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on Financing Natura 2000

Extended Impact Assessment

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1. PART 1: ANALYSIS OF THE ISSUE

This document presents the extended impact assessment of the Commission's Communication to the European Union Parliament and Council on the "Financing of the Natura 2000 network". This Extended Impact Assessment does not question the costs and benefits of Natura 2000, since this decision has already been taken. Rather it considers how best to build an operational financial framework to support the Natura 2000 process.

1.1. The issue: Implementing the Natura 2000 network

The Natura 2000 network is the European ecological network of sites established under the Habitats Directive. Its main purpose is the protection of habitat types and plant and animal species of Community interest in the European Union. It comprises both special areas of conservation (SACs) designated under the 1992 Habitats Directive, and special protection areas (SPAs) classified under the 1979 Birds Directive.

The Habitats Directive recognises 198 habitat types, 480 species of plants and 226 species of animals as being of Community interest and requiring special conservation areas to safeguard their future. These habitats and species complement the 181 species (and other migratory species) defined under the Birds Directive as being in need of special protection measures. The list includes scarce habitat types from among the full range of habitats types typical of the Community: types of forests, pastures-grasslands-heaths, wetlands, moors, lakes, dunes and estuaries, to name but a few. The species include both those that are rare in Europe and also those for which Europe has a significant role internationally to safeguard their future. The long-term conservation of these habitat types and species cannot be achieved by protecting isolated localities but requires the creation of a genuine ecological network of sites containing habitats and species of importance and their effective management. This needs to be supplemented by implementing other measures for conservation in the wider countryside, as set out in the nature directives and in the Community biodiversity strategy and action plans.

The Habitats Directive outlines three stages for the establishment of Natura 2000:

- Stage 1: Proposals from Member States for sites for inclusion in the network representing the areas identified which will provide for conservation of the species and habitats concerned;
- Stage 2: Adoption by the Commission of lists of sites of Community interest from proposals made by Member States and;
- Stage 3: Designation by Member States of SACs, establishment of priorities, and implementation by Member States of management regimes for the sites.

Significant progress has been made in the establishment of the Natura 2000 network in the current Member States through the designation of more than 18,000 sites (EU-15). Today, the network covers an area of 63.7 million hectares [or 637,000 km²], including a significant marine area of 7.7 million hectares. The terrestrial area of the network (around 56 million hectares) accounts for approximately 17.5% of the EU-15 terrestrial area. Table 1 outlines the progress to date in terms of proposals from Member States. There is a large degree of overlap between areas designated under the two nature directives. This first stage of the establishment of the network is now significantly complete with relatively few gaps still requiring site

proposals from the Member States. The second stage of adoption of the lists by the Commission has commenced with the approval of the lists for the Macaronesian¹ and the Alpine² biogeographic regions and current planning anticipates that the remaining four lists for the current Member States (EU-15) will be formally adopted by the end of 2004.

With the accession of ten new member states on the 1st May 2004, significant new areas will be added to Natura 2000. The network will be extended to cover new species and habitat types, not previously occurring in the EU and for this reason the list of habitats types and species of Community interest has been amended to account for the accession. Since the nature directives are not subject to any transitional arrangements as far as Natura 2000 is concerned, full proposals of designated areas have to be made by the new Member States at the time of their accession to the EU. The accession of the new Member States will have two significant effects on the Natura 2000 network: they will extend the number and area of sites and geographical distribution of the network and they will add new species and habitat types, not previously occurring in the EU, to the list of habitats and species of Community interest.

