Sachsen; BW: Baden-Württemberg; MV: Mecklenburg-Vorpommern; RP: Rheinland-Pfalz; ST: Sachsen-Anhalt; BY: Bayern; NI: Niedersachsen; SH: Schleswig-Holstein; TH: Thüringen

Spending on contractual agreements with the agriculture sector is quite high in Bavaria, but rather low in Schleswig-Holstein, which rather focuses on land purchase. Despite some differences, the figure above demonstrates that payments for contractual agreements with the agricultural sector, and for conserving and restoring natural heritage play a key role in financing nature conservation activities in many German federal states. This approach is rather uncommon in the EU, only shared with a few other Member States, such as for example Austria. If ecological measures for water protection are added, overall spending under Axis 3 nearly equals expenditure on contractual agreements.

However, financing of contractual agreements in the forest sector is generally very low compared to agriculture, and also compensation payments for forest owners can not be considered significant. A cause could be the potentially low levels of reward rates in the sector (Guethler and Orlich, 2009).

Box 3: European Fisheries Fund

EFF planned expenditure 2007-2013 (including Member State co-financing)

Member State	Total EFF funding (m€)	Member State share Total EFF (per cent)	Axis 3 funding (m€)	Axis 3 as per cent of Total EFF	Member State share AXIS 3 (per cent)	Measures to protect flora and fauna (Y/N)
Germany	243.9	36.9 per cent	104.1	42.7 per cent	34.0 per cent	Y

Source: BAP 2010 Assessment - Country Profiles; DG Mare unpublished data extracted from official national reports

The contribution of the European Fisheries Fund to the conservation and restoration of Natura 2000 in Germany plays only a minor role. Though no detailed analysis of expenditures under the most relevant Axis 3 is available it is suggested that most of the spending occurs for traditional fisheries measures and the funding for nature conservation activities is rather limited (Guethler and Orlich, 2009).

Box 4: LIFE programme

Budgeted allocations by Member State of funds under the LIFE III Nature programme (2000-2006) and indicative allocations under LIFE+ 'Nature and Biodiversity' (2007-2010)

Member State	LIFE III Nature budget allocations 2000-2006				Indicative allocation 2007-2010	
	Total budget (m€)	Member State share (per cent)	Number of projects	Average budget per project (m€)	Total LIFE+	LIFE+ Nature & Biodiversity*
Germany	45.0	43.7 per cent	264	0.17	100.1	50.0

Source 1: Ex-post Evaluation of projects and Activities Financed under the LIFE Programme. Country by country analysis. COWI for DG Environment.
Source 2: Commission Decisions on Annual Work Programmes for grants in the Environment

The impact of the LIFE programme on the implementation of the Natura 2000 network in Germany is not considered to be large due to the general small nature of the instrument. However, it has supported the realisation of ideas which would not have been financed by other EU financing instruments and which helped to provide models for the successful implementation of the network in the Member State (Guethler and Orlich, 2009).

Availability and importance of private sources, civil society and charitable sources

According to reporting to the Convention on Biological Diversity (CBD, 2007), in Germany private funding for nature conservation can result from different sources, including

- Funds in connection with impact mitigation under nature conservation law (mitigation and environmental compensation measures, compensation payments) – financing and implementation of the measures is partly state-sponsored, partly private
- Financing through private foundations
- Sponsoring
- Donations including legacy gifts
- Contributions to conservation organisations
- Lottery revenue
- Fines
- Financing through cooperative agreements with corporations that have a similar mission (e.g. water resources management, companies operating in the tourism sector and similar)
- Financing by selling products and services (including marketing of premiums, sale of products from landscape management)

The level of contribution of the different sources remains unclear, particularly related to their impact on the conservation and restoration of natura 2000. However, short insights into funding by private and public foundations can give an indication of the scale of related funding in Germany.

One of the largest private foundations dedicated entirely to nature conservation is EURONATUR (Stiftung Europaeisches Naturerbe). The foundation is a not-for profit organisation set up in Germany, but with the broader cope of addressing the conservation and restoration of biodiversity also on the European level. In 2009, expenditures for projects amounted to 1.8 million EUR[45]. Major revenue sources included support and grants for projects, and donations.

The German Environmental Foundation (Deutsche Bundesstiftung Umwelt) was created by the German Bundestag. The DBU finances a range of activities addressing different issues including climate change and energy, architecture and construction,

45 EURONATUR. Annual Report 2009 http://www.euronatur.org/fileadmin/docs/geschaeftsbericht/GB-2009_final_ks.pdf

and nature conservation. In 2009, the spending for nature conservation amounted to 7.1 million EUR (13.6 per cent of the total project budget)[46], and referred to measures such as management strategies for the protection of mires, monitoring of habitats and species, wild corridors in Eastern Europe or a wild cats action plan.

Foundations were also created by federal states, such as for example the foundation Nordrhein-Westfalen (NRW). The NRW foundation is currently mainly supported by lottery funding and is particularly engaged in nature conservation (including the purchase of land) and cultural heritage. In 2009, the funding volume of the foundation amounted to 6.8 million EUR[47], though the share dedicated to nature conservation remains unclear. It nevertheless demonstrates that the contribution of public foundations at federal state level can be substantial.

Other important private foundations include the Allianz Environment Foundation and the Micheael Otto foundation. According to a report published by the Allianz Environment Foundation in 2006, a range of concluded project dedicated to nature conservation amounted to 3.6 million EUR. Several were running, with an estimated budget of 2.1 million EUR.

Conclusions

- National funding rather limited, mainly building on EU funding instruments, in particular EAFRD. Other instruments play minor role.
- EAFRD: Interesting focus on contractual agreements and conservation of natural heritage
- Funding cannot be considered sufficient in covering the estimated costs: 1.8 billion EUR EAFRD on nature conservation versus estimated costs of contractual agreements (open landscape) estimated at between 4.4 billion to 6.7 billion EUR (excluding forests)

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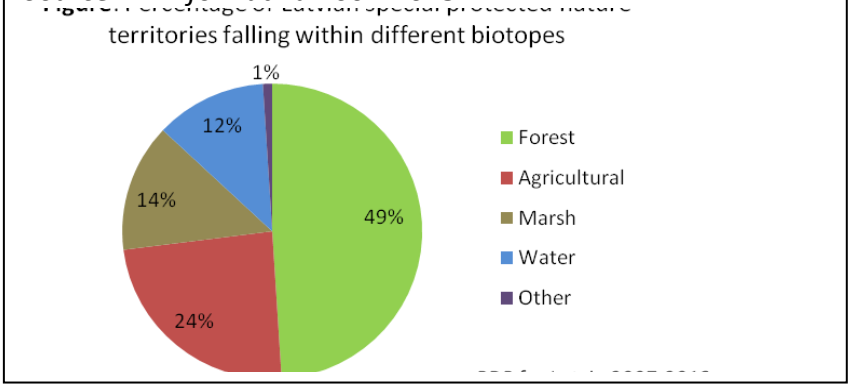
Overview of national financing sources for Natura 2000 in Latvia

Latvia has 684 domestic protected areas, generally called 'specially protected nature territories', under several degrees of protection. 95 per cent by area of all specially protected nature territories are also designated Natura 2000 (see Table 1), with 336 sites covering 784000 ha (11.9 per cent) of the land area of Latvia[48]. Figure 1 illustrates the distribution of protected nature territories by land cover type.

Table 1: Number of EU and Latvian designated protected areas

Specially protected area type	Domestic	Natura 2000
National Parks	4	4
Biosphere reserves	1	-
Strict nature reserve	4	4
Areas of protected landscapes	9	9
Nature parks	42	38
Nature reserves/restricted area	259	250
Nature monuments	355	9
Microreserve	-	23
TOTAL	684	336

Figure 1: Percentage of Latvian special protected nature territories falling within different biotopes.
Source: RDP for Latvia 2007-2013



Forests compose the majority of land under protection in Latvia. 17.7 per cent of the total forested land of Latvia (523500 ha) is under some level of protection, of which 142300 ha is forest 'with protective functions' (that is providing protective ecosystem services, rather than purely productive functions) according to the Forest Register 2007. 426989 ha of the Latvian Natura 2000 network is forested (55 per cent), which comprises 14.5 per cent of the total forested land. Restrictions on

[48] Rural Development Programme for Latvia 2007-2013

economic activities (see Table 2) apply on 318894 ha of Natura 2000 territory (c. 41 per cent total Natura 2000 area), of which 54173 is privately owned.

Table 2: Restrictions of economic activity in NATURA 2000 territories which meet requirements for this payment, ha.

Type of restriction of economic activity	Private forest land, ha
Forestry activities forbidden	1638.3
Final felling and thinning forbidden	8430.3
Final felling forbidden	6957.3
Clear cut forbidden	37146.4
TOTAL	54173.0
Source: State Forest Service	

In contrast only 24 per cent of Latvian Natura 2000 designated area is classed as agricultural. Grasslands are, however, seen as a priority target for conservation efforts in Latvia in function of their significant biodiversity. Natura 2000 designation applies to a total 63025 ha of all grassland. Furthermore around 32531 ha grassland is classed as biologically valuable, 86 per cent of which was farmed. Grassland biodiversity is under pressure in Latvia particularly from overgrowth associated with agricultural abandonment.

Protected land may be owned by the State, local government or by private individuals and organisations. Sites are managed according to nature protection plans developed with the cooperation of land owners and local authorities, which aim to optimise nature protection whilst making management profitable. Whilst restrictions are placed on sites, positive or benign economic activities can still be pursued. Land owners can be compensated for losses linked to these restrictions, which may be realised as monetary compensation or land exchange.

The Nature Protection Board/Nature Protection Agency (Dabas aizsardzibas parvalde), a subordinate institution of the Ministry of the Environment, is responsible for the management of protected areas and of nature protection planning, among other functions. The Agency is divided into 6 territorial departments responsible for the management of their respective National Park or Reserve, and for supervising all the protected areas within the region, including Natura 2000.

Key insights regarding national funding available (i.e. non-EU fund related funding)

Domestic sources of funding are diverse, including:

- State budget via various ministries (including Defence)
- Local government and municipalities
- Regional funds and programmes
- Private sector
- Voluntary sector

- Universities
- Site revenues, PES, entrance fees

National government funds supporting biodiversity conservation are allocated to various ministries and programmes with a responsibility for its management. The Nature Conservation Agency of the Ministry of Environment performs the management activities of Natura 2000 areas owned by the MoE (about 25 per cent by area of the network) using its state budget allocation[49].

Until 2009, the Latvian Environmental Protection Fund (Fonda Likums), overseen by the Ministry of the Environment under a separate budget line, was used to disburse project based support from state budget allocations, revenues from environmental taxes and charges, as well as donations and foreign financial assistance. Grants from the LEPF could benefit both public and private organisations for the undertaking of projects. Biodiversity conservation was only one of a wide array of project areas covered, ranging from environmental education to waste management to climate change. Water and sewage treatment, energy conservation, regional development and environmental protection received the major portion of the earmarked funding. It follows that the proportion of this funding going to biodiversity projects and even more so Natura 2000 was relatively slight. In the period 2006 to 2009, total LEPF funding for biodiversity-related issues was 5.4 M Lats (7.6 million EUR[50]). The LEPF ceased to be available in 2010[51].

Taxes and charges

Latvia additionally operates a natural resource tax (Law on Natural Resources Tax 2005, amended 2008) covering pollutant release, packaging, vehicles, the import and trade of certain goods, as well as resource extraction. Various environmental tax rebates and alleviations, meanwhile, should encourage uptake positive environmental measures.

Prior to 2005, tax revenues were used solely for projects and measures directly relating to environmental protection and restoration, recycling of waste or renewal of natural resources. The 2005 Law altered this, so that 40 per cent of revenue from release of pollutants and extraction or use of resources went to the basic state budget, and 60 per cent to the special environmental protection fund of the local government in which the tax was levied. Charges for unlawful extractions are allocated to the State basic budget.

However, it has been found that the effectiveness of the natural resource tax is constrained by a number of factors, such as implementation capacity, uncertainty about benefits, ineffective charge rates and general resistance to taxation (REC,

[49] Information submission from Latvia, Ministry of the Environment

[50] Based on current exchange rates (1EUR = 0.71 Ls)

[51] Information submission from Latvia, Ministry of the Environment

1999). In 2004, natural resource tax revenue comprised only 0.11 per cent of GDP (Brizga, 2005). Moreover, combining functional issues with a lack of earmarking at national level and the breadth of local environmental protection funds, it is likely that Natura 2000 areas benefit only marginally from this mechanism.

Roles of national, regional and local authorities in administrating funding

Establishment, preservation, maintenance and administration of those protected areas designated by the Cabinet or the Saeima (Parliament) is financed from the State budget, using both EU and domestic funds. Strict Nature Reserves, National Parks and Biosphere Reserves must be established in law by the Saeima, whereas protected landscape areas, nature reserves, nature parks, protected sea territories and nature monuments are designated by the Cabinet.

Local government also has the competence to establish nature reserves, nature parks and nature monuments, in which case it is responsible for financing from its local government budget.

Availability and importance of private, civil society and charitable sources

Under Latvian law, those responsible for harm to the environment are bound to mitigate the consequences and compensate for any loss, through bearing the expenditures for equivalent restoration and recreation elsewhere or payment into the LEPF. Thus, the private sector may contribute to conservation activities as compensation or mitigation for harm caused by their activities, through funding restoration projects or recreation of habitat at a new site.

Private funding for Natura 2000 provided in a voluntary, non-compensatory capacity is also present though to a minor extent and only features as co-funding for LIFE projects[52]. Private funding has dwindled to almost nothing in recent years.

Civil society funding is likewise insignificant in the case of Latvia.

Some insights regarding the use of EU funds

Latvia has received quite significant funding through the LIFE programmes (see table). Whilst the national co-funding rate in earlier projects was 25 per cent, since 2005 match funding for EU funds has had to be delivered at a rate of 50 per cent for all projects bar one (LIFE08 NAT/LV/000449).

[52] Information submission from Latvia, Ministry of Environment

INTERREG is another EU fund which Latvia has drawn on for nature conservation projects, as cooperative efforts within the Baltic region.

Table 3: Budget and contribution from national sources for LIFE projects in Latvia 2000-2009

LIFE Code	Title	Year	Beneficiary	Total budget €	National contrib-ution per cent
LIFE00 NAT/ LV/007124	Protection and management of two Important Bird Areas of Latvia	2000	National Authority	264265	25 per cent
LIFE00 NAT/ LV/007127	Measures to ensure the nature conservation management of Teici Area	2000	Park Reserve Authority	833929	25 per cent
LIFE00 NAT/ LV/007134	Implementation of management plan for Lake Engure Nature Park	2000	NGO-foundation	520270	25 per cent
LIFE02 NAT/ LV/008496	Conservation of wetlands in Kemeri National Park	2002	Park Reserve Authority	1321210	25 per cent
LIFE02 NAT/ LV/008498	Protection and management of coastal habitats in Latvia	2002	University	2270860	25 per cent
LIFE03 NAT/ LV/000081	Lake Pape - conservation, preservation and evolution	2003	NGO-foundation	911744	25 per cent
LIFE03 NAT/ LV/000082	Protection and management of the Northern Gauja Valley	2003	NGO-foundation	1526000	25 per cent
LIFE03 NAT/ LV/000083	Management of the Lubana Wetland Complex, Latvia	2003	Regional Authority	1346208	28 per cent
LIFE04 NAT/ LV/000196	Implementation of mire habitat management plan for Latvia	2004	NGO-foundation	1055682	25 per cent
LIFE04 NAT/ LV/000198	Restoration of Latvian floodplains for EU priority species and habitats	2004	NGO-foundation	1600366	29 per cent
LIFE04 NAT/ LV/000199	Protection of habitats and species in Nature Park 'Razna'	2004	University	678740	50 per cent
LIFE05 NAT/ LV/000100	Marine protected areas in the Eastern Baltic Sea	2005	NGO-foundation	3111316	50 per cent
LIFE06 NAT/ LV/000110	Restoration of Biological Diversity in Military Training Area and Natura 2000 site 'Adazi'	2006	National Authority	905307	50 per cent
LIFE06 NAT/ LV/000196	The improvement of habitats management in Natura 2000 site - Vestiena	2006	Development Agency	714601	50 per cent
LIFE08 NAT/ LV/000449	Restoration of Raised Bog Habitats in the Especially Protected Nature Areas of Latvia	2008	University	726714	25 per cent
LIFE09 NAT/LV/ 000238	MARMONI - Innovative approaches for marine biodiversity monitoring and assessment of conservation status of nature values in the Baltic Sea	2009	NGO-foundation	5888801	50 per cent
LIFE09 NAT/ LV/000239	LIFE-HerpetoLatvia - Conservation of rare reptiles and amphibians in Latvia	2009	Local Authority	772400	50 per cent
TOTAL	-	-		24184148	38 per cent

source: http://ec.europa.eu/environment/life/project/Projects/index.cfm

Use of structural funds for Natura 2000 in Latvia is limited due to the requirement that these resources are used to support productive investments only. Some

financing is nonetheless available for establishing tourism infrastructure on Natura 2000 sites. The allocated funding for this purpose 2007 to 2013 is 5 million Ls (7 million EUR)[53].

For the areas of Natura 2000 under private ownership, payments through the Rural Development mechanism are the only available funding source[54], compensating land owners for income foregone due to restrictions and necessary expenditures for positive land management measures. Payment stream 224 of RDP Axis 2 provides support for forested Natura 2000, with 22,186,703 EUR of public funding (ie. EU and national) budgeted for these payments for 2007-2013[55]. For agricultural Natura 2000 areas, 12,878,250 EUR of total public funding (ie. EU and national) was budgeted for 2007-2013 under RD payment code 213 (farmland Natura 2000 and compensations relating to Water Framework Directive). Further support is available to farmers through agri-environment payments (code 214) which comprise 40 per cent of Axis 2 payments in Latvia, with a combined EU and national funding allocation of 70,063,209 EUR for the period 2007-2013. Included under this code is support for measures and activities which protect grasslands (code 214/3), of significance in Latvia given its focus on grasslands as a target for biodiversity conservation.

Whilst the figures cited figures refer to the combined public expenditure for rural development, the RDP for Latvia 2007-2013 indicates that 80 per cent of Axis 2 funding is met through EU (EAFRD) financing, leaving only 20 per cent to be matched from national government funds.

Conclusions

Latvia is overwhelmingly dependent on funding from the EU to support its Natura 2000 network, particularly from the EAFRD. Whilst LIFE+ is strategically important and has funded many projects in Latvia, the requirement to provide 50 per cent match funding is a difficulty. National funding available for co-funding biodiversity and Natura 2000 projects has been dramatically reduced following the economic crisis. Already stretched government budgets have been cut and the LEPF entirely ceased. Moreover private and civil society sources are now almost non-existent, meaning there are no domestic non-governmental options to boost finance flows. All third sector and private sector funds are targeted as co-funding for LIFE+ projects.

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Rural Development Programme for Latvia 2007-2013

http://ec.europa.eu/environment/life/project/Projects/index.cfmAccessed : November 2010

Overview of national financing sources for Natura 2000 in Slovenia

Slovenia contains the highest number of protected species and the greatest proportion of Natura 2000 designated land in the EU, with 286 sites covering 35 percent of the territory[56]. Two thirds of Natura 2000 areas are forested, and as much as 50 percent of the forested area of Slovenia is Natura 2000 designated[57].

A number of mechanisms are employed in Slovenia for nature conservation goals, including designation of protected areas and specific species protection measures. Modified natural resource use is the most common tool for Natura 2000 sites[58], based on the granting of permits and concessions. Contracts for stewardship, protection and restoration of sites can also be agreed with landowners. Moreover, sectoral management plans for forestry, fishing, game and protected areas oblige land owners to adhere to certain restrictions and principles, whether in Natura 2000 or not. In the case of Slovenia's forests, 74 per cent of which is in private ownership[59], the plans encourage close-to-nature forestry, sustainability and multifunctionality.

In the documentation, Natura 2000 sites are articulated as separate from 'protected areas', which refer rather to those areas designated on a domestic level. The protected network in Slovenia is based upon a number of large parks and reserves of national importance throughout the country (12 in total, including 3 that were planned for 2010). 26 percent of the total Natura 2000 site area (720,287.82 ha) overlaps with domestic designations. The state budget for nature conservation is broadly structured as individual allocations to the protected parks and reserves.

The national government is responsible for designating and financing the protection of areas and features of importance on a national scale. Responsibility falls to local authorities when the target of designation is of local significance only. One regional park (Notranjska) and 34 landscape parks have been established at municipal level across Slovenia.

With regards to funding, the Nature Conservation Act pronounces that the State *'shall guarantee the funds for measures for biodiversity conservation and the protection of valuable natural features, for nature conservation public service and for compensations under this Act'.* When the feature of protection is of local importance only, funds are guaranteed by the local community. However, following the polluter pays principle, those responsible for environmental or nature degradation are legally bound to meet the costs of countervailing measures. Moreover, a nature protection

[56] http://www.natura2000.gov.si/?L=1

[57] Slovenia Forest Service - Andrej Breznikar. (Undated) Forestry in Slovenia and its Contribution to Nature Conservation. SFS Presentation. Available: http://www.natreg.eu/uploads/test.pdf

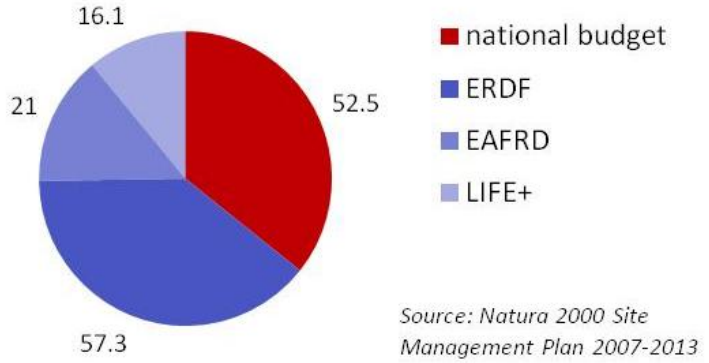
[58] WWF, RSPB, IEEP (2009) Innovative use of EU funds to finance management measures and activities in Natura 2000 sites- A collection of good practise examples. pp92-105

[59] Slovenia Forest Service. http://www.zgs.gov.si/

levy is imposed on individuals or organisations/entities for the use of community- or state-owned valuable natural features.

The Ministry of Environment and Spatial Planning, which is responsible for Natura 2000 implementation in Slovenia, published in 2008 the *Natura 2000 Site Management Programme 2007-2013*, which gives an account of the national legislation regarding Natura 2000, site descriptions and details on implementation and measures. The total planned budget for the period was 147 million EUR, or 21 million EUR per year, with a national budget allocation to nature conservation of 52.5 million EUR (36 per cent) (see Figure 1), which is generally unrelated to the EU funding system[60].

Figure 1: Breakdown of the income for Natura 2000 in Slovenia, 2007-2013, in million EUR.
Source: Natura 2000 Site Management Plan 2007-2013



Key insights regarding national funding available (i.e. non-EU fund related funding)

The state budget is the source of most financing for Natura 2000, both EU unrelated and match funding for rural development and other EU funds, though it is not possible to isolate the one from the other based on the datasets considered. Furthermore, the various streams that may support Natura 2000 are distributed across budget lines and not targeted specifically to Natura, so it is not possible to assess the overall state budget contribution to Natura 2000 alone.

The national budget allocations to main budget programme 1505 - Assistance and Support to Nature Conservation were 6,663,000, 6,483,223 and 7,521,148 EUR for the budget years 2007, 2008 and 2009 respectively, excluding budget items for biotechnology (#2303) and spending on implementation of ZSPJS (law on public sector wages) in public institutions (#6169)[616263]. This covers all the budget

[60] Information submission from Slovenia, Ministry of Environment and Spatial Planning
[61] Government of the Republic of Slovenia (2009) Proračun Republike Slovenije za leto 2009.
[62] Government of the Republic of Slovenia (2009) Proračun Republike Slovenije za leto 2008.
[63] Government of the Republic of Slovenia (2009) Proračun Republike Slovenije za leto 2007.

allocations to the landscape, national and regional parks, the Institute for Nature Protection (Zavod RS za varstvo narave), Natura 2000, other protected natural areas, and various other items directly relevant to biodiversity conservation. Between three and four percent of the budget items controlled by the Ministry for the Environment and Spatial Planning and between 0.2 and 0.3 percent of the total national budget are related to Natura 2000 (based on the 2007 budget and forecasts for the following years)[64].

Publicly owned forests (26 per cent of forest area) are funded through the Slovenian Fund of Agricultural Land and Forest in the state budget, in line with the principles, objectives and management plans derived by the Slovenia Forest Service. Moreover, in order to ensure appropriate protective measures are undertaken in good time and to a high quality in private forests, the state offers co-financing to the owners, with the contribution rate varying in function of the measure and circumstances of the area. For instance, measures to conserve wildlife may be co-financed between 30 and 70 per cent, with subsidy augmentations where the natural conditions are particularly challenging.

As an aside, Slovenia raises revenues through environmental taxes and other economic instruments intended to encourage environmental protection. The Environmental Protection Fund promotes advances in environmental protection through the award of credits or other financing, directed along the lines of the National Environmental Action Programme and EU policy. However none of the funding is directed explicitly toward biodiversity conservation; instead the focus is more on areas such as renewable energies and emission and waste mitigation.

Availability and importance of private sources

On the whole private sources play a minor role in financing at present in Slovenia. However, public-private partnerships and collaborative approaches are commonly used to manage protected areas. This can involve a number of sectors, such as the collaboration between the Science and Research Centre of Koper of the University of Primorska and the Ministry for the Environment and Spatial Planning for a LIFE II project in the planned Karst Park to conserve its threatened habitats and species, which also won an EU contribution of 357,698 EUR to the 476,930 EUR total budget.

Secovlje Salina Nature Park offers an innovative example of financing and managing Natura 2000 and other protected areas. The Park is owned by the State but managed by a private company, Mobitel d.d., a telecommunications company which owns the salt-making company Soline d.o.o. Recently there have been declines in traditional salt production, which is a key part of the cultural heritage and traditional land management of the area, and underpins its high biodiversity and the presence of several locally endemic halophilic species. A number of Birds Directive Annex I

64 Interview with Andrej Bebic (MESP) in context of IEEP project no. 373.

listed species are also active along the coastline. Concessions for management of the state-owned and state-designated park and for use of its natural resources were granted to the firm, who are responsible for the park's conservation management and have a specific duty in protection of its nature as set down in the Decree on the establishment of the Nature Park. The Government approve annual management plans, and also have representatives on the Managerial Board. The budget for management is mostly generated by the Park itself, with an 8 per cent contribution from the Republic of Slovenia and the initial investments in infrastructure, management and restoration met by the firm. The company invest in the protection and management of the area and in return benefit from some of the revenues from the salt production and other activities in and around the Park (eg. tourism). The arrangement has furthermore benefited the core business of the telecommunications company, who are gaining economically from an improved public image. The Secovlje Soline Nature Park was also the site of a LIFE III project (NAT/SLO/000076) between 2003 and 2006, operating on a total budget of 714,440, 50 EUR.

Availability and importance of civil society and charitable sources

Civil society funding plays an even lesser role in Slovenia than private sources. The majority of the funding that can be mobilised by the third sector is reserved to ensure the necessary co-financing of LIFE+ projects.

NGOs are involved in management of sites and projects, however, and share the same rights as private companies to apply for area management contracts and natural resource concessions. DOPPS, the Slovene partner of Birdlife, is one example CSO which manages protected sites and conservation projects.

Possible limitations & conditions for using existing national funding instruments for Natura 2000

The most important constraint with regards to Natura 2000 financing in this case is the severe limitation on national funding availability caused by the current economic situation[65].

National insights regarding the use of EU funds for biodiversity

Much of the financing for biodiversity in Slovenia is based around the EU funds (see Figure 1). Funding for Natura 2000 in Slovenia is heavily based on the structural funds and rural development funds, with LIFE+ project grants seen as a key mechanism for implementing non-administrative measures and monitoring of

[65] Information submission from Slovenia, Ministry of Environment and Spatial Planning

conservation status where funding cannot be won through the other pathways[66]. Measures and projects in Natura 2000 areas relating to infrastructure, tourism development or encouraging use of protected areas target funding bids to the ERDF, whereas projects relating to agricultural practices, production and product labelling target the EAFRD.

Lack of spatial specificity in the available data means that it is not possible to determine the total Regional Development Programme (RDP) spend on Natura 2000 sites. However, in the context of the Slovenian Agri-Environment Programme 2007-2013, approximately 100,000 EUR per annum is the anticipated allocation to four measures directly targeting Natura 2000 (based on 2008-2009 figures). Forested areas do not receive funding through the Slovenian RDP, and instead rely on limited funding through the state budget for forestry. The scarce funding for forested areas poses a significant difficulty given that 71 per cent of Natura 2000 sites in Slovenia are forested land.

In general, the opportunities available are not being maximised. Uptake of agri-environment measures is falling below expectations and the number of contracts declining[67], which has been linked to the low levels of payment[68]. In the Slovenian case, the potential funding for Natura 2000 is constrained given the concomitant high proportion of forested land comprising the network and the scarce funding openings for forestry within the RDP. Only options for machinery, forestry and biomass installations are included in the RDP for Slovenia. Furthermore, the available state budget for forestry is limited. Whilst some options exist for measures such as thinning, more weighty compensation payments or other financial mechanisms to ensure long-term management for conservation aren't available.

With regards to the structural funds, these are a key source of funding in Slovenia. Indicative figures for several related priorities within the OP for Strengthening Regional Development Potential suggested this will provide 39 per cent (57.3 million EUR) of the funding for the Natura 2000 Site Management Plan[69]. However, whilst the OP is devised centrally, decisions on the use of a portion of ERDF resources are taken at local/regional level, where Natura 2000 must compete with other spending areas that are considered higher priority (eg. transport infrastructure, education), which has implications for its effective use for nature conservation.

LIFE programmes are viewed as an important gap-filler where no other funding mechanisms are applicable. However, this is a limited funding pot focusing on discrete projects, and can't cover the wider intermittency of financing protected

[66] WWF, RSPB, IEEP (2009) Innovative use of EU funds to finance management measures and activities in Natura 2000 sites - A collection of good practise examples. pp92-105

[67] Information submission from Slovenia, Ministry of Environment and Spatial Planning

[68] Interview Bostjan Kos (Ministry of Agriculture, Forestry and Food) in context of IEEP project no. 373.

[69] Information submission from Slovenia, Ministry of Environment and Spatial Planning

sites. Additionally the requirement to secure 50 per cent co-financing (more than is needed with the ERDF and EAFRD) is a constraint for many applicants[70].

Despite the issues, it is clear that Slovenia is heavily dependent on EU funding for financing its Natura 2000 network.

Conclusions

Slovenia demonstrates a quite developed governance structure for Natura 2000, as highlighted by the existence of the 2007-13 Management Programme. It also shows signs of innovative approaches to management, such as public-private partnerships. However, in terms of financing Slovenia is strongly reliant on EU funding. Civil society and private sector financing are only of marginal significance. State funding is also restricted due to the prevailing economic challenges. Nevertheless, there are barriers to the effective use of the available EU funding mechanisms for Natura 2000, notably the high administrative burden and high prerequisite co-funding rate for LIFE+ and the lack of appropriate options and low payment levels under rural development payments.

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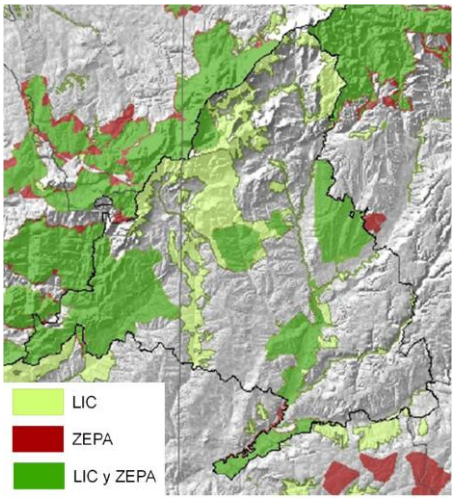
Overview of national financing sources for Natura 2000 in Madrid, Spain

The Autonomous Communities in Spain have full responsibility for administering Natura 2000 sites, with support from the Directorate General of the Environment and Forest Policy (Direccion General de Medio Natural y Politica Forestal), which takes charge of *inter alia* state strategic planning of natural heritage, programming of projects receiving EU funds, communicating with the European Commission with regards to Natura 2000, and elaborating common criteria for establishing, managing and financing Natura 2000 sites.