Table 1: Proposed Natura 2000 area and sites in EU-15 (pSCIS and SPAs)

Member State	Proposed sites (pSCIs)	Total proposed area (km ²)	Proposed terrestrial (+marine) area as % of national terrestrial territory	Designated sites (SPAs)	Total proposed area (km ²)	Proposed terrestrial (+marine) area as % of national terrestrial territory
Belgium	271	3,184	10.4%	36	4,313	14.1%
Denmark	194	10,259	23.8%	111	9,601	22.3%
Germany	3,536	32,151	9.0%	466	28,977	8.1%
Greece	239	27,641	20.9%	151	13,703	10.4%
Spain	1,276	118,496	23.5%	416	78,252	15.5%
France	1,202	41,300	7.4%	155	11,749	2.1%
Ireland	381	10,000	14.2%	109	2,236	3.2%
Italy	2,330	44,237	13.7%	392	23,403	7.8%
Luxembourg	47	383	13.7%	13	160	6.2%
Netherlands	141	7,505	17.7%	79	10,000	24.1%
Austria	160	8,896	10.6%	95	12,353	14.7%
Portugal	94	16,500	17.9%	47	8,671	9.4%
Finland	1,665	47,932	17.8%	452	28,373	8.4%
Sweden	3,420	60,372	12.8%	436	27,236	6.1%
United Kingdom	601	24,721	10.1%	242	14,704	6.0%
TOTAL	15,557	453,577	14.3 %	3,200	273,731	8.6 %

Source: NATURA Barometer, DG Environment. Situation as of October 2003.

¹ Commission Decision 2002/11/EC of 28 December 2001 adopting the list of sites of Community importance for the Macaronesian biogeographical region, pursuant to Council Directive 92/43/EEC (OJ L5, 9.1.2002, p.16-25).

² Commission Decision 2004/69/EC of 22 December 2003 adopting the list of sites of Community importance for the Alpine biogeographical region, pursuant to Council Directive 92/43/EEC (OJ L14, 21.01.2004, p.21-53).

The sites designated under the Habitats Directive cover a wide range of land use or land cover types, the most frequent being agriculture, forestry, pasture, wetland, marine and coastal, and mountainous areas. An analysis is presented in Table 2 indicating the percentage of Natura 2000 area falling in certain major land use types, using the data available for EU-15. According to this analysis forests and wooded areas represent the largest land use type of Natura 2000 sites, accounting for around 29% of the designated area. They are followed by land-uses predominately of an agricultural type (agriculture 5.5%, pastures- grasslands- heathlands 26.3% and orchards 1.8%) totalling 33.6% of the designated area. Marine areas are also significant covering 12.5% of the designated area.

Table 2: Analysis of Natura 2000 sites by type of Land Use

Aggregated land-use category	% coverage	Natura 2000 area (in ha)
Marine areas	12.48%	5,301,803
Coastal areas & Wetlands	3.93%	1,671,275
Inland waters - Marshes – Bogs	12.85%	5,459,885
Pastures / Heath- Scrubs-Grasslands	26.30%	11,170,888
Agriculture	5.59%	2,373,722
Forests	28.95%	12,296,965
Orchards – Dehesas	1.83%	778,019
Snow – Rocks	3.76%	1,596,317
Other	4.30%	1,825,335
Total	100.00%	42,477,579

Notes:

a. The above calculations are derived from the Natura 2000 database managed by DG Environment.

b. The total area examined (42,477,579 ha) accounts only for the sites designated as pSCIS under the Habitats Directive. There has been some minor underestimation of the total coverage of sites due to data-quality and lack of information in the database and the difficulty to assign land-use type to certain sites. Analysis includes submissions by Member States up to end 2002. More sites have been submitted since, thus the Natura 2000 area in EU-15 is greater than the figures in Table.

c. It has to be mentioned that the total surface of the Natura 2000 network covers an area of around 56 million ha as this figure includes also sites that have been designated under the Birds Directive (SPAs). However, as these sites coincide with the pSCI a more detailed analysis is needed for accounting for the network and avoiding double counting.

d. The Natura 2000 network includes also marine protected areas that account for an additional 7.7 million ha.

The establishment of the Natura 2000 network is a major achievement. Both the Member States and the Commission have invested heavily in order to carry out all the scientific work and the consultations needed for establishing the lists of proposed Sites of Community Interest (pSCIs) and for approving them. Natura 2000 today in EU-15 is not limited to existing nature reserves, but also integrates the sustainable use of resources and nature conservation requirements in economic activities, such as agriculture, forestry, mining and fisheries that take place in these areas.