In the whole of Spain there are 1448 Sites of Community Importance (Habitats Directive) covering 131,434 km^2 (24.5 per cent of terrestrial surface area) and 599 Special Protection Areas covering 105,032 km^2 (20.6 per cent of terrestrial surface area)[71], with overlapping designations. In contrast, 3200.43 km^2 (40 per cent total land surface) of the Community of Madrid is designated as an SCI/SAC and 1853.31 km^2 (23 per cent) as SPA[72]. The entire extent of SPA in the region falls also as an SCI (see Figure 1), meaning the Natura 2000 network covers 40 per cent (320,043 ha) of the Community of Madrid.

Figure 1: Natura 2000 sites in the Community of Madrid.



Note: LIC - Lugares Importancia Communitaria (SCI)
ZEPA – Zonas de Especial Proteccion para los Aves (SPA)
Source: Ministiro de Medio Ambiente y Medio Rural y Marino

Summary of regional and national public funding available

The Community of Madrid is the major provider of finance to biodiversity conservation in the region. One activity area can be identified in the Regional Budget for Projects 2011[73] which may particularly benefit Natura 2000: item 6015 for the protection and improvement of the environment and Nature Parks, which

[71] Natura 2000 Barometer - November 2009. http://ec.europa.eu/environment/nature/natura2000/barometer/

[72] http://www.mma.es/portal/secciones/biodiversidad/rednatura2000/rednatura_espana/lic/lic.htm

[73] Proyecto de Presupuestos Generales de la Comunidad de Madrid 2011 – Memoria de Actividades

was allotted a budget of 1,865,000 for EUR 2011[74]. A separate publication identifies 1,683,917 EUR for investment projects under the investment line 043C 'Flora and fauna protection', of which half is reserved for hunting and fishing measures and a further 25 per cent for mitigation actions in relation to the construction of a motorway (M-501). The remaining 25 per cent is directed to various measures related to nature conservation. It cannot be said how much of these allocations benefits Natura 2000, nor that other finances aren't allocated through other budget lines to the benefit of the network.

Some financial resources from central government budgets can also be used to support nature conservation actions within the Autonomous Communities. *La Fundación Biodiversidad* (Biodiversity Foundation) is a public body operating under the Ministry of the Environment and Rural and Marine Affairs of the Government of Spain, which works to preserve natural heritage and biodiversity conservation for the benefits this generates for societal welfare. The Foundation collaborates in its activities with a range of public, civil society and private sector organisations and institutions active in the network. The Foundation functions across several action areas under which Natura 2000 sites have potential to benefit, including biodiversity, rural development and cooperation. The Community of Madrid has seen two projects supported by the Foundation, closely but not directly related to Natura 2000. Madrid was one of several Spanish city targeted for a tree planting programme, aiming to involve volunteers and encourage cooperation between government institutions, private enterprise, collectives and private individuals. Additionally the Foundation contributed to the LIFE+ project 'European Capitals of Biodiversity', which aimed to promote the protection of nature and biodiversity in urban areas, by running a series of workshops in 2010 and 2011 to equip municipalities with the skills and tools to launch biodiversity initiatives.

Figure 2: Biosphere Reserves in the Community of Madrid.

Source: http://www.mma.es/secciones/el_ministerio/organismos/oapn/oapn_mab_reservas.htm

The central government has involved itself with the financing and general support of the Biosphere Reserve of Sierra del Rincón (RBSR) on the edge of the Community of Madrid. It is one of two Biosphere Reserves in the region, both of which are designated also as Natura 2000 areas (see Figures 1 and 2). The Ministry of the Environment and Rural and Marine Affairs has entered into a cooperation agreement with the Community of Madrid's Department of Environment, Housing and Planning over the implementation of a programme of actions to support coordination and management of the RBSR[75]. The central government provides support to the

[74] Proyecto de Presupuestos Generales de la Comunidad de Madrid 2011 – Articulado de la Ley.

[75] Boletín Oficial del Estado. Lunes 15 de febrero de 2010. Num. 40, Sec.III, Pp. 14077-14083.

Community of Madrid in the form of a budgetary contribution, guidance on implementation, monitoring and assessment, and outreach and dissemination work. For its part, the Department of Environment, Housing and Planning assumes operational and financial responsibility for implementation and administration of the agreed actions. The agreement furthermore precludes either party from seeking or employing EU co-financing for any of the featured actions. The total budget allocation from the national government is 180,000 EUR. The majority of the budget is allotted, however, to actions not related to biodiversity conservation. The programme of actions and total budgetary allocation is shown in Table 1.

Table 1: Action programme for Reserva de la Biosfera Sierra del Rincón

Action	Total budget (EUR)
Equipping of fishing refuge in Hayedo de Montejo for educational use	32016.00
Publication of audiovisual materials	35344.10
Research/Observation tower in Hayedo de Montejo	52235.87
Catalina Garden Produce Consolidation Project	28738.83
Technical study on use of biomass in RBSR for generating thermal energy and hot water heating in homes	11000.00
Installation of solar photovoltaic energy for the Hayedo de Montejo Environmental Education Centre	9665.20
Computer control system of RBSR indicators	11000.00
TOTAL	180000.00
Source: Boletín Oficial del Estado. Lunes 15 de febrero de 2010. Num. 40, Sec.III, P.14083	

Availability and importance of private sources, civil society and charitable sources

Little information could be found to demonstrate the importance of non-governmental financial resources in supporting Natura 2000 in Madrid. However, there are some examples of partnership initiatives between private enterprise, institutions, civil society organisations and the Community of Madrid which have the potential to leverage additional resources for nature conservation objectives.

The regional bank CajaMadrid runs a foundation Obra Social Caja Madrid, which generates funding for projects in the areas of environment, culture, education and social action. Protection of species and conservation of biodiversity both feature as subthemes alongside sustainable development under the environment rubrique. Various programmes targeting species of Community importance, such as the Iberian Lynx and Spanish Imperial Eagle, are supported through the foundation. The Caja Madrid also supports the Community of Madrid in conservation efforts and environmental education and awareness raising in the natural area of Hayedo de Montejo (Montejo Beech Forest), site of national interest and part of the Biosphere Reserve of Sierra del Rincón.

The public foundation FIDA (La Fundación para la Investigación y el Desarrollo Ambiental – Foundation for Environmental Research and Development) was established by the regional government in 1992 as an agency to bring together

business, civil society and government institutions and encourage public-private partnership for projects related to the environment. Its main focuses are on advocacy, education, training, research and knowledge dissemination related to environmental protection issues. Whilst biodiversity conservation is not a specific target, the initiative nonetheless demonstrates the desire of governmental actors to involve private and civil society associations, and potential mechanisms and initiatives that can be built on for the benefit of Natura 2000.

National insights regarding the use of EU funds for biodiversity

Whilst the whole of Spain in aggregate receives significant funding through the EU funds, Madrid itself receives only a small portion. LIFE funding, whilst important nationally, is quite limited for the region, and structural funds are not employed for nature conservation in Madrid. Funding for rural development with potential to support Natura 2000 on the other hand is significant. The fragmented and general nature of the specific funding streams and lack of spatial differentiation of payments means that it is not possible to get a clear picture of how these EU funding instruments are or are not used in support of Natura 2000.

The LIFE programme 2000-2006 financed 61 Nature projects throughout Spain, with an EU contribution of 60,462,498 EUR[76]. The Community of Madrid has benefited from a number of LIFE projects since the programme's launch in 1992, including a number of large projects conducted in stages (see Table 2). Excluding nation-wide projects, the region of Madrid received a total of 3,518,339 EUR as the EU contribution to a total budget of 5,443,831 EUR, which makes an average EU co-finance rate of 65 per cent.

Table 2: LIFE projects in Madrid 1992 - 2010

Project	Code	Total budget	EU contrib.	Beneficiary
Inventory and mapping of species and habitats	LIFE 93 NAT/E/011900	2,400,000 (All Spain)	1,800,000	National government
Inventory and mapping of species and habitats	LIFE 94 NAT/E/004831	2,267,000 (All Spain)	1,700,000	National government (All Spain)
Inventory and mapping of species and habitats	LIFE 94 NAT/E/004826	217,000	162,000	Comunidad de Madrid
Conservation of Iberian Lynx	LIFE 94 NAT/E/004808	90,000	67,000	Comunidad de Madrid
Conservation of Iberian Lynx	LIFE 94 NAT/E/004809	72,000	54,000	Consejo Superior de Investigaciones Cientificas

[76] BAP Assessment 2010 – Spain Country Profile

Conservation of Iberian Lynx	LIFE 94 NAT/E/004810	36,000	27,000	National govt
Conservation of Iberian Lynx	LIFE 95 NAT/E/004819	46,000	34,000	National govt
Conservation of Iberian Lynx	LIFE 95 NAT/E/004820	91,000	68,000	Consejo Superior de Investigaciones Cientificas
Conservation of Iberian Lynx	LIFE 95 NAT/E/004821	111,000	84,000	Comunidad de Madrid
3rd phase Conservation of Imperial Eagle - Madrid	LIFE 95 NAT/E/001152	1,209,600	907,200	Comunidad de Madrid
Conservation of European Black Vulture in SPAs of Madrid	LIFE 98 NAT/E/005351	238,349	143,010	Comunidad de Madrid
CBD 2003 Conservation of Spanish Imperial Eagle, Black Vulture & Black Stork	LIFE 03 NAT/E/000050	3,286,882	1,972,129	NGO and other partners
Source: http://ec.europa.eu/environment/life/project/Projects/index.cfm				

For the period 2007-2013, 682 million EUR was expected for biodiversity and nature conservation as EU cohesion and structural funds for the whole of Spain[77]. So far only 27 per cent had actually been allocated. A further 68 million EUR and 63 million EUR were identified for Promotion of natural assets (code 55) and Natural Heritage (code 56), respectively, for the current financial period. The ERDF appears not to be used to the benefit of biodiversity conservation in the Community of Madrid, however, with no mention of 'Natura 2000', 'habitats' or 'species' in the regional Operational Programme. Payment code 51 is not used, although measure 56 features in the OP with a budget of 3,350,000 EUR. It is not possible to say whether this benefits Natura 2000 network.

Each autonomous community has its own Rural Development Programme (RDP), allowing for more targeted and appropriate measures to be planned. This is complemented by a horizontal programme for the whole of Spain. In many regions agri-environment measures comprise the largest portion of Axis 2 funding, which itself represents about 37 per cent of the whole EAFRD budget[78]. A series of other options present fairly substantial contributions, which can potentially be used for supporting Natura 2000 activities, including support under non-productive investments in forestry. The RDP for the Community of Madrid 2000-2006 actions relating to biodiversity conservation predominantly were covered under Priority 4 – Forestry and Natural Resources, such as soil amelioration, encouraging landscape

[77] Biodiversity Action Plan assessment – Country Profile for Spain.

[78] Biodiversity Action Plan assessment – Country Profile for Spain.

management, reforestation and protection against forest fires. The total allocation (2000-2006) for activities (including non-biodiversity related) for forestry and natural resources was 47,515,000 EUR, of which 19,006,000 EUR (40 per cent) was contributed from the EC.

Conclusions

On the basis of the resources available in the context of this research task, it is not possible to assess in a detailed manner the composition and distribution of financing for Natura 2000 in the Community of Madrid. It is nevertheless interesting to observe how the European nature directives are implemented in a highly decentralised state. This governance structure and power distribution also creates an interesting dynamic with regards to financing from EU sources, with the need for a central coordinating body. At present, the funding for nature protection in Madrid is strongly dependent on government budgets and EU-related payments for rural development. However, government partnerships with private sector associations, research institutions and civil society organisations on funding schemes and specific projects indicate potential to expand and integrate more diverse funding sources.

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http://ec.europa.eu/environment/nature/natura2000/barometer/

Overview of national financing sources for Natura 2000 in the United Kingdom

The structure of Natura 2000 financing in the UK is complex, as land management and rural development is devolved to the administrations of Scotland, England, Northern Ireland and Wales, and the landscapes and conservation needs of each of these countries is very different. Each country has their own conservation body responsible for advising on the natural environment, notifying SSSIs/ASSIs[79], managing National Nature Reserves and administering Rural Development schemes and other financing programmes relevant to Natura 2000 management. The respective conservation bodies are: Natural England, the Countryside Council of Wales (CCW), Scottish Natural Heritage (SNH) and the Northern Ireland Environment Agency (NIEA) of the Department of the Environment of Northern Ireland (DOENI). These bodies receive funding centrally from the UK government (Defra budget), as well as the budgets of the Welsh Assembly Government (WAG), Scottish Government and Northern Ireland Assembly, as appropriate. Across these bodies, however, the general structure is similar. The Rural Development Programme is seen as the major mechanism for funding Natura 2000 in the UK, although the funding model for conservation projects is multidimensional, often requiring a portion of non-government funding to qualify for public financing.

England, Scotland, Wales and Northern Ireland vary greatly in terms of land use, landscape, and needs and potentials in terms or nature conservation and financing. This has to be kept in mind when drawing conclusions on 'UK' conservation or Natura 2000 financing.

In England, land is predominantly agricultural and there is significantly more urban and infrastructural development than in the other three countries, with impacts on the types of conservation measures needed and the financial mechanisms appropriate or available. 82 per cent of terrestrial Natura 2000 sites in England are subject to agri-environment agreements.

In Wales, however, only 57,789 ha out of a total 648,847ha of Natura 2000 designated land (9 per cent) is under agri-environment agreement. Indeed, only 28 per cent of total Natura 2000 land in Wales is terrestrial and 20 per cent agricultural. Wales is quite different in continuing to have management agreements funded entirely by the Welsh Assembly Government, which cover a not insignificant 36,357 ha. There are, however, no particular mechanisms for funding the 52 per cent of the terrestrial Natura 2000 area not covered by AES and s15 agreements, or for the 70 per cent of all Welsh Natura network area that is marine.

In Scotland, 60 to 65 per cent of the total terrestrial Natura 2000 area (1,447,214 ha) is under land management or some other secure tenure agreement, with the various

[79] SSSI refers to Sites of Special Scientific Interest, the term employed in England, Scotland and Wales, whereas ASSIs Areas of Special Scientific Interest is the nomenclature used in Northern Ireland.

AES taking a key contributing part. The current scheme, Rural Priorities, covers 16 per cent of the eligible SAC area and 18.5 per cent of the eligible SPA area.

Equivalent data was not available for Northern Ireland.

Key insights regarding national funding available (i.e. non-EU fund related funding)

It is not possible to provide figures on the sum of public money available which is neither EU funding nor national match funding, but it has been suggested to comprise over 50 per cent of spending on Natura 2000 in Scotland [80]. Certainly the range of funding options is very broad.

A key part of national financing for conservation takes the form of Grant In Aid to the various conservation bodies and the Forestry Commissions from the UK government and the SG, WAG and NIA. These bodies act as a sort of black box, allocating in turn grants to NGOs, community associations and local authorities for conservation works or spending directly on conservation activities. For the financial year 2009-10, Defra Grant In Aid to Natural England totalled £262,918,000, which is 93 per cent of its gross income[81]. The conservation bodies are also permitted to receive contributions in the form of gifts and donations for use in its intended activities.

Agri-environment schemes (AES) under the Rural Development Programmes (RDP) are a significant channel for national (and EU-related) funding. Each country operates its own RDP and has phased in and out a succession of AES. The schemes are administered by the conservation bodies, but programme spend is accounted for by Defra. In England, AES is known as Environmental Stewardship, operating as Higher Level Stewardship, Entry Level Stewardship and Organic ELS schemes. In Wales, the new scheme Glastir has replaced Tir Gofal and Tir Cynnal. In Scotland, the current scheme is Rural Priorities. As an indication of its importance, the Rural Development Programme for England accounted for a further £360.8 million paid to farmers and landowners by Natural England in 2009-10[82].

Various other schemes do or have recently channelled funding to Natura 2000, SSSIs and other conservation projects. These include the Better Woodlands for Wales scheme of the Forestry Commission for Wales, Wildlife Enhancement Scheme Agreements for SSSIs, and Conservation and Enhancement Scheme Agreements for SSSIs not qualifying for Environmental Stewardship.

A number of targeted initiatives and schemes operated by conservation bodies can mobilise funding for specific projects, such as Natural England's Access to Nature Programme, the Countdown2010 Biodiversity Action Fund and Wetland Vision, which were grant supported in 2009-10[83]. Such initiatives combine funding from

[80] Submission from Scottish Natural Heritage

[81] Natural England (2010) Annual Report and Accounts, 1st April 2009 – 31st March 2010.

[82] Natural England (2010) Annual Report and Accounts, 1st April 2009 – 31st March 2010.

[83] Natural England (2010) Annual Report and Accounts, 1st April 2009 – 31st March 2010.

government, third sector and private sector sources. One-off or restricted period grants are also made through the Heritage Lottery Fund, Big Lottery Fund and various grant-making foundations[84]. Additionally a number of private sector schemes are in operation, such as the Aggregates Levy Fund, the Landfill Communities Fund and the SEPA Water Environment Restoration Fund which can potentially benefit Natura 2000 sites[85]. Whilst limited in extent, these schemes are potentially important as co-funding against public finance and are discussed in later sections.

Roles of national, regional and local authorities in administering funding

As previously described, responsibility for managing and administering funding is devolved to the constituent administrations of the UK and their associated conservation bodies. They are governed by separate but equivalent legislation and their financing is distributed between the central government and their own government resources, through Defra and the environment departments of Scotland, Wales and Northern Ireland.

Local Authorities and the National Park Authorities (NPA) are also involved in governance, having responsibilities for some protected sites, and for adhering to wider government objectives in local and regional planning. Local authority involvement is only important however in some specific projects or sites, where the land is owned by the local authority or where they have a key interest. In this case, the funding would predominantly originate from the budget allocation from central government directly or through the conservation agencies. On the other hand, local authorities can leverage funds from other sectors through conditions tied to development planning permits, requiring the developer to provide funding for local conservation activities, for example.

NPAs are independent bodies, which operate through central government budget allocations, EU funds and their own revenues, raised from production activities and visitor spend. Depending on the park, annual visitor spend varies between £83 million (Exmoor) and £659 million (Lake District) (2008/09 figures)[86]. Government funding for 2008-09 ranged from £3,291,563 for Northumberland NP to £8,264,281 for the Peak District NP. The spending profiles vary between the National Parks, but generally conserving the natural environment takes a relatively small proportion of the total expenditure (eg. Brecon Beacons 4 per cent, Dartmoor 14 per cent). Promotion of learning and staff salaries constitute the largest expenditure tranches.

Availability and importance of private sources

[84] CCW (2010) Countryside Council for Wales Funding Newsletter, June 2010.

[85] Scottish Natural Heritage (2010) Funding for Natural Heritage Projects Scotland 2010.

[86] www.nationalparks.gov.uk

Increasingly, private sector financing and public-private partnership is desired and expected to become more significant in nature conservation and other land management projects. At present, however, the total private sector contribution is limited and factors only as specific project/site funding.

There are a number of small to medium sized project funding schemes open to projects on Natura 2000 and other protected sites. It is not possible to assess in aggregate the figures involved. In general, however, many of these funding grants are small, one-off or otherwise limited in duration, more appropriate for establishing sites or particular restoration and enhancement works than for ongoing maintenance.

The Landfill Communities Fund is an innovative finance mechanism, through which landfill operators form partnerships with enrolled Environment Bodies and help to fund environmental projects, including for biodiversity. The financial contribution made comes from the landfill taxes paid by the operator (up to 5.5 per cent of their tax liability), which can be reclaimed up to 90 per cent as tax credit from the government; the remaining 10 per cent is borne by the operator or a third party. The Environment Bodies in receipt of the funding are organisations (not just charities) who are registered with the LCF administrator (Entrust), who must be independent of direct or indirect control by local authorities and landfill operators. The landfill operators generally set up a trust and specific schemes through which their LCF operates (eg BIFFA Award, SITA Trust's Enriching Nature scheme etc.), and typically place geographic restrictions on the projects winning funding (eg. within 25 miles of a landfill site). For more information see http://www.entrust.org.uk/home/lcf. Case study: Mid Yare Fen Restoration Project – SITA Trust with match funding from Natural England (Broads Environmentally Sensitive Area Scheme).

On a larger scale, there are cases of private sector utility companies establishing land management schemes in partnership with NGOs, under which land owners enter into management agreements with the company to undertake environmentally positive activities in return for payments. United Utilities pioneered this approach in the north west of England in partnership with RSPB, under the Sustainable Catchment Management Plan SCaMP. The arrangement benefits the water company through avoiding costly, downstream water treatment processes. Whereas catchment protection is the driving objective, biodiversity and nature conservation goals are incidentally supported. Natura 2000 areas within the geographic extent of the scheme would also qualify for financial support. 30 per cent of the area under the SCaMP scheme is designated SSSI.

Availability and importance of civil society and charitable sources

Civil society funding is a significant but highly fragmented resource for Natura 2000/SSSIs. NGOs play a key role both as specialist organisations who manage, operate and sometimes own Natura 2000 sites (eg. RSPB, Woodlands Trust, WWT) and as general landowners (eg. the National Trusts). These NGOs fund their

operations through government and non-governmental grants as well as with donations and revenues from membership, entrance fees and other economic activities. The incomes of NGOs are currently constrained, however, due to the wider economic difficulties with ramifications for their management capacity.

There are manifold grant-making trusts and foundations to which managers of nature sites can apply for funding. Most funding pots are limited and have a restricted remit, meaning only certain sites or specific projects would qualify. Many funds are only open to applications from charities, or must be community led, and with significant social benefits. Others are offered by invitation only. In some cases, the application procedure for funding itself can be a constraint, being highly demanding in human resource terms, for instance, and not worth the risk. Coordinating the various funding sources necessary to fully finance work can also be highly demanding and beyond the resource and expertise capacity of site owners and managers (individuals, communities, small associations).

In the area of nature conservation, the Esmée Fairbairn Foundation is an important source of grant funding, generated through investment activities. In 2010, the Foundation's biodiversity strand granted a total of £689,886 to 10 projects, ranging from university biodiversity conservation research to Wildlife Trust surveying and restoration works. Over the period 2007-2010, an average £513,796 per year was awarded under the Biodiversity Strand. Grants made under the Environment component of the Foundation's main fund with a strong biodiversity or nature conservation angle totalled £1,631,987 in 2010.

The Heritage Lottery Fund is a potential source of funding for projects with a focus on heritage, including wildlife and habitat and species of importance. The Land and Biodiversity component has provided vast resources since the launch of HLF in 1994 to a diversity of programmes[87]:

- £278,000,000 on 2270 projects to help conserve and restore the most threatened habitats and species.
- £525,000,000 to rejuvenate more than 500 historic public parks
- £91,000,000 to purchase more than 70000 ha of land of importance to wildlife
- More than £15,000,000 making nature more accessible
- £41,000,000 on 120 projects benefitting Protected landscapes (£22,000,000 to 27 AONBS, and £19,000,000 to 18 National Parks.
- Projects have rejuvenated more than 500 historic public parks.
- Also grants have been made for the restoration and extension of more than 100km of hedgerow and 42km of drystone wall, and for the creation or improvement of 3300km of trails, bridleways and footpaths.

The HLF Landscape Partnership programme presents opportunities for funding nature protection areas as part of a broader range of actions and projects pursued through the establishment of local partnerships, which aim to conserve a countryside landscape of particular importance.

[87] http://www.hlf.org.uk/ourproject/projectsbysector/landandbiodiversity/Pages/index.aspx

Another lottery funder, the Big Lottery Fund, may also be available to fund certain types of projects on Natura 2000 designated sites. Money generated from both the National Lottery and non-lottery sources is used to deliver funding programmes in collaboration with other organisations. The Changing Spaces Programme (2005-) awards funds through 5 environmental grant schemes operated by different organisations. Among them was Access to Nature, run by Natural England, which allocated sums to restoration and regeneration projects run by non-profit community-based organisations in England from a budget of £28,750,000. Various other small grant schemes under the Big Lottery Fund can also be used for green space and conservation works. The fragmented nature of the scheme makes it difficult to judge the overall value of this funding option to Natura 2000.

Possible limitations & conditions for using existing national funding instruments for Natura 2000

The funding streams available are numerous and diverse, so it is difficult to conclude in general terms on restrictiveness and coverage of options overall. Furthermore, there are no funding options targeted specifically at Natura 2000 sites. On the whole it is only possible to discuss funding of all SSSIs, whether the designation overlaps or not.

Generally conditionalities are attached. For instance, social benefits have to be foreseen for local communities or value added to the regional or local economy for projects to be funded with taxpayer money. In other cases, projects have to be run by community groups, or be undertaken on common or local authority land. Other funds are targeted toward species or habitats of special local or national significance, or towards those that are threatened or endangered. This means SSSI and Natura 2000 designated land may have an advantage, as designation is granted on the basis of the presence of priority or important species/habitats.

Many of the funding options described are very minor in absolute terms, and their short duration limits their utility and importance for financing Natura 2000 in a broad or long-term way. These funds however seem significant for restoration projects, where they can contribute to a broad portfolio of funders to achieve a project with clear aims and clear, identifiable outcomes.

The requirement to source at least 50 per cent co-financing attached to many funds is also proving increasingly restrictive, as it is becoming more difficult to secure match funding[88]. Moreover, due to the high diversity, high fragmentation and lack of coherence between options, harmonising the funds can be a challenge, not least for applicants with limited resources and expertise.

[88] Submission from CCW

Some key insights regarding the use of EU funds

The eligibility or not of Natura 2000 areas for agri-environment and other land management agreements is a key factor in their total funding potential in the UK. The impression is that the UK government is striving to channel all finance for SSSIs through land management agreements, but many Natura 2000 areas fail to qualify. Whereas AES eligibility opens up options for attaining funds, it closes down other possibilities, such as LIFE+ and other conservation targeted national programmes which exclude areas under rural development schemes.

Taking the UK as a whole, rural development programmes constitute the key element of funding for Natura 2000. However, it can be seen from the Rural Development Programmes and payment figures of each of the countries that the payment categories 214 and 226??, for agricultural Natura 2000 and forest Natura 2000 sites respectively, are not used. This is because domestic legislation[89] obliges farmers and land managers to refrain from activities that could undermine the environmental interests of protected areas (SSSIs). Payment through CAP Pillar Two is directed to assist positive management measures only, rather than as compensation for income foregone or costs incurred from abstaining from damaging practices. All the legislative requirements for Natura 2000 sites are met through the domestic legislation governing SSSIs, therefore there is no need for further, more stringent land management restrictions.

The potential to use ERDF funding is limited. In Wales, which is under the Convergence and Competitiveness Programme, Natura 2000 sites could only get funding if the project demonstrates economic growth and job creation opportunity, which is not always possible for conservation projects.

The discrepancy between specific management needs at local, site level and the high-level setting of priorities and delimiting of sometimes generic management measures which can then win EU funding is identified as an issue, notably that some of those needs are financially demanding and outside of the scope of EU financing.

Conclusions

Considering the national financing of Natura 2000 in the United Kingdom is a complex task as legislative and executive powers for land management and rural development are devolved to England, Scotland, Wales and Northern Ireland. Each country has quite different needs and potentials in terms of financing and management of nature conservation, so whilst the mentality regarding financing regimes is similar, each country must take a different approach to meeting those finance needs under the current system. The EU funds, especially the RDP, are the

[89] the Wildlife and Countryside Act 1981 as substituted by Schedule 9 of Countryside and Rights of Way Act 2000

overriding mechanisms used to channel finance to Natura 2000 areas, though there are significant obstacles and limitations to its use, particularly in Wales. Otherwise, the financial model is very diverse, distributed and heavily fragmented, itself causing difficulties in securing and coordinating sufficient funding. Civil society sources are numerous, including quite large but isolated grants from lottery funds and charitable trusts and foundations to support clearly defined projects, as well as the membership and other revenues of large conservation NGOs who operate nature sites. Private sources are not a significant contributor, though the desire to boost this input via public-private partnerships, corporate responsibility schemes and so forth is evident. Whilst there is clear potential for building a multidimensional funding model, there are major barriers at present to effective use of available funds from both governmental and non-governmental, national and EU sources, which need to be addressed if financing needs are to be met.

Sources of information

Information submission from Scottish Natural Heritage in the context of this project

Information submission from Countryside Council of Wales I the context of this project

Natural England (2010) Annual Report and Accounts, 1st April 2009 – 31st March 2010

CCW (2010) Countryside Council for Wales Funding Newsletter, June 2010.

Scottish Natural Heritage (2010) Funding for Natural Heritage Projects Scotland 2010.

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Annex 2. Case studies for using the EU funds for co-financing Natura 2000 at the Member State level

This Annex presents case study examples of EU funding instruments and/or instrument specific programmes that have been developed to provide more insights into the factors defining their success or failure. The examples compare cases where financing of Natura 2000 has been successfully integrated into the implementation of an EU fund with cases where Member States have encountered difficulties in utilising the EU funding instrument for Natura 2000 in practise. The case studies are based on assessing relevant Member States' operational programmes in which they allocate EU financing to different national and regional priorities (for ERDF, EAFRD, EFF) or, in the case of instruments implemented at the EU level, national supporting structures to help beneficiaries to access EU funding (LIFE+ and FP7).

The case studies covered examples in the following Member States: Austria, Cyprus, Denmark, Germany, Spain and Poland. All case studies have been analysed and documented according to the same structure:

a. Aim and background
b. Eligibility under the successful programme
c. Description of the successful project
d. Factors enabling the use of the funding instrument
e. Description of the failed programme example
f. Analysis of successes and failures
g. Recommendations

European Agricultural Fund for Rural Development (EAFRD)
-
The use of EAFRD for Natura 2000 in Austria and Spain

The Austrian Rural Development Programme has been analysed, especially from the perspective of the agri-environmental measure (article 39 EAFRD). Furthermore, some data on the Spanish use of the Natura 2000 payments is also analysed (article 38 EAFRD).

The following persons have been instrumental for the development of this case:

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Aim and background

In Austria financing tools for nature conservation from EU funds are primarily implemented in the Programme for Rural Development; instead, the integration of these measures within the Structural Funds, especially in the programme under Regional Competiveness, is weak. The main reason for the high level of integration of Natura 2000 into rural development is the fact that NGOs and authorities for nature conservation participate since 1995 in the development and evaluation of the programme. The result is a 'win – win' situation where many farmers in extensive regions were supported to maintain their work - and many habitats were successfully managed by the farmers.

Nature conservation goals in Austria are considered within the programme of rural development thoroughly through three approaches:

- A budget of 42 million EUR per year is available through the agri-environmental scheme in the form of **area-premiums.**
- With reference to the Art.57 (M323) of the ELER, 21 million Euros per year are available for the funding **of projects**.
- For educational purposes (Art.11 & Art.58), financial support can be granted according to applied projects. There is no agreed 'extra' budget for nature conservation.

Eligibility

Following is an outline of eligible projects:

1. Different conservation measures for all habitats and species depending on agriculture (Agri Environmental Program)
2. Development and realization of Nature Protection Plans for farmers
3. Trainings and public awareness according nature conservation subjects
4. Restoration of rivers and other 'green' investments
5. Planting of trees, hedges, little forests
6. Elaborating management plans for Natura 2000 sites
7. Establishing a Natura 2000 site manager

Description of the financing opportunities for Natura 2000 within the Austrian Rural Development Programme

The agri-environmental scheme in Austria features a few special characteristics. Firstly, nature conservation measures in Austria are flexible and therefore can regard the specific characteristics of the distinct regions in Austria. To fit to the needs of different regions or farms, a big sample of fundable measures is compiled to an individual contract. This process is accompanied by educational and consultative activities with the farmers on site.