There is now a need to increase the focus on the active management of the sites so as to ensure long-term conservation and the achievement of the economic and social objectives of the network. This in turn raises the question of making available sufficient financing at all

levels to ensure that Natura 2000 becomes a dynamic part of the EU biodiversity strategy. Investments, which promote the sustainable use of the sites and access for visitors, are particularly important in realising the potential of the network to contribute to local sustainable economic development.

1.2. Link of the Natura 2000 with EU policies - Addressing Biodiversity Loss

The conservation of nature and biodiversity, the variety of living organisms of our planet, has consistently been recognised as an objective of critical importance to European society. This is reflected in the commitments set out in the 6th Environmental Action Programme, as well as in the engagement taken by the Community and its Member States as parties to the UN Convention on Biological Diversity (CBD).

The importance of the protection of biodiversity both at the level of variety within - and between - species as well as the variety of habitats and ecosystems is apparent in the range of material and non-material values and benefits³ which biodiversity provides to our society. The most significant of these benefits is undoubtedly the role that ecosystems play in regulating many of the natural systems on which our survival depends. This includes the mitigation of climate change and maintenance of micro-climates and climate stability, watershed management, coastal protection and erosion control and wider ecological benefits such as the provision of spawning grounds for marine fisheries or of pollinators for surrounding agricultural and horticultural areas.

Biodiversity in general and protected areas in particular, also represent a significant resource for recreation, tourism and education⁴, often benefiting the most remote and marginal areas of the Community. The economic dimension of biodiversity is also apparent in the relation to the sustainable management and harvesting of forests that takes place inside Natura 2000 forest areas.

Despite the importance of biodiversity for society and the strength of the economic arguments for conservation, the measures taken at EU and Member State level, have been insufficient. The overall state of European biodiversity is poor and the general trend⁵ is one of continuing decline. The European Environment Agency's Third Environmental Assessment⁶ (2003) stated that "*important ecosystems continue to be at risk*" while "*species population trends are mixed - some previously highly threatened species are starting to recover, others continue to decline at alarming rates...[and] decline is now also perceptible in previously common species.*"

The Community has recognised that biodiversity protection is not simply an option; rather it is a critical component of sustainable development. The commitment made by Heads of State and Government at Gothenburg to reverse the decline of the EU's biodiversity by the year

³ See, for example, Report of the Ad hoc Technical Expert Group on Protected Areas, Tjarno, Sweden, 10-14 June 2003. UNEP/CBD/AHTEG-PA/1/3

⁴ The Communication on 'Basic orientations for the sustainability of European tourism' (COM (2003) 716 final), adopted by the Commission on 21.11.2003, recognises the importance of sustainable tourism in protected areas.

⁵ Europe's Environment, The Dobris Assessment. 1999. European Environment Agency. Chapter 29.

⁶ Europe's Third Environmental Assessment. Environmental Assessment Report no.10. European Environment Agency. 2003. Chapter 11.

2010 is recognised as a key element of the EU Sustainable Development Strategy⁷ and is developed in more detail in the Sixth Community Environment Action Programme (2002-2012)⁸, which identifies nature and biodiversity as one of the four main priorities for action. Key actions identified in the Sixth EAP include implementation of the Community Biodiversity Strategy⁹ and Action Plans¹⁰, including the full implementation of the nature directives¹¹ and, in particular the establishment of a network of protected sites, the Natura 2000 network¹². Further on 9 May 2002, the ‘El Teide Declaration’¹³ endorsed the prominent role of Natura 2000 in delivering the EU biodiversity objectives. It also recognised that the delivery on EU biodiversity objectives ‘require **targeted** resources’ as well as the requirement to ‘ensure that the needs of the Natura 2000 are *effectively implemented in other Communities policies*’.

1.3. Why the Natura 2000 network needs to be EU co-financed

The contribution of Natura 2000 to the long-term goal of protecting the Community’s biodiversity resources will only be achieved if the sites which make up the network are managed appropriately. It is therefore crucial that, as the designation process set out in the Habitats Directive nears its conclusion, attention now turns more towards management of the sites. The formulation of management plans has already started in most Member States (see detailed information in Table 3, in Annex 3) and should be completed in the coming 2 to 3 years for most of the Member States. The implementation of these management plans clearly raises the issue of the availability of the required financial resources for their implementation.