Another special feature in Austrian nature conservation policy is the Nature Conservation Plan, which can be financed by this fund, which was introduced in 2001. It is a measure, which is being applied at operational level on farms. In order to establish such a Plan, the whole area of the farm is assessed according to its relevance to nature conservation and protection by an ecologist. Depending on the entire operational situation on the farm and in agreement with the farmer, requirements, restrictions and rules for nature conservation are developed. This process of corporate planning is an important educational measure and an exchange for both the farmer and the ecologist. Moreover, the nature conservation plan can regard the specific needs of the farmer. The date of mowing, for example, can be fixed phenologically and according to the bloom of plants instead of depending on fixed calendar dates. This way, the date of mowing goes hand in hand with the different weather situation.

Furthermore, over 500 farmers participate in a biodiversity monitoring which is taking place in the course of the agri-environmental scheme. Chosen plants and animals are monitored annually in order to assess the conditions implied by nature conservation. In return, each participating farmer receives a higher area premium.

The participation in the nature protection measures is good: 23,417 farms, which are 15 per cent of all Austrian farms, participate with a total of 81,691 has. The participation in the Natura 2000 areas is fluctuating: depending on region, between 20 per cent and 80 per cent of the areas of the habitats and the birds-directive are under contract.

Periodic meetings and a good cooperation between the nature protection agencies, governmental departments and paying offices, secure a steady development of the contents and evaluate the technical feasibility and accountability of the programme.

Nature conservation measures are fully integrated in the data handling-scheme for agriculture. The database for environmental protection is closely linked to the INVEKOS (a GIS integrated administration and inspection system). This fact is of great importance, because environmental protection surveillance often has to deal with complicated borderline issues such as areas including numerous landscape elements, poor grassland or moist and wet pastures. For these cases, nature conservation needs the technical know-how of the audit services, and the audit services need the clear interpretation of the specifications in the program or the EU directive.

Within the Austrian Programme of Rural Development, the establishment of the **measure M323 (art.57 of the EAFRD)** is also relevant. In Austria this measure has a budget of 105 million EUR, and can used for many purposes, including awareness building activities, management concepts and investments (renaturation and restoration of rivers, plant cultivation, nature trails, etc.). For these purposes 21 million Euros per year are available. The application for these funds is quite simple and the service for the applicant good. The nature conservation department is the institution for applications as well as for approving the projects.

Not all challenges in Natura 2000 –and other precious areas– can be tackled with the aid of the area premiums of the agri-environmental scheme. In this sense, the broad possibilities for funding because of the M323 are an important contribution to achieve the nature conservation goals in the area.

Anyhow, the evaluation of the past five years showed clearly that with the support of M323 (regional projects, management plans, education, Natura 2000 manager) the participation on nature conservation measures of the agri-environmental scheme has increased significantly. Therefore the M323 has evolved itself as the ideal supplement to the agri-environmental scheme.

Regarding the Natura 2000 payments (article 38), Austria has not yet made use of this possibility.

Table 1: Factors enabling the use of the funding instrument

Success factor	++	+	0	-
a. The programme/funding instrument has a clear biodiversity related priority	x			
b. The programme/funding instrument has a well developed budget for biodiversity	x			
c. Biodiversity measures are well defined and a wide range of activities can be funded	x			
d. A clear procedure and system has been put in place to generate biodiversity related projects		x		
e. Beneficiaries are adequately and successfully supported by the authorities responsible for implementing / administrating the fund at the national level	x			
f. Projects are managed by beneficiaries with good professional and administrative capacities.		x		

Source: own analysis

The Natura 2000 payments in Spain

Natura 2000 sites account for more than 14 million hectares in Spain (27 per cent of total national surface) and almost 75 per cent of this area is used to some degree for farming uses. According to the Spanish Monitoring Committee of the National Framework of the Ministry of Environment, the Natura 2000 payments under the article 38 of the EAFRD Regulation has just been used in 2 of 17 regions (Navarra and Asturias), and its implementation is still pending in the region of Madrid. Its implementation has been jeopardized by the lack of management tools or plans which would allow calculating the costs incurred and income foregone resulting from disadvantages in the areas concerned related to the implementation of Directives

79/409/EEC, 92/43/EEC of farmers. This means only 46.752 ha. out of 10.000.000 ha, and a total public investment of 3,3 million euros out of 14.000 millions euros of total public investment on rural development measures by now. In any case, some regions have used some agri-environmental measures specifically for Natura 2000 to overcome this challenge.

The application in forest areas (art. 46 EAFRD Regulation), according to this publication has not happened at all.

Moreover, it seems in some cases Natura 2000 can actually become negative for acceding to EU funds in Spain: according to a recent WWF-Spain report[90], municipalities with over 50 per cent or over the 90 per cent of their territory within Natura 2000 are receiving less EAFRD and EAGF payments than the ones with less surface within Natura 2000 (see table below, from the mentioned study).

Table 2: EAFRD payments for NAtura 2000 in Spain

Type of system/ area	EAFRD	Other payments-EAGF	Direct payments-EAGF	Total payments
Inside Natura 2000 Network (>50% TA)	51.63	27.22	140.78	219.63
Inside Natura 2000 Network (>90%TA)	47.06	8.34	124.80	180.21
Outside Natura 2000 Network (>50%TA)	57.93	45.57	202.72	306.22
Outside Natura 2000 Network (>90%TA)	57.45	44.59	196.16	298.21
Rain-fed crops	39.45	29.58	211.47	280.51
Irrigated crops	87.13	209.31	321 .50	617.94
Pastures	57.90	6.68	159.27	223.85
'Dehesas'*	22.10	3.64	103.89	129.63
Permanent crops	54.53	170.62	191 .80	417.32
Herbaceous crops	49.50	36.68	277.57	363.75
Over-exploited underground water bodies	26.80	96.69	174.87	302.26
Nitrate Vulnerable Zones (NVZ)	52.70	92.21	232.58	377.49
Irrigated crops In NVZ	74.03	206.56	297.28	577.86
Total Municipalities (UAA<50%TA) - N 4436	60.33	45.02	203.30	308.65

TA: Total Area of Municipality
UAA: Utilized Agricultural Area
N: num. of municipalities included in the category

*A Dehesa is a complex concept which usually entails several uses, mainly extensive livestock rearing and forestry exploitation (for cork, charcoal and wood), with possible low degrees of cropping (for forage), and even hunting purposes. However, for the purpose of this study only Dehesas which have their surface designated as Utilized Agricultural Area (UAA) have been included in the analysis and so exclusively hunting systems (only a minor part) are not considered.

Analysis of successes and failures

[90] WWF-SEO Birdlife, 2010. *¿Quién contamina cobra?*. http://www.seo.org/media/docs/quien-contamina-cobra_baja.pdf

The Austrian example shows that the participation of stakeholders in the planning process from the very start supports a smoother implementation of the use of the funds. Furthermore, this can help implement the integration option in a more efficient way, as it can allow different sectors to aim to common goals, and helps stakeholders to learn from other sectors. This case also highlights the relevance of the agri-environmental measures for financing management measures for Natura 2000. Finally, the 323 measure can be also key for financing several management measures, including the establishment of management structures (eg Natura 2000 manager in Austria).

From the analysis of the Spanish case, comes out that the lack of management planning on the Natura 2000 sites can be a challenge to accede the EU rural development funds, as this would mean an unclear use of these funds. Furthermore, the fact that the use of the EU funds for Natura 2000 –eg the Natura 2000 payments under the EAFRD– is voluntary for Member States means a reduced impact of these measures in the national level. Although the possibility is foreseen in the EU regulations –which in principle means that the EU promotes its use– the final decision is in the hands of Member States.

Recommendations

- It is helpful and positive to have a transparent process for the national planning of the use of the EU funds. This would strongly support the integration, ensuring also opportunities for the different sectors to discuss and get to common grounds.
- The agri-environment measures are and surely will continue to be relevant for the financing of part of the management measures of Natura 2000 in agriculture areas meanwhile management plans are established.
- The EAFRD offers good opportunities to finance the management needs of Natura 2000; however, it is voluntary to the Member States to use these opportunities. It would be surely helpful to improve the uptake of these funds for Natura 2000 to consider options to make their use more compulsory.
- In any case, the EAFRD –because of its nature– could be much more relevant for Natura 2000, eg including more clear funding lines for the financing of management measures for Natura 2000.
- It is recommended to accelerate the process of elaboration of the management planning for the Natura 2000 sites, as this will be very helpful in the process of acceding to EU –and national– funds. The management planning process should be a transparent and participative process, where all relevant sectors should be represented.

European Regional Development Fund (ERDF)
-
Use of ERDF for Natura 2000 in Poland and Germany

Aims and background

This case study, presenting the Nature conservation opportunities provided by the Polish sectoral 'Operational Programme Infrastructure and Environment' in comparison with the Brandenburg (DE) Operational Programme – Convergence Objective, aims to provide a picture of key factors and reasons why huge disparities exist in ERDF uptake to fund biodiversity.

The Polish programme was selected as a successful OP that - although small in financial contribution - provides a clear targeted and well structured approach to allow for biodiversity funding. Brandenburg was chosen as a case in which the opportunities provided by ERDF are only poorly used, this case provides additionally interesting insights on the difficulties to ensure coherence between measures under EAFRD and ERDF.

Eligibility under the successful programme

The Polish operational programme amongst others covers very important Natura 2000 activities, current examples of projects eligible under this scheme are :

1. Baltic Mammals, species protection in the Baltic sea with strong educational and communication focus on awareness raising about environmental threats
2. Preparation of Natura 2000 ,management plans planned for the whole country, implemented by Regional Directorates for Environmental Protection
3. Restoring ecological corridors (Building Green Infrastructure)

Description of the successful project

The Polish OP Infrastructure and Environment has a specific priority for nature conservation. The 'Priority Axis V: Environment protection and the promotion of ecological habitats' of the OP allows for four groups of measures:

- Restoring the proper conditions of Natural habitats (ecosystems) and sanctuaries for species within protected areas, preserving endangered species and the genetic variety of flora, fauna and fungi.

- Restoring ecological corridors to a passable condition in order to enable the movement of animals and proper functioning of the population in the scale of the country.
- Supporting the process of drafting protection plans for protected areas.
- Increasing awareness concerning the need for and methods of environment protection and the conservation of nature and landscape.

Funding under this priority axis is 89 million EUR allocated under category of expenditure 51.

For the programme implementation of this axis a specialised agency (CKPS – Coordination Centre for Environmental Projects) was created within the administrative structures of the Polish National Forest. The young and highly motivated team provides active support from project application to implementation. Beneficiaries can apply to thematic calls for projects under the four subcategories. The call include a very transparent selection procedure and lots of opportunities for support to the applicants. Although full transparency is provided via the agencies website and individual consultation many applicants complain about overcomplicated bureaucratic procedures with the required documents and especially budget planning.

Current experience with implementations shows good uptake by all potential beneficiaries problems have been encountered with public administration beneficiaries who have problems with state reserve guarantees which are used as co-financing for local and regional administration. These difficulties delay especially the preparation of Natura 2000 management plans.

Table 1: Summary factors enabling the use of the funding instrument

Success factor	++	+	0	-
a. The programme/funding instrument has a clear biodiversity related priority	X			
b. and a well developed budget				X
c. Biodiversity measures are well defined and a wide range of activities can be funded		X		
d. A clear procedure and system for call for biodiversity related projects exists	X			
e. Beneficiaries get good support from the responsible authorities	X			
f. Beneficiaries with good professional and administrative capacities to manage projects			X	

Description of the unsuccessful programme

The Brandenburg programme emphasizes the importance of Natura 2000 and protected areas for the regions economy but shows no further uptake of the identified natural values in the strategy for funding. Priority 4 of the programme is Environment and urban infrastructures but here only technical environmental protection is foreseen. Although the Natural potential of the region is considered as a strong economic factor no priorities are included to develop nature friendly activities or enhance the Natural values of the programme area.

Nevertheless 12 million EUR have been allocated under category 51 for setting up geoinformation systems for protected areas. This activity is part of Priority 2 Innovation technologies declared as measure for E-governance which is about setting up a regional geoinformation database on communal level covering also all relevant economic and infrastructure factors. Although it is important to have environmental data included in such a geoinformation system there seems to be no strategic connection in this program between the inclusion of biodiversity aspects in the strategy and the environment challenges described as a cross cutting issue in the overall assessment. The OP strategy does not have a clear approach for addressing environment in a coherent approach nor is there a partnership with the relevant nature authorities responsible for Natura 2000 in the region concerning the programme development or implementation.

One important aspect why biodiversity is weak in the programme is the fact that in Germany EAFRD is widely considered as the most important nature funding instrument and political choices often exclude ERDF as an alternative. Moreover, according to the programme document Brandenburg has chosen to finance Natura 2000 management plans from the RD funds, also Management measures for biotope restoration and investments in nature tourism infrastructures are planned with EAFRD under measure 323.

Analysis of successes and failures

The obvious strength of the Polish case is setting up of a specialised agency dealing with the biodiversity priority within the Operational Programme. With this a crucial principle of partnership is fulfilled as the specialised agency not only participates in the programme implementation but also has the required skills to provide advice to beneficiaries from project application to implementation. This is an extreme important aspect as many potential beneficiaries lack capacity and know how to manage the often very bureaucratic procedures of project application. A key factor for failure is a classical division in Brandenburg between ERDF as the economic instrument which from political choice only addresses environmental aspects in the fields of water, waste and recovery of degraded industrial sites and the rural development with is considered as the tool to include biodiversity and Natura 2000 funding. Moreover Brandenburg as nearly all German regions has chosen the use rural diversification measures, code 323 for biodiversity and Natura 2000 actions

including the setting up of Natura 2000 management plans. This choice although not covering the entire needs for Natura 2000 in principle limited the possibilities to make complementary use of ERDF for Natura 2000.

Recommendations

- For a better uptake of ERDF funding for Natura 2000 it is important that there is a coherent approach in planning with the diverse opportunities arising from different funding sources. It is especially important to have a coherent approach in planning for Rural development and ERDF funds for Natura 2000 assuring synergies between both instruments
- Partnership in ERDF should stronger include the agencies and ministries responsible for biodiversity and Natura 2000, Current partnership mostly includes environmental authorities responsible for technical environmental protection leaving out biodiversity
- Developing professional structures for advise and support for beneficiaries including personal advise and clear guidelines for the types of projects that are eligible as well as for project selection
- Capacity building for beneficiaries is crucial, especially as the administrative burden with ERDF is a barrier to smaller organisations with a weak economic basis.

European Fisheries Fund (EFF)
-
Use of EFF for Natura 2000 in Cyprus and Denmark

Aim and background

As chapters 4 showed, the importance of biodiversity and ecosystems are mentioned in all EFF strategic plans. However, this importance is not reflected in the EFF's Operational Programmes 2007-2013 and available information on spending. Under nearly all Operational Programmes, Natura 2000 implementation is not specifically eligible for funding. Both strategic plans and operational programmes give very little information on the exact role of EFF in Natura 2000 financing, which suggests that Natura 2000 is in most cases not considered a responsibility under EFF. Moreover, the available voluntary Member State annual reporting on their Operational Plans shows that current spending on Natura 2000 implementation has so far been neglectable, also for those Member States that included specific Natura 2000 measures. This might be caused by the delayed marine Natura 2000 implementation process, which makes funding needs unclear in many Member States.

This case study therefore starts from a different premise, as there is no single 'best practise' approach to Natura 2000 co-financing through EFF available yet. The structure of this case study will therefore differ from those on ERFAD and ERDF. As these two cases will show, despite the fact that EFF co-financing of Natura 2000 implementation is still in its infancy, there are some developments worth taking a closer look at.

Cyprus: Natura 2000 co-financing through EFF

The Cypriote EFF Operational Plan mentions the importance of marine biodiversity, protection and improvement of the marine environment. More specifically, there are two ways in which direct marine biodiversity conservation management is financed:

Firstly, Priority Axis 3, Measure 3.2 ('Protection and development of aquatic flora and fauna') aims at co-funding actions of common interest that intend to protect and develop aquatic flora and fauna, improvement the aquatic environment. Measure 3.2 includes a provision on the possibility of co-funding actions aiming in the protection and improvement of the environment in the Natura 2000 framework, as long as they are directly related to fishing activities. Another provision is on the creation of artificial reefs.

Secondly, Priority Axis 5, Measure 5.1, Action 2 co-funds the conduction of 'studies that will contribute in the protection of the environment'.

Neptune Grass mapping under EFF

Under the current Cypriote OP Measure 3.2 only actions under the artificial reefs construction have been allocated funding. The construction of one reef, seeking to enhance fisheries and biodiversity, has been completed and several other reefs are scheduled for development in the nearby future. Despite the absence of direct Natura 2000 co-financing, under Measure 5.1, the Department of Fisheries and Marine Research included the mapping of the Cypriote Neptune Grass fields with more detailed qualitative analysis within the 5 marine Natura areas.

Neptune Grass (Posidonia oceanica) is an endemic species in the Mediterranean and forms beds that constitute some of the most ecologically important shallow-water marine habitats worldwide. Neptune Grass beds are a priority habitat (type 1120) under the Habitats Directive. Also the species is included as one of the 4 Biological Quality Elements for the assessment of the ecological status of the coastal waters for the Water-Framework Directive and is also protected under the Barcelona Convention.

The choice for mapping of Neptune Grass meadows was based on its importance for the conservation of fisheries, as well as for the conservation of the marine environment and biodiversity. As part of this research and dissemination project, a detailed mapping of the Posiodonia beds in Natura 2000 areas aims to facilitate the elaboration of management plans of the Natura areas and the long-term monitoring of their status. The project is budgeted at 400.000 EUR - (approximately 2 per cent of total EFF allocation to Cyprus for programming period 2007-2013) and is materialized through a tender procedure which started in December 2010.

Obviously, the adoption of specific biodiversity measures in the Cypriote Operational Plan, made it easier for this project to be eligible for funding. Secondly, the proven ecological importance of Posidonia greatly contributed to the priority given to the conservation of this species and of the Posidonia meadow habitat type. Thirdly, the combination of a general research for the entire Cypriote coastline with a more detailed analysis for Natura 2000 areas is a resource-efficient way to deliver on CFP, Marine Strategy Framework Directive, Water Framework Directive as well as Natura 2000 obligations.

Natura 2000 co-financing through EFF in Denmark

The Danish Operational Programme 2007-2013 was one of the only ones that included a specific Natura 2000 measures under Axis 3. One of four measures eligible under Article 6.5.5 covers ‘Protection and enhancement of the environment within the framework of NATURA 2000, where the initiative directly concerns fishing activities.’ Besides that, the Danish Operational Programme broadly defines per priority axis how other EU funding lines will contribute to its materialisation, and where they wouldn’t.

Despite the specific funding opportunity, so far there has been no allocation to the Natura 2000 measure in the Danish operational plans. However, in 2010 around 400.000 EUR has been allocated on Natura 2000 fisheries research. The objective of these studies is to improve the management and implementation of Natura 2000 plans related to marine fishery, and has become more relevant as the marine Natura 2000 planning process went forward. Similar allocation is planned for the three remaining years 2011-2013 (together approximately 1,2 per cent of total EFF allocation for programming period 2007-2013).

Conclusions

Both case studies show that in the few Member States where Natura 2000 is co-financed through EFF, allocation has just started and total sums are still modest. What also becomes clear is that the delay in marine Natura 2000 management planning has played an important role in the absence of allocation until 2010. Another conclusion that can be drawn is that transparency of Natura 2000 related spending can become an issue as these case showed similar projects allocated under two different priority axes (and apparently also under Axis 4, as Chapter 6 shows).

Annex 3. Analysis of the gaps in financing different Natura 2000 management activities

		Key management measures / activities for Natura 2000	EAFRD	EFF	LIFE	FP7	ERDF
			Results of the analysis assessing gaps and shortcomings in the existing legislative basis for funding Natura 2000 (i.e. EU funding Regulations): green=regulation provides clear direct possibilities for financing the measure and a wide scope for measures is eligible, light green= regulation provide some strong legal provisions for the financing of important and targeted projects, yellow= many restrictions but projects could be funded if applicants find creative and indirect ways to link with legal rules of the regulation, purple = no direct support possible for this measure				
Establish-ment of Natura 2000 Sites	1	ADMINISTRATION OF SELECTION PROCESS	**no direct support possible**	**no direct support possible**	**clear, direct possibilities available**	**no direct support possible**	**no direct support possible**
	2	SCIENTIFIC STUDIES/INVENTORIES FOR SITE IDENTIFICATION	**no direct support possible**	**no direct support possible**	**clear, direct possibilities available**	**possibilities for some key measures**	**no direct support possible**
	3	PREPARATION OF INITIAL INFORMATION AND PUBLICITY MATERIAL	clear, direct possibilities available	**possibilities for some key measures** (if linked to marine)	**clear, direct possibilities available**	**no direct support possible**	**clear, direct possibilities available**
	4	PILOT PROJECTS	unlikely (unless linked to Leader which gives very limited scope)	**possibilities for some key measures** (if linked with fisheries activities)	**no direct support possible**	**possibilities for some key measures** (if transnational)	**clear, direct possibilities available**
Management planning	5	PREPARATION OF MANAGEMENT PLANS, STRATEGIES AND SCHEMES	clear, direct possibilities available	**no direct support possible**	**clear, direct possibilities available**	**no direct support possible**	**possibilities for some key measures**
	6	ESTABLISHMENT OF MANAGEMENT BODIES	**no direct support possible**	**no direct support possible**	**no direct support possible**	**no direct support possible**	**possibilities for some key measures** (especially transnational)
	7	CONSULTATION AND NETWORKING – PUBLIC MEETINGS, NETWORKING, LIASON WITH LANDOWNERS	**limited possibilities**	**limited possibilities**	**clear, direct possibilities available**	**limited possibilities**	**clear, direct possibilities available**
	8	REVIEW OF MANAGEMENT PLANS, STRATEGIES AND SCHEMES	**clear, direct possibilities available**	**no direct support possible**	**clear, direct possibilities available**	**limited possibilities**	**possibilities for some key measures**
	9	RUNNING COSTS OF MANAGEMENT BODIES	**no direct support possible**	**no direct support possible**	**no direct support possible**	**no direct support possible**	**no direct support possible**
	10	MAINTENANCE OF FACILITIES FOR PUBLIC – ACCESS TO AND USE OF SITES	**possibilities for some key measures**	**no direct support possible** (some links with tourism development possible)	**no direct support possible**	**no direct support possible**	**possibilities for some key measures** (investment related)
	11	ONGOING STAFF COSTS	**no direct support possible**	**no direct support possible**	**clear, direct possibilities available**	**no direct support possible**	**no direct support possible**

Ongoing habitat management and monitoring	12	CONSERVATION MANAGEMENT – HABITATS	**clear, direct possibilities available**	**possibilities for some key measures**	**clear, direct possibilities available**	**limited possibilities**	no gap (especially for cross border activities but also for restoration works)
	13	CONSERVATION MANAGEMENT – SPECIES	**possibilities for some key measures**	**possibilities for some key measure**s (only related to fish species)	**clear, direct possibilities available**	**limited possibilities**	**limited possibilities**
	14	CONSERVATION MANAGEMENT – INVASIVE ALIEN SPECIES	**possibilities for some key measures**	**possibilities for some key measures** (can be important in reducing negative impacts from aquaculture)	**clear, direct possibilities available**	**possibilities for some key measures** (especially in developing new measures for IAS control and elimination)	**possibilities for some key measures** (especially for cross border and planning)
	15	IMPLEMENTATION OF MANAGEMENT SCHEMES AND AGREEMENTS	**possibilities for some key measures**	**limited possibilities**	**no direct support possible**	**limited possibilities**	**no direct support possible**
	16	PROVISION OF SERVICES, COMPENSATION FOR RIGHTS FOREGONE AND LOSS OF INCOME	**possibilities for some key measures**	**no direct support possible**	**no direct support possible**	**no direct support possible**	**no direct support possible**
	17	MONITORING AND SURVEYING	**limited possibilities**	**no direct support possible**	**clear, direct possibilities available**	**limited possibilities** (for developing and improving methods)	**possibilities for some key measures** (if linked to risk prevention)
	18	RISK MANAGEMENT	**limited possibilities**	**no direct support possible**	**clear, direct possibilities available**	**limited possibilities** (for developing and improving methods)	**clear, direct possibilities available**
	19	(ONGOING) SURVEILLANCE OF SITES	**limited possibilities** (only via LEADER and also more focused on socio-economic activities)	**no direct support possible**	**no direct support possible** (no ongoing funding from LIFE)	**no direct support possible**	**no direct support possible** (funding not available for continuous activities
	20	PROVISION OF INFORMATION AND PUBLICITY MATERIAL	**clear, direct possibilities available**	**possibilities for some key measures** (but requires creative links to broader EFF goals)	**clear, direct possibilities available** (if not overlapping with other funding options)	**no direct support possible**	**clear, direct possibilities available**
	21	TRAINING AND EDUCATION	**clear, direct possibilities available**	**possibilities for some key measures** (mainly for fishermen - requires creativity)	**clear, direct possibilities available** (if not overlapping with other funding options)	**no direct support possible**	**possibilities for some key measures** (especially cross border and transnational other linked to eeconomic activities)
	22	FACILITIES TO ENCOURAGE VISITOR USE AND APPRECIATION OF NATURA SITES	**clear, direct possibilities available**	**possibilities for some key measures** (requires creativity)	**clear, direct possibilities available** (if not overlapping with other funding options)	**no direct support possible**	**clear, direct possibilities available** (by objectives´regions and tourism related)

Invest-ment costs	23	LAND PURCHASE, INCLUDING COMPENSATION FOR DEVELOPMENT RIGHTS	**possibilities for some key measures** (max 10 per cent expenditure)	**no direct support possible**	**clear, direct possibilities available** (but limited funding and only if not overlapping with other funding options)	**no direct support possible**	**possibilities for some key measure**s (see eligible projects)
	24	INFRASTRUCTURE NEEDED FOR THE RESTORATION OF HABITAT OR SPECIES	**clear, direct possibilities available**	**limited possibilities**	**possibilities for some key measures**	**no direct support possible** (few restricted indirect opportunities related with research)	**clear, direct possibilities available** (all objective regions allow for relevant investments)
	25	INFRASTRUCTURE FOR PUBLIC ACCESS	**clear, direct possibilities available**	**possibilities for some key measures**	**clear, direct possibilities available** (if not overlapping with other funding options)	**no direct support possible**	**clear, direct possibilities available** (by objectives regions)

Annex 4. Mapping financing instruments against Natura 2000 management activities

Natura 2000 management activity			Direct Public Funding	Grants	Trust Funds and Endowments	Mgt Agreements inc. PES	Tax Incentives	Loan Finance	Private Equity	Marketed Products	User Fees	Biodiversity Offsets	Carbon trading/ offsets	Licensing of exploitation/ development rights	Business funding/ sponsorship/ accounts
Establish-ment of Natura 2000 Sites	1	ADMINISTRATION OF SITE SELECTION PROCESS	XXX												
	2	SCIENTIFIC STUDIES/INVENTORIES FOR SITE IDENTIFICATION	XXX	XX											XX
	3	PREPARATION OF INITIAL INFORMATION AND PUBLICITY MATERIAL	XXX	XX											XX
	4	PILOT PROJECTS	XXX	XXX		XXX						XX	X		XX
Management planning	5	PREPARATION OF MANAGEMENT PLANS, STRATEGIES AND SCHEMES	XXX	XXX	XX		X					XX	X		XX
	6	ESTABLISHMENT OF MANAGEMENT BODIES	XXX	X											X
	7	CONSULTATION AND NETWORKING – PUBLIC MEETINGS, NETWORKING, LIASON WITH LANDOWNERS	XXX	X											X
	8	REVIEW OF MANAGEMENT PLANS, STRATEGIES AND SCHEMES	XXX	XXX	XX		X					XX	X		XX
	9	RUNNING COSTS OF MANAGEMENT	XXX	X											X

		BODIES												
	10	MAINTENANCE OF FACILITIES FOR PUBLIC – ACCESS TO AND USE OF SITES	XXX	XX							XXX				XX
	11	ONGOING STAFF COSTS	XXX	XX											X
Ongoing habitat management and monitoring	12	CONSERVATION MANAGEMENT – HABITATS	XXX	X	XX	XXX	XX	X	X	XX	X	XX	X	XX	XX
	13	CONSERVATION MANAGEMENT – SPECIES	XXX	X	XX	XXX	XX	X	X	XX	X	XX	X	XX	XX
	14	CONSERVATION MANAGEMENT – INVASIVE ALIEN SPECIES	XXX	XXX		XX								XX	XX
	15	IMPLEMENTATION OF MANAGEMENT SCHEMES AND AGREEMENTS				XXX									
	16	PROVISION OF SERVICES, COMPENSATION FOR RIGHTS FOREGONE AND LOSS OF INCOME	XXX			XXX									
	17	MONITORING AND SURVEYING	XXX	XX								X			XX
	18	RISK MANAGEMENT	XXX	X		XXX									
	19	(ONGOING) SURVEILLANCE OF SITES	XXX	X								X			XX
	20	PROVISION OF INFORMATION AND PUBLICITY MATERIAL	XXX	XXX							X				XX
	21	TRAINING AND EDUCATION	XXX	XX											XX

	22	FACILITIES TO ENCOURAGE VISITOR USE AND APPRECIATION OF NATURA SITES	XXX	XXX			X		X		XX				XX
Invest-ment costs	23	LAND PURCHASE, INCLUDING COMPENSATION FOR DEVELOPMENT RIGHTS	XXX	XXX	XX		XX	XX	X			XX	X	X	XX
	24	INFRASTRUCTURE NEEDED FOR THE RESTORATION OF HABITAT OR SPECIES	XXX	XXX	XX	XX	XX	XX	X			XX	X	X	XX
	25	INFRASTRUCTURE FOR PUBLIC ACCESS	XXX	XXX	XX	XX	XX	XX	X		X	X		X	XX

Annex 5. Analysis of the possibilities for improving the EU co-financing framework for Natura 2000

Table 1. Analysing possibilities for addressing the gaps in the existing framework

GAPS in the EU co-financing for Natura 2000					**Suggested key options for addressing the gaps**					
Natura 2000 management activity			Identified gap in the overall co-financing framework	More detailed explanation re: gap Inc. habitat coverage, eligible stakeholders & project types	Changes to existing funds: EAFRD, EFF, Structural Funds (ERDF / ESF), FP7 and LIFE	Improved coordination & coherence: national level prioritised action frameworks (PAF) for Natura 2000	Supporting measures for uptake of EU funds (e.g. capacity building)	Innovation: innovative / broader use of existing funds via links to ecosystem services	Innovation: use of new / innovative (e.g. market-based) mechanisms (EU / national)	New, comprehensive EU instrument for financing Natura 2000
Establish-ment of Natura 2000 Sites	1	ADMINISTRATION OF SITE SELECTION PROCESS	Minor gaps	Only LIFE provides opportunities to fund projects related to this measure. However as terrestrial site selections are finished, only some marine selection processes might be suitable for financing on a project basis.	**LIFE**: ensuring that LIFE funding continues to cover remaining future needs. Comment: in general, EU funds (with the exception of LIFE) are not targeted to support activities that can be seen to fall under national administration. It is probably not possible / appropriate to expand EU funding realm (other than LIFE) to cover such activities also in the future.	**Indirect positive impact**: improved coordination can help to identify and address management activities that suffer from lack of funding (e.g. target LIFE funding towards these activities). Better inclusion of nature conservation authorities	**Indirect positive impact**: improved capacity to access / use EU funds can help the uptake of funds for all Natura 2000 related management activities	N/A	N/A	Depending on its design and goals, a new dedicated instrument for Natura 2000 should be able to address all relevant management measures, in the context of the general rules and priorities for the EU budget.