Community funding is necessary in order to implement fully the network and provide support for the efficient management of the numerous sites of the network. As the Natura 2000 network provides for a network of sites that extend over national boundaries, there is merit for a comprehensive Community action allowing all Member States and their regions to benefit from the available funds according to the relative burden they share in the management of Natura 2000. This is recognised in the recitals and the Article 8 of the Habitats Directive which deal with the issue of Community co-financing.

The co-financing for NATURA 2000 at EU level is further justified on a number of grounds. On one hand, the benefits of enriched biodiversity are shared widely throughout the Union, whereas the costs are borne by those Member States having the most diverse and rich biodiversity and hence the most protected sites as it is recognized in the “whereas” clauses of

⁷ Communication from the Commission. A Sustainable Future for a Better World: A European Union Strategy for Sustainable Development. COM(2001) 264 final.

⁸ Decision No 1600/2002/EC of the European Parliament and of the Council laying down the Sixth Community Environment Action Programme (OJ L242, 10.9.2002, p.1).

⁹ COM(1998) 42 final.

¹⁰ COM(2001)162 final Volumes I-V.

¹¹ Council directive 79/409/EEC on the conservation of wild birds (OJ No L 103, 25.4.1979, p.1) and Council directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ No L 206, 22.07.1992, p.7), as amended by Council directive 97/62/EC of 27 October 1997 adapting to scientific and technical progress directive 92/43/EEC (OJ No L 305, 08/11/1997, p.42).

¹² “... establishing the Natura 2000 network and implementing the necessary technical and financial instruments and measures required for its full implementation and for the protection, outside the Natura 2000 areas, of species protected under the Habitats and Birds Directives...[and] promoting the extension of the Natura 2000 network to the Candidate Countries”. Article 6, 2(a).

¹³ The Declaration was made by the Commissioner for the Environment, Margot Wallström, and the Spanish Minister for the Environment, Jaime Matas, on behalf of the Council.

the Habitat Directive. On the other hand, the integration of environmental considerations into other EU policies and in particular regional, agricultural and rural development policies, should also justify the contribution of these policies towards the co-financing of Natura 2000, in the form of a combined use of the corresponding available EU financial instruments.

1.4. Considering subsidiarity and proportionality

Article 8 of the Habitats directive provides for Community co-financing, following a request by a Member State, of measures needed to ensure the favourable conservation status of habitats and species in the designated SACs. However, Article 8 does not directly specify the types of Community funding or indicate the Community Funds and instruments which could be used for co-financing, nor suggests the creation of a dedicated Natura 2000 fund or instrument within the EU budget.

According to the opinion of the Commission's legal service, Article 8 allows Community funds to be used to co-finance necessary measures for the management of the sites of the network. This support aims to enable Member States to meet their obligations under Article 6(1) of the Habitats Directive. As Article 6(1) indicates, *“For special areas of conservation, Member States shall establish the necessary conservation measures involving, if need be, appropriate management plans specifically designed for the sites or integrated into other development plans, and appropriate statutory, administrative or contractual measures which correspond to the ecological requirements of the natural habitat types in Annex I and the species in Annex II present on the sites.”* Priority is to be given to measures concerning sites eligible for designation as Special Areas of Conservation (SACs) and hosting priority natural habitats types and/or priority species.

The details of implementation of this co-financing are further set out in Article 8 of the Directive, as follows:

- In parallel with their proposals for sites eligible for designation as special areas of conservation, hosting priority natural habitat types and/or priority species, Member States are to submit to the Commission estimates regarding the co-financing considered necessary for these sites. However, they are not precluded from submitting estimates for other sites.
- The Commission is then to identify, on a case-by-case basis, the essential measures for achieving favourable conservation status for the priority habitats and species on these sites.
- The financing and co-financing required for such measures is also to be assessed, taking account, amongst other things, of the concentration on the Member State's territory of priority natural habitats and/or priority species, and the relative burdens that the required measures entail.
- On this basis, the Commission has to adopt an action framework of measures involving co-financing for sites once they have been designated.

However, the provisions of the Habitats Directive establish clearly that the responsibility for ensuring the management of Natura 2000 sites lies with the Member States. In practice, for many Member States this responsibility is delegated to national or regional conservation agencies or in the case of federal states it may be defined as the responsibility of regional authorities. The Commission, while not having the lead role in site management, does have an ongoing responsibility to ensure respect of Community legislation. This is specifically

recognised in various articles of the directive which, for example, make provisions for Commission's opinion in respect to major developments impacting priority sites (Article 6.4) and for periodic reports on implementation via the reporting requirements (Article 17).

Co-financing is to be ensured by 'available sources of funding', in other words those funds that exist currently and that can support environmental objectives. Relevant funds that are in principle able to co-finance nature conservation projects include LIFE (Nature)¹⁴, as well as the Structural Funds¹⁵, the European Agricultural Guidance and Guarantee Fund - Guarantee Section¹⁶ and the Cohesion Fund¹⁷. The explanatory memorandum of Directive 92/43/EEC confirms that the Structural Funds may be used to co-finance measures provided for in Article 8 of the Directive. Any measures that are funded must meet the general conditions for co-financing set out in the rules governing each of these instruments.

The Article 8 of the Habitats Directive explicitly recognises the need for ongoing Community support for the management of Natura 2000, in recognition of the financial burden that Natura 2000 might place on Member States, particularly those Member States with a higher concentration of species and habitats of Community interest, as it is explicitly indicated in the whereas clauses. As Table 1 in shows there are marked differences in the extent of designation in different Member States, as well as to the land uses that these sites correspond. The Tables in annex 1 examine further the differences of the land use types covered by Natura 2000 designations in the different current Member States for which data is available.

1.5. Identify the key players/affected populations

The establishment of the Natura 2000 network has implications for certain stakeholders, as the designation of sites and the creation of management regimes imposes certain constraints to people and obligations to act in a prescribed manner. However, it is not the purpose of this Extended Impact Assessment (EIA) to provide an analysis of the impacts from the establishment of the Natura 2000 network, or to assess the purpose of the Habitats Directive. This EIA looks to provide and analyse the information available on the need to provide Community support for the finance of the Natura 2000 and to identify the stakeholders affected, as well as measures and actions that need to be financed in order to implement and provide for the management of the areas.

The most obvious group of people affected by the Natura 2000 designation is farmers, fishermen and forest owners. This group of people will benefit if the funding necessary for Natura 2000 is provided in a clear manner and is systematically co-ordinated with other funding mechanisms. Such a co-ordinated approach would minimise bureaucracy and red tape. Overall though, the biggest impact on this group will come from the operation of Natura 2000 itself, and not from the funding mechanism for it. Except from these groups that depend

¹⁴ Regulation (EC) N° 1655/2000 of the European Parliament and of the Council of 17 July 2000 concerning the Financial Instrument for the Environment (LIFE) OJ L192, 28.07.2000, p.1, and Proposal for a Regulation of the European Parliament and of the Council amending Reg. EC N° 1655/2000 concerning the Financial Instrument for the Environment (LIFE), COM (2003) 667 final of 5 November 2003.

¹⁵ Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds, OJ L161, 26.06.1999, p.1.

¹⁶ Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations, OJ L160, 26.06.1999, p.80.

¹⁷ Council Regulation (EC) No 1164/94 of 16 May 1994 establishing a Cohesion Fund, OJ L130, 25.05.1994, p.1, as amended by Council Regulation (EC) No 1264/1999 of 21 June 1999 (OJ L161, 26.06.1999, p.57) and Council Regulation (EC) No 1265/1999 of 21 June 1999 (OJ L161, 26.06.1999, p.62).

on the daily use of the Natura 2000 sites, there are also land owners or leasers of the sites who exploit or develop them. The use of the sites can vary (mineral extraction, tourism development, development of infrastructure e.g. transport, housing projects, etc.). Apart from the owners or “dependents” of Natura 2000 sites there are also users of the sites, which can do so in a more or less depending way, like hunters, recreationists, nature friends/activists and general public. Another group of stakeholders is Environmental NGOs, which have own interests to work for the implementation of specific conservation actions for Natura 2000 sites and species.