	2	SCIENTIFIC STUDIES/INVENTORIES FOR SITE IDENTIFICATION	Minor gaps	In some countries some work might be needed to complete inventories, again this will apply rather to marine site selection. Here LIFE again gives opportunities on a project base. In the light of climate changes some projects might be possible under FP7.	**LIFE**: ensuring that LIFE funding continues to cover remaining future needs. Comment: in general, EU funds (other than LIFE) are not targeted to support activities that can be seen to fall under national administration. It is probably not possible / appropriate to expand EU funding realm (other than LIFE) to cover such activities also in the future.	during planning and implementation.		N/A	Innovative (e.g. market-based) mechanisms can be used to try to expand the existing networks of protected areas (e.g. via different voluntary schemes, such as land auctions). While not directly contributing to Natura 2000, identification of these new sites can support the overall status of the network.	
	3	PREPARATION OF INITIAL INFORMATION AND PUBLICITY MATERIAL	No major gaps	Funding possible across all budget lines with the exception of FP7. Projects must link to specific funds objectives like vocational measures, tourism, rural or cultural heritage. ERDF provides additional possibilities under territorial cooperation. LIFE+ is the only direct source for projects under the communication objective.	No major gap. However, existing funds should make a more explicit reference to information directly linked with Natura 2000 and/or provision of public goods delivered by ecosystems			N/A	Support from private sources (e.g. businesses using / benefiting from Natura 2000 areas) can finance publicity matrial.	

	4	PILOT PROJECTS	Moderate gaps	In principle, possible in all budget lines apart from LIFE+. Also, restricted under EAFRD. The pilots must usually be in line with the funds general requirements (i.e. have links with rural / regional development). Information if funds have been used for pilot projects is not available.	**EAFRD, EFF & ERDF**: more specific opportunities for pilot projects			Linking Natura 2000 and supply of ecosystem services (without jeopardising site's conservation goals) can help to finance pilot projects from EU funds that require links with broader rural and regional development goals.	Innovative (e.g. market-based) mechanisms can be used to establish pilot projects that demonstrate how to best link the management of Natura 2000 and supply of ecosystem services.	
Management planning	5	PREPARATION OF MANAGEMENT PLANS, STRATEGIES AND SCHEMES	Minor gaps (marine)	Management plans are financed through Art. 57 EAFRD but mostly in Germany and Austria, whereas many new MS use ERDF funding for the preparation of management plans. Some LIFE projects provide project financing as well. Opportunities limited under EFF.	**EFF**: improved / more targeted funding for this measure **ERDF:** provide opportunity across all territorial dimensions, currently lack of possibilities under the 'competiveness' objective	**Indirect positive impact**: improved coordination can help to identify and address management activities that suffer from lack of funding (e.g. target LIFE funding towards these activities). Better inclusion of nature conservation authorities	**Indirect positive impact**: improved capacity to access / use EU funds can help the uptake of funds for all Natura 2000 related management activities	Linking Natura 2000 and supply of ecosystem services (without jeopardising site's conservation goals) in management planning / review can help to gain more funding from EU funds that require links with broader rural and regional development goals.	Innovative funding mechanisms (e.g. PES schemes, partnership with businesses) could be established to when Natura 2000 plays also a role in supplying ecosystem services. Depending on the type of mechanism, preparation / review of management plans could also be part of such an instrument.	Depending on its design and goals, a new dedicated instrument for Natura 2000 should be able to address all relevant management measures, in the context of the general rules and priorities for the EU budget.

	6	ESTABLISHMENT OF MANAGEMENT BODIES	Significant gaps	Some possibilities under ERDF but most probable only used indirectly in some transboundary projects.	**LIFE**: if general amount of funding for LIFE increased, LIFE could also be expanded to provide support to this measure. **<u>Comment</u>**: in general, EU funds (with the exception of LIFE) are not targeted to support activities falling under national administration. It is probably not possible / appropriate to expand EU funding realm (other than LIFE) to cover such activities also in the future.	during planning and implementation.		N/A	N/A	
	7	CONSULTATION AND NETWORKING – PUBLIC MEETINGS, NETWORKING, LIASON WITH LANDOWNERS	Moderate gaps	LIFE communication can provide direct project funding. ERDF provides several indirect options but the real uptake is only realised through transnational cooperation projects.	**LIFE**: if general amount of funding for LIFE increased, LIFE could also be expanded to provide more support to this measure.			Linking Natura 2000 and supply of ecosystem services can help to gain more funding from EU funds that require links with broader rural and regional development goals.	N/A	

	8	REVIEW OF MANAGEMENT PLANS, STRATEGIES AND SCHEMES	Minor gaps	EAFRD provides possibilities under art. 57 but no information available if this is used. LIFE projects to cover the topic are possible, however financing a review of an existing plan might be difficult to justify under the general LIFE+ criteria that requires funded activities to demonstrate innovation. ERDF provides indirect possibilities if linked with plans for risk prevention. But there is no information available if there was any project realized.	**EFF (and possibly ERDF)**: improved / more targeted funding for this measure			Linking Natura 2000 and supply of ecosystem services (without jeopardising site's conservation goals) in management planning / review can help to gain more funding from EU funds that require links with broader rural and regional development goals. Green Infrastructure Plans integrating N2K may be an opportunity here.	Innovative funding mechanisms (e.g. PES schemes, partnership with businesses) could be established to when Natura 2000 plays also a role in supplying ecosystem services. Depending on the type of mechanism, preparation / review of management plans could also be part of such an instrument.	
	9	RUNNING COSTS OF MANAGEMENT BODIES	Significant gaps	None of the funding lines provides funding for running costs. Some use might be possible if beneficiaries 'sell' their projects as innovative and new to cover ongoing costs.	**LIFE**: if general amount of funding for LIFE increased, LIFE could also be expanded to provide support to this measure. **<u>Comment</u>**: in general, EU funds (with the exception of LIFE) are not targeted to support activities falling under national administration. It is probably not possible / appropriate to expand EU funding realm (other than LIFE) to cover such activities			N/A	N/A	

					also in the future.					
	10	MAINTENANCE OF FACILITIES FOR PUBLIC – ACCESS TO AND USE OF SITES	Minor gaps (marine)	Possible for EAFRD and ERDF and to some extent EFF, mostly with the link to promoting cultural or natural assets as well as support in developing new economic activities in an area. No information about systematic use available, project based examples of single measures supporting these activities might be found in different areas.	**EFF**: improved / more targeted funding for this measure			Linking Natura 2000 and supply of cultural ecosystem services (tourism, recreation and cultural heritage) can help to gain more funding for public access from EU funds.	Support from private sources (e.g. businesses using / benefiting from Natura 2000 areas) could contribute to financing public material. Range of options - direct user charges, retail sales at visitor centres, tourism levies (potentially linked to N2K eco-labels)	

	11	ONGOING STAFF COSTS	Significant gaps	LIFE provides staff costs only during the project lifetime.	**LIFE**: if general amount of funding for LIFE increased, LIFE could also be expanded to provide more extensive support to this measure. **<u>Comment</u>**: in general, EU funds (with the exception of LIFE) are not targeted to support activities falling under national administration. It is probably not possible / appropriate to expand EU funding realm (other than LIFE) to cover such activities also in the future.			N/A	N/A	

Ongoing habitat management and monitoring	12	CONSERVATION MANAGEMENT – HABITATS	Moderate gaps (e.g. marine)	Under EAFRD AEM and Natura payments can be linked to specific conservation conditions. Most use although often not targeted enough is made through AEM and agricultural land with possibilities also for forests. Especially Germany refers many biodiversity measures to Art. 57. EFF provides several opportunities but most legal opportunities remain unclear with low or no uptake in the national programmes as measures are usually linked to fish stock recovery. LIFE has a clear track record of projects in this field. FP7 provides indirect research possibilities with wider biodiversity context and ERDF provides good opportunities for transboundary activities and several good opportunities in sectoral programms with priorities in the field of biodiversity mostly used n new MS with different experience in uptake.	**EAFRD & EFF (and possibly FP7)**: more specific opportunities for Natura 2000 (e.g. combined with earmarked funding, see also the analysis on 'short comings') **ERDF**: more specific opportunities for Natura 2000, e.g. also under the 'competiveness' objective, combined with earmarked funding. **LIFE**: ensuring that LIFE funding continues to provide support to any remaining needs	**Indirect positive impact**: improved coordination can help to identify and address management activities that suffer from lack of funding (e.g. target LIFE funding towards these activities). Better inclusion of nature conservation authorities during planning and implementation.	**Indirect positive impact**: improved capacity to access / use EU funds can help the uptake of funds for all Natura 2000 related management activities	Linking Natura 2000 and supply of ecosystem services (without jeopardising site's conservation goals) in management planning / review can help to gain more funding from EU funds that require links with broader rural and regional development goals. Also, Natura 2000 management measures could be supported by ESF, e.g. when linked with education or engaging unemployed / otherwise marginalise groups of society, i.e. when bringing broader social benefits.	Innovative funding mechanisms (e.g. PES schemes, partnership with businesses) could be established to support site management / certain land use of the site when Natura 2000 plays also a role in supplying ecosystem services. However, clear links and synergies between management activities for conservation goals and maintenance of ecosystem services are a prerequisite for establishing such mechanisms - and these might be somewhat difficult to find. Wide range of innovative funding mechanisms potentially apply to species and habitat conservation - see Section 9. e.g. tax incentives, loans, product marketing schemes, business partnerships, biodiversity offsets etc.	Depending on its design and goals, a new dedicated instrument for Natura 2000 should be able to address all relevant management measures, in the context of the general rules and priorities for the EU budget.

				However, under ERDF there are very limited possibilities in competiveness objective regions as nature projects must be investment related and show economic effects.						
	13	CONSERVATION MANAGEMENT – SPECIES	Moderate gaps	In principle the same situation as for measure 12. Species conservations is more difficult under ERDF as funding has a clear territorial dimension and species project need to be linked to	**EAFRD, EFF, ERDF (and possibly FP7)**: more specific opportunities for Natura 2000 (e.g. combined with earmarked funding, see also the analysis on 'short comings') **LIFE**: ensuring that LIFE					

				concrete land based measures.	funding continues to provide support to any remaining needs					
	14	CONSERVATION MANAGEMENT – INVASIVE ALIEN SPECIES	No major gaps	All funds provide good legal opportunities, uptake mostly in line with biodiversity or site restoration measures under EAFRD or LIFE, possibilities for IAS measures as risk prevention activities under ERDF possible but no information available about real uptake.	No major gap, but better uptake of existing opportunities (see also the analysis on 'short comings')			Considering possible negative impacts of IAS on ecosystem services supported by Natura 2000 (e.g. tourism and recreational opportunities) can help to gain more funding from EU funds that require links with broader rural and regional development goals. Also, IAS management can be supported via ESF, e.g. when linked with education or engaging unemployed / otherwise marginalise groups of society, i.e. when bringing broader social benefits.		

	15	IMPLEMENTATION OF MANAGEMENT SCHEMES AND AGREEMENTS	Moderate gaps (i.e. non-rural areas)	Biggest potential under AEM where a huge diversity of measures exists, difficulties to target measures on sites as the measures are voluntary. Some positive impacts might come from LFA and Natura 2000 payments but these payments are not targeted at specific outcomes.	**EFF and ERDF (and possibly FP7 and LIFE)**: more specific opportunities for Natura 2000 (e.g. combined with earmarked funding, see also the analysis on 'short comings')			Linking the supply / maintenance of ecosystem services at Natura 2000 sites and site's management (without jeopardising site's conservation goals) can help to gain more funding from EU funds that require links with broader rural and regional development goals.	See measures 12 and 13 above.	
	16	PROVISION OF SERVICES, COMPENSATION FOR RIGHTS FOREGONE AND LOSS OF INCOME	Moderate gaps (i.e. non-rural areas)	AEM and Natura payments allow for wide coverage of payments but lack often a clear targeting. Also, these payments only cover loss of income for agriculture-related activities, not for urban development etc.	**EFF**: improved / more targeted funding for this measure **EAFRD**: more specific / clear targeting under AEM and Natura 2000 payments			N/A	Innovative instruments can possibly help to compensate for rights / loss of income. E.g. PES schemes to support certain management activities, beneficial for both conservation goals and supply of ecosystem services, can help to compensate for other opportunities foregone.	

	17	MONITORING AND SURVEYING	Moderate gaps (e.g. marine)	In principle measures could be included under LEADER activities but no information is available on the uptake. Under ERDF monitoring and surveillance could be realised under the risk prevention schemes but no information about uptake is available as most risk prevention plans are linked to industrial risks and hazardous materials. LIFE projects can realise all kind of measures in this field.	**LIFE**: increased funding under LIFE (see analysis on 'short comings'), as only LIFE currently available to support such activities in MS. **Other funds**: In order for the other funds to support monitoring, the remits of these funds (i.e. to whom and to what overall purpose support is directed) might need to changed / broadened. E.g. broader group of beneficiaries under EAFRD & EFF and broader than risk related support to env. monitoring under ERDF.			Linking monitoring and surveying with the broader status of Natura 2000 sites and surrounding ecosystems, e.g. ecosystem services, can help to gain more funding from EU funds that require links with broader rural and regional development goals.	N/A	
	18	RISK MANAGEMENT	Moderate gaps (e.g. marine)	In principle the same as measure 17	**ERDF**: improved use of existing provisions for risk management for Natura 2000, e.g. via the concept of ecosystem services (see analysis of 'innovative use of EU funds')			Considering the possible role of Natura 2000 sites in preventing env. risks (e.g. mitigating climate change and flooding, maintaining water quality and food security, e.g. pollinators) can help to gain more funding from EU funds that require links with broader rural and regional development goals.	When clear links and synergies can be established between management activities for conservation and ecosystem services (e.g. in relation to preventing env. risks) then innovative funding mechanisms (e.g. PES schemes, partnership with businesses) could be established to support site management / certain land use of the site.	

	19	(ONGOING) SURVEILLANCE OF SITES	Significant gaps	None of the funds provides possibilities for ongoing surveillance.	**LIFE**: if general amount of funding for LIFE increased, LIFE could also be expanded to provide support to this measure. **Other funds**: In order for the other funds to support monitoring, the remits of these funds (i.e. to whom and to what overall purpose support is directed) might need to changed / broadened. E.g. broader group of beneficiaries under EAFRD & EFF and broader than risk related support to env. monitoring under ERDF.			Linking monitoring and surveying with the broader status of Natura 2000 sites and surrounding ecosystems, e.g. ecosystem services, can help to gain more funding from EU funds that require links with broader rural and regional development goals.	N/A	
	20	PROVISION OF INFORMATION AND PUBLICITY MATERIAL	No major gaps	Most funds allow for activities to develop information materials when linked to vocational training, education, eco-tourism or rural or cultural heritage.	No major gap. However, more explicit reference to Natura 2000 information should be made in the relevant regulations.			Linking Natura 2000 and supply of cultural ecosystem services (tourism, recreation, cultural heritage, education etc.) can help to gain more funding for public access from EU funds.	Support from private sources (e.g. businesses using / benefiting from Natura 2000 areas) could contribute to financing public material. Also, user fees and tourism levies.	
	21	TRAINING AND EDUCATION	No major gaps	See 20	No major gap. However, more explicit reference to Natura 2000 information should be made in the relevant regulations				N/A	

	22	FACILITIES TO ENCOURAGE VISITOR USE AND APPRECIATION OF NATURA SITES	Minor gaps (e.g. marine)	For encouragement of non-agricultural activities and eco-tourism promotion many measures are possible under EAFRD. Similar measures are possible under ERDF when tourism related.	**EFF**: improved / more targeted funding for this measure				See measure 20 above	
Invest-ment costs	23	LAND PURCHASE, INCLUDING COMPENSATION FOR DEVELOPMENT RIGHTS	Minor gaps (e.g. marine)	EAFRD and ERDF allow under specific conditions land purchase up to 10 per cent of the project value. LIFE allows for more targeted land purchase.	**EFF**: greater facilitation of funding re: compensation for rights / economic possibilities foregone. **Possibly EAFRD and ERDF**: increased and more targeted support to Natura 2000 related land purchase opportunities	**Indirect positive impact**: improved coordination can help to identify and address management activities that suffer from lack of funding (e.g. target LIFE funding towards these activities). Better inclusion of nature conservation authorities during planning and implementation.	**Indirect positive impact**: improved capacity to access / use EU funds can help the uptake of funds for all Natura 2000 related management activities	N/A	N/A	Depending on its design and goals, a new dedicated instrument for Natura 2000 should be able to address all relevant management measures, in the context of the general rules and priorities for the EU budget.
	24	INFRASTRUCTURE NEEDED FOR THE RESTORATION OF HABITAT OR SPECIES	Minor gaps (e.g. marine)	EAFRD allows for activities under non-productive investments. Practical use is made through conservation and upgrading of rural heritage. ERDF allows for different measures when linked to environmental protection and risk prevention.	**EFF**: improved / more targeted funding for this measure **EAFRD**: provide more clarity on the definition for non-productive investment to be linked with restoration and the provision of public goods **ERDF**: clarification / clear reference to restoration of natural habitats and functions contributes to / can bea cost-effective way for risk prevention and providing ecosystem services.			Considering the possible role of restored Natura 2000 sites in providing ecosystem services (e.g. preventing env. risks in a cost effective manner) can help to gain more funding from EU funds that require links with broader rural and regional development goals.	Support from private sources (e.g. businesses using / benefiting from restored Natura 2000 areas) could contribute to financing restoration - provided that clear links between restoration for conservation purposes and braoder ecosystem service related benefits can be established.	