National, Regional and Local authorities in every Member State have an important role in the process of Natura 2000 planning, establishment and implementation. Their exact role depends on the powers that have been delegated to the different levels, but the involvement applies to all levels. As such, these levels will be more affected by the choice of funding route for Natura 2000 than individuals.

Local / Site level:

Land owners: Land owners are affected by the Natura 2000 designation in a two-fold way. Land prices can be decreased if development rights are restricted, however land prices can also be increased in cases of areas and plots neighbouring Natura 2000 sites and thus gaining from the quality of undeveloped space that sometimes Natura 2000 creates.

Operators (farmers, fishermen, etc): Natura 2000 management provisions can impose restrictions to the ways that farming practice is being exercised, as well to the fishing efforts. The Common Agricultural Policy (CAP) has foreseen compensation for income foregone for farmers with agricultural activity inside Natura 2000 sites, however a similar concept has not been yet developed under the Common fisheries Policy (CFP) as also management plans for marine Natura 2000 sites and designation is lagging.

Developers (tourism, transport and building industry): The Natura 2000 network has identified as posing certain problems particularly to the transport and construction/building sectors (a compatibility assessment of various development projects is required and a procedure for this is highlighted in Article 6(3) of the Habitats Directive which is further explained in the Commission’s guidelines for the implementation of the provisions in this Article¹⁸). The introduction of a proper EIA of projects that account for all possible negative impacts on Natura 2000 sites has caused sometimes delays in execution and administrative workload for the involved services. However, planning and accounting of Natura 2000, as well as proper assessments and EIAs would have contributed greatly to the reduction of these delays.

Exploiters, harvesters (mining, forestry activity): Some Natura 2000 sites are associated with certain exploitation activities (like timber harvesting and mining) that need to be performed in a certain way so not to compromise the ecological quality of the sites. The owners of these sites, or the owners of rights to perform these activities are frequently affected by restrictions in their activity or by incurring additional costs due to the way that the activity need to be performed. There is often the case that mining/extraction rights need to be bought out by the

¹⁸ Assessment of Plans and Projects Significantly Affecting Natura 2000 sites: Methodological guidance on the provisions of Article 6(3) (4) of the Habitats Directive 92/43/EEC. At: http://europa.eu.int/comm/environment/nature/natura_articles.htm

State or that compensation for income foregone could be need to be provided to forest owners.

General public: Actors include recreationists and other users of the sites, who appreciate the sites and using them for eco-tourism, or even people who value the Natura 2000 sites without using them, but still have an interest on nature and biodiversity protection objectives. The later group has an opportunity benefit from the establishment of the network, related to non-use of the network. These benefits are also applicable to the future generations.

National / regional level:

Regional administrations: Frequently the implementation of the Natura 2000 network and its management remains the responsibility of regional authorities, as these responsibilities are delegated in this level. Regional administrations are responsible for the negotiations of management plans for the sites and their agreement with the owners of the sites or the users. The regional administrations have to integrate the Natura 2000 sites in their regional spatial and economic development programmes and policies and to arrange for the sufficient attention to the needs of the network.

National administrations: Depending on the structure of administration in the Member States it is most frequent that the national administration is both responsible for the administration and the management of the network, as well as for legislative and enforcement procedures. Similarly to the regional authorities, the national authorities are responsible primarily for the designation of the sites and establishment of the network and they interact with the Commission on issues of enforcement. The national authorities are also responsible for the planning in central level of programmes, plans and polices that affect the Natura 2000 network and its finance. They also have to provide the necessary resources for sites that are under public ownership, particularly when the responsibility for the management of these sites has not been delegated to the regional authorities.

EU level:

The Commission is entrusted with the task of monitoring the implementation of the Natura 2000 network. The Commission is responsible for the organisation of the bio-geographical seminars that have lead to the creation, discussion and approval of the list of sites of the network. The Commission and the Member States approve the list of sites based on scientific criteria. Further, the Commission is charged with the administration and the monitoring of the implementation of the Habitats and the Birds Directives. The Commission has prepared this Communication on the Financing of the Natura 2000 network as a response to its commitment to work on the provisions of the various Articles, a response to Council's requests set in Council conclusions and to Member States needs.

2. PART 2: WHAT MAIN OBJECTIVE IS THE PROPOSAL EXPECTED TO REACH?

2.1. The overall policy objective: Provide co-financing for the Natura 2000 network

The proposal seeks to identify the means for providing appropriate co-financing of the management of the sites that have been designated in the Natura 2000 network in accordance with the provisions of the Habitats directive. The network has been seen as the appropriate instrument of the EU policy response to biodiversity protection and conservation and as a

critical element of the Community environmental policy. It has thus assumed a central role in the implementation of the targets set for this policy, i.e. to halt biodiversity loss by 2010. However, the legal requirement to efficiently manage these sites may not be met if appropriate resources are not made available for this purpose. The Habitats Directive recognises the need for providing Community support for the management effort needed, as explicitly mentioned in the Article 8 of the Directive.

Article 8 sets out the process for providing this Community co-financing support, based on the situation existing in the early 1990s, when the Habitats Directive was established, for co-financing defined measures to implement some goals of the Natura 2000 network. However, its detailed procedural provisions are no longer compatible with the evolution of Community funding mechanisms requiring an excessive degree of Community involvement in the funding decision for individual sites. Interpretation of key elements and concepts in the article is necessary to judge if it provides a relevant framework for implementation, and if necessary to align it with contemporary financial initiatives and opportunities.

Eligibility of sites under the terms of Article 8

The text of article 8(1) clearly implies a commitment only exists for funding of sites designated as special areas of conservation which host priority natural habitat types and/or priority species. These are only part of the overall list of habitats and species established in annexes I and II of the directive. In practical terms, about 75% of the proposed SCIs include at least one priority habitat type or a priority species. In terms of surface area coverage, the proposed sites with at least one priority feature represent more than 90% of the total surface area of pSCIs (see Figure 1 in Annex 2). The high percentage – both in number and surface – of sites with priority features may be partially due to the presence of 'priority' wide spread species (e.g. *Callimorpha quadripunctaria*). This high coverage of priority species and habitats, the consideration that some of the remaining areas can host temporarily priority species that are moving around sites suggests that the criterion of “hosting priority habitats and species” is not a strong criterion that could assist in excluding sites from any Community support. In addition to this argument the Directive does not, however, preclude Member States from putting forward the financial requirements for measures relating to sites not hosting priority natural habitat types and/or priority species. Since the Birds Directive does not include any priority species, it is clear that article 8 does not therefore establish any obligation for funding by the Community of the Special Protection Areas established by that directive. Any funding of Habitat Directive sites, which do not have priority habitats, or species and Birds Directive sites is therefore discretionary.

Essential measures for the maintenance or re-establishment of a favourable conservation status

Article 8(2) stipulates that *"In agreement with each of the Member States concerned, the Commission shall identify, for sites of Community importance for which co-financing is sought, those measures essential for the maintenance or re-establishment at a favourable conservation status of the priority natural habitat types and priority species on the sites concerned, as well as the total costs arising from those measures"*. In order to determine which measures are essential for the maintenance or re-establishment at a favourable conservation status, the different types of measures proposed need to be examined to see whether they correspond with the stated objectives. The objective here is to ensure the maintenance or re-establishment at a favourable conservation status of the priority natural

habitat types and priority species on the sites concerned. Article 1, points (e) and (i) of Directive 92/43/EEC define the scope of this concept.

Given that different measures are taken for each habitat or species depending on their particular situation, there can be no single definition of "essential measures" and "favourable conservation status". Proposed measures must therefore be assessed and selected case by case. Additionally, it may well also be the case that other action on Natura 2000 sites may be eligible for support from Community funds where they contribute to the achievement of objectives of such funds which may well be broader than conservation objectives, e.g. eco-tourism facilities under Regional Development programmes.