	25	INFRASTRUCTURE FOR PUBLIC ACCESS	Minor gaps (e.g. marine)	See 22	**EFF**: improved / more targeted funding for this measure			Linking Natura 2000 and supply of cultural ecosystem services (tourism, recreation, cultural heritage, education etc.) can help to gain more funding for public access from EU funds.	Support from private sources (e.g. businesses using / benefiting from Natura 2000 areas) could contribute to financing infra for public access.	

Table 2. Analysing possibilities for addressing constraints in using the EU co-financing framework

Constraints for using the EU co-financing for Natura 2000		**Suggested key options for addressing the constraints**					
Constraint	Level of constraint (EU / MS)	Changes to existing funds: EAFRD, EFF, Structural Funds (ERDF / ESF), FP7 and LIFE	Improved coordination & coherence: national level prioritised action frameworks (PAF) for Natura 2000	Supporting measures for uptake of EU funds (e.g. capacity building)	Innovation: innovative / broader use of existing funds via links to ecosystem services	Innovation: use of new / innovative (e.g. market-based) mechanisms (EU / national)	New, comprehensive EU instrument for financing Natura 2000

Lack of opportunities specifically / clearly targeted to biodiversity	EU (funding Regulations)	Clearer priorities / more dedicated opportunities for Natura 2000 in the EU funding Regulations would significantly help to address this gap.	While not (necessarily) helping to earmark funds for Natura 2000 under different EU funds, PAFs can help to improve clarity re: which funds are available for different Natura 2000 management activities → improved clarity and targeting.	While not improving the level of earmarked opportunities for Natura 2000, capacity building can help to better use / access broader opportunities available.	While not improving the level of earmarked opportunities for Natura 2000, making links to ecosystem services and related socio-economic benefits can help to better use / access broader opportunities available.	Dedicated new opportunities for Natura 2000 can help to increase available the overall financing portfolio available.	New, comprehensive instrument would cover all relevant Natura 2000 related management needs. However, securing adequate level of funding essential.
Lack of uptake at national operational programmes	MS	Clearer / dedicated earmarking of funds for Natura 2000 at the EU level (i.e. in the context of Regulations for EU funds) would significantly help to ensure more systematic uptake at the national level.	Improved coordination via PAFs can help to systematically identify / highlight financing needs under different OPs → improved uptake.	Capacity building at the level of relevant government officials (e.g. different ministries) can help to improve integration of Natura 2000 into relevant OPs and also possibly improve coordination / cooperation between relevant administrative bodies.	Links to ecosystem services provided by Natura 2000 (e.g. recreation & tourism, water retention & purification, risk management) and related socio-economic benefits (e.g. costs avoided) can help to facilitate the integration of Natura 2000 into different OPs at national / regional level → increased uptake.	N/A	N/A
Lack of coherence & coordination	MS	N/A	PAFs can specifically help to improve coherence and coordination between different EU co-funding instruments.		N/A	Increasing the financing portfolio for Natura 2000 can increase the overall complexity and thus also increase the need for coordination. Thus, due consideration to this should be given to this, e.g. via PAFs.	One comprehensive instrument to be used for all Natura 2000 related management activities would, in principle, improve coherence and minimise need for coordination in the EU context.

Lack of capacity / know-how to access EU funds (e.g. make required links to funds' broader socio-economic objectives and link up with appropriate partners)	MS	Considering to simplify / mainstream the process related to the use of EU funds could help to make the funds more accessible for stakeholders.	By improving coherence and coordination, PAFs also help to improve know-how and clarity re: which funds are available for different Natura 2000 management activities.	Supporting measures to build stakeholder capacity can specifically address current shortcomings in stakeholders' access to funds. Also, more capacity building needed if new innovative financing mechanisms are to be suggested / adopted for Natura 2000.	N/A	N/A	New, comprehensive instrument might reduce the complexity for stakeholders to obtain EU funding. Also, the design and goals of the funds could be aimed at reducing complexity and/or also supporting stakeholder capacity. However, securing adequate level of funding essential.
High admin burden	MS	Considering to simplify / mainstream the administrative process related to the use of EU funds would significantly help to lower admin burden.	By improving coherence and coordination, PAFs can also indirectly help to share administrative burden between stakeholders	While not decreasing the admin burden as such, increased capacity re: EU funds can however help stakeholders to better and more effectively address / deal with the related admin issues.	N/A	Increasing the financing portfolio for Natura 2000 can increase the overall complexity and thus also increase the admin burden. Thus, due consideration to this should be given to this. PES schemes, offsets, product labelling etc are all relative complex and require significant administrative efforts to implement and regulate them	One comprehensive instrument to be used for all Natura 2000 related management activities would, in principle, minimise admin burden in the EU context.
Lack / slow development of Natura 2000 management plans as a basis for establishing funding needs	MS	Continued / increased support could be made available to support the development of management plans	N/A	N/A	N/A	N/A	Depending on the scope of such instrument, could be used to support / ensure the development of management plans

Lack of transparency & information on actual spending	EU / MS	Clearer / dedicated earmarking of funds for Natura 2000 at the EU level (i.e. in the context of Regulations for EU funds) would significantly help to ensure more systematic uptake at the national level.	PAFs can support / initiate / integrate the development of improved monitoring of actual spending.	N/A	N/A	N/A	One comprehensive instrument to be used for all Natura 2000 related management activities would, in principle, improve
Lack of monitoring performance re: biodiversity goals	EU / MS	Possibly including a requirement for monitoring performance in the EU funding Regulations. To support the above, or to support voluntary actions: expanding the objectives of the EU funds to also support the uptake of activities / processes that monitor the performance of funding (e.g. Broader monitoring schemes)	In so decided, PAFs could (directly or indirectly) support / initiate / integrate the development of improved monitoring of performance. Also, PAFs can possibly identify funding to support these monitoring activities.	N/A	N/A	N/A	N/A
Lack of available funding / competition between different policy goals	EU / MS	Clearer / dedicated earmarking of funds for Natura 2000 at the EU level (i.e. in the context of Regulations for EU funds) would significantly help to minimise competition with other priorities.	Improved coordination via PAFs can help to systematically identify / highlight financing needs under different OPs → improved likelihood for increasing overall funding for Natura 2000	Increased capacity of stakeholders to access EU funds can to some extent help to increase overall funding streamed to Natura 2000.	Links to ecosystem services provided by Natura 2000 can help to increase overall funding available for Natura 2000. Also, EU funds can be used as catalysts / preliminary 'boost' to initiate the development of innovative instruments (e.g. PES	New financing mechanisms, when adopted to support and not to replace existing mechanisms, can help to increase overall funding available for Natura 2000.	A dedicated instrument to be used for all Natura 2000 would minimise the competition for funding. However, guaranteeing adequate funding for the instrument in the overall context of budget negotiations would be crucial - and this might prove to be challenging.

					schemes)		

Annex 6. Analysis of the different future options for co-financing Natura 2000

+ / +++	beneficial effects in improving the existing co-financing framework / compatibility & synergies with broader EU policy goals
0	no improvement to the current situation
- / ---	negative impact on the current situation / incompatible compatible with broader EU policy goals
N/A	not applicable
Y/N	yes/no

List of considered criteria	Option 1. Business as usual	Option 2. Improved integration - enhanced allocations under existing funds.	Option 3. Improved integration - enhanced allocations under existing funds, supported by PAFs	Option 4. Improved integration - enhanced & strategically targeted LIFE, supported by PAFs	Option 5. Dedicated and comprehensive new funding instrument	Option: horizontal I - capacity building	Option: horizontal II - innovative instruments
Capacity to successfully address gaps and constraints							
Covering the whole range of Natura 2000 management measures	**0**	**+++**	**+++**	**++**	**+++**	**+** (improved use of available opportunities)	**+** (new opportunities)
Constraints for use: coherence & coordination	**0**	**0**	**+++**	**+++**	**++** (need for coordination re: other funding)	**+** (indirect impact)	**0** (possibly even negative, due to increased complexity)
Constraints for use: transparency, accountability & monitoring effectiveness	**0**	**+++**	**+++**	**+++**	**+++**	**0**	**0**

Constraints for use: uptake & access by stakeholders	**0**	**0**	**+** (indirect advantage of PAFs)	**+** (indirect advantage of PAFs)	**++**	**+++**	**0** (possibly even negative, due to increased complexity)
Constraints for use: long term continuity	**0** (possibly even negative, due to increased competition of EU resources)	**0**	**++** (improved coordination & planning via PAFs)	**++** (improved coordination & planning via PAFs)	**+**	**++** (indirect impact)	**++** (increased / diverse portfolio supports financing in long term)
Financing gap: ability / likelihood to adequately meeting Natura 2000 funding needs	**0** (possibly even negative, due to increased competition of EU resources)	**++** (other / national resources still required)	**++** (other / national resources still required)	**++** (other / national resources still required)	**++** (other / national resources still required)	**+** (indirect impact)	**+** (new opportunities, but not foreseen to replace existing funding mechanisms)
Compatibility and synergies with and impacts on the other relevant EU policy objectives	-						
Biodiversity policy	**No** (Halting the loss of & restoring biodiversity and ecosystem services post-2010 is likely to require even more resources that before)	**Yes**	**Yes**	**Yes**	**Yes / No** (could be seen as a step away from integrating biodiversity into other policy sectors)	**Yes**	**Yes**
Environmental policy (e.g. water, env. risks)	**No** (suboptimal financing does not allow Natura 2000 network / related ecosystem services to support broader env. goals)	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes** (links to the quality of wider ecosystem and the delivery of services / wider environmental benefits)

Agricultural policy	**Yes / No** (Depending on the future goals of CAP, more support could need to be allocated towards biodiversity-related ecosystem services / public goods)	**Yes** (in principle)	**Yes** (in principle)	**Yes** (in principle)	**Yes / No** (could be seen as a step away from integrating biodiversity into the sector)	**Yes** (unless foreseen to require an disproportionate amount of resources)	**Yes** (links to the quality of wider ecosystem and the delivery of services / sectoral benefits)
Fisheries & Marine policies	**No** (In general, current allocations for Natura 2000 under EFF seem disproportionately small compared to biodiversity goals under CFP and EU Marine Policy)	**Yes** (in principle)	**Yes** (in principle)	**Yes** (in principle)	**Yes / No** (as above)	**Yes** (as above)	**Yes** (as above)
Cohesion Policy	**Yes / No** (Funding allocations seem limited given the current knowledge of the role of biodiversity / ecosystems in supporting sustainable development)	**Yes** (especially when links with climate change & risk prevention)	**Yes**	**Yes**	**Yes / No** (as above)	**Yes** (as above)	**Yes** (as above)

EU Staregy for 2020	**No** (Funding allocations seem limited given the current knowledge of the role of biodiversity / ecosystems in supporting sustainable development, e.g. functioning of different economic sectors)	**Yes** (especially when links with broader, sustainable socio-economic development)	**Yes**	**Yes**	**Yes / No** (as above)	**Yes** (as above)	**Yes** (as above)
Compatibility with the EU budget review & general principles							
Foreseen goals of the EU budget review	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes** (EU is seeking innovative ways to complement the EU budget / financing EU policies)
General principle: subsidiarity	**Yes** (threats to biodiversity require action at the EU level)	**Yes**	**Yes** (As previous Options. Also, PAFs can help to clarify roles between EU and national funding)	**Yes**	**Yes**	**Yes**	**Yes**

General principle: best policy instrument	**Yes / No** (In several cases, EU support is fundamental (i.e. best policy practise) in managing Natura 2000. However, there is clear evidence that current framework not working)	**Yes** (As Option 1, also improved integration seems like a viable options for improving the situation)	**Yes**	**Yes**	**Yes (tentative)** (issues with securing adequate financial allocation for a dedicated instrument)	**Yes**	**Yes** (Foreseen to complement, not replace existing funding mechanisms)
General principle: proportionality	**No** (Current EU support to biodiversity / Natura 2000 seems meagre compared to the threats)	**Yes** (Increase in the EU support seems justified given the threats of biodiversity loss)	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Capacity to deliver broader environmental and socio-economic benefits							
Creation of jobs, business opportunities & revenue	**+** (Still limited)	**++** (Wider range of options, with links to ecosystem services, socio-economic benefits and job creation)	**++**	**++**	**+** (Possibly less links to ecosystem services and wider socio-economic goals)	**++** (improved ability of stakeholders to establish links between Natura 2000, ecosystem services and socio-economic benefits / job opportunities)	**++** (increased support to Natura 2000 related ecosystem services and related socio-economic benefits / job creation)
Maintenance of ecosystem services: health benefits	**+**	**++**	**++**	**++**	**+**		
Maintenance of ecosystem services: risk prevention	**+**	**++**	**++**	**++**	**+**		
Maintenance of ecosystem services: mitigation & adaptation to climate change	**+**	**++**	**++**	**++**	**+**		

Other intangible benefits, e.g. cultural values, education, inspiration etc.	++	++	++	++	++		
General performance							
Political feasibility	++	- / + (likely to receive some objection re: sectoral policy goals)	- / +	++ (PAFs could need to be negotiated)	- - (Creation of a new fund, with large enough financial allocations, likely to be politically difficult)	+ (depending on the scope, could cause resistance in other political sectors)	++
Effectiveness	--- (Based on failures in the past, unlikely to secure delivering EU goals post-2010)	++	+++	++	+++ (given adequate resources secured)	+	+ (as more insights and practise still needed)
Overall benefits	Very limited, but possible benefits from increased familiarity and better practice.	Increased possibilities / uptake of EU funding for Natura 2000 Increased accountability and clarity re: real spending Possibly better links between EU spending and benefits delivered (e.g. conservation and broader socio-economic benefits) → further justification for political / public support	As in Option 2, plus increased coordination & coherence → improved effectiveness	Improved funding / increased uptake of EU funding for Natura 2000 LIFE / LIFE-like funding helps to create a solid 'core' to further enhance / facilitate integration Increased accountability and clarity re: real spending Possibly better links	Increased EU funding available (if sufficient allocation of funds secured) Limited efforts re: coordination and monitoring actual spending needed Increased clarity re: allocations for biodiversity and its benefits	Increased / more effective uptake of EU funds	Increased total funding for Natura 2000 - especially in a long term

				between EU spending and benefits delivered (e.g. conservation and broader socio-economic benefits) → further justification for political / public support			
Overall risks	Not likely to result in enhanced uptake of funding for Natura 2000, unless changes in the mission of the existing funds, as proposed by CEC.	In practise, gaining new funding possibilities could be limited. Resources to monitor actual spending might be limited.	As in Option 2 plus development of PAFs not guaranteed if done on a voluntary basis	No new funding possibilities / earmarking under other EU funds Limitations re: securing increased amount of funding under LIFE Development of PAFs not guaranteed if done on a voluntary basis Resources to monitor actual spending might be limited. Also, possibly resistance from MS (e.g. compare EAFRD).	Natura 2000 not a dedicated priority under other funds → effectiveness depends on political will to allocate sufficient financing for this fund Abandoning the integrated model for co-financing Natura 2000 altogether might be interpreted as back tracking from the point of view to mainstream / integrate biodiversity into other EU sectoral policies	Allocating funds to support capacity building might somewhat diminish funding available for actual Natura 2000 management activities (due to general limited availability of funds).	Could be perceived as replacing, not complementing, existing EU funds → diminished political support to EU funding. Lack of knowledge limits the update and effective use market-based instruments Requires due coordination and strategic thinking in order to best complement existing funding streams, Difficult to negotiate new fiscal or levy measures at EU scale