Prioritised action framework of measures for co-financing

Paragraph 4 of this article foresees the adoption by the Commission of prioritized action frameworks of measures for co-financing for individual sites once they have been designated. This concept raised two major difficulties. Firstly, it implies that the Commission should be involved in detailed examination of the management measures of each and every site for which co-financing is required. It is to be questioned whether such a centralized involvement is either necessary or desirable. It would certainly involve a considerable requirement of human resources well in excess of those currently allocated by the Commission. Secondly, the management of the major current potential funding instruments identified above no longer foresees detailed control by the Commission of the allocation of funds. Commission approval is of general measures or programs to apply over broad geographic areas and not individual projects.

'Relative Burden' of the Member States

Implicit in the text of this article and even more so in the recitals of the directive is the concept that co-financing should be concentrated in those Member States, which have the highest burden. The directive does not, however, indicated what the basis for applying such criteria should be. To date, co-financing has not been restricted to any specific geographical areas, although higher rates of co-finance have been applied in some circumstances (e.g. for Objective 1 areas).

Postponing implementation of management measures

Article 8(5) permits Member States to postpone implementation of necessary measures where co-financing is not available. In the event that there is disagreement between the Commission and Member States as to the appropriateness and priority of measures for co-financing, this provision may potentially be the basis of difficulties with regard to interpretation of a Member State's obligation to take necessary measures to ensure conservation of sites.

In order to build an operational financial framework we need to address three key questions:

(i) Financial needs of Natura 2000

What are the types of measures and projected costs on which co-financing may be sought?

(ii) Criteria for eligibility for co-financing

Bearing in mind the text of Article 8 and more generally the financial resources available to the Community, what criteria should be considered for fixing the eligibility, priority and level of support?

(iii) How should Community co-financing be delivered?

Is the concept of funding via existing funding instruments applicable to the funding needs, or should some new arrangements be foreseen?

Besides the specific reference to co-financing that is included in the Article 8 of the Habitats Directive, conservation actions and projects in Natura 2000 sites have also been eligible to other Community's instruments (Structural Funds, EAGGF-Guarantee Section, the Cohesion Fund and the Life-Nature instrument). To date, the cost for the identification of the Natura 2000 sites has been borne by the Member States with additional support from LIFE-Nature, while Community contribution towards support for projects and for creation of related infrastructures have been provided through the ERDF (mainly through Objective 1 programs), INTERREG and EAGGF (through LEADER+ initiatives). Apart from that initiatives, support for the establishment of management plans and innovative pilot projects has been provided by LIFE-Nature and its predecessor ACNAT since the '90s. The management of sites under agricultural use has been often facilitated by rural development funding and more specifically by agri-environmental and Article 16 measures of the Rural Development Regulation, as well as by LIFE-Nature, when the initiatives had a pilot character.

2.2. Managing Natura 2000 - the needs of the network and the associated costs

2.2.1. Measures needed for the management of the Natura 2000 network

The provisions of the Habitats Directive clearly establish that the responsibility for ensuring the management of Natura 2000 sites lies with the Member States. In practice, for many Member States this responsibility is delegated to national or regional conservation agencies or in the case of federal states it may be defined as the responsibility of federal / regional bodies or authorities. In the case of the marine environment, where management activities may involve the regulation of fisheries activities and efforts, these would benefit from action at Community level.

The financial needs of the Natura 2000 network relate to a broad range of measures required to ensure the efficient conservation management of the designated sites. The needs and related funds will depend not only on the measure in question, but also the type of habitat managed, the objectives pursued and the socio-economic features of the site, as well as to the actors and stakeholders who operate on the site. They also include investments that promote the public use and access to the sites in ways compatible with their conservation objectives.

A number of differences between Member States also arise, which is due to a number of factors, variations in the infrastructure, administration capacities and designation policies of the Member States, differences in site objectives and management activities undertaken, and differences in the priority that each Member State gives to nature conservation. In some Member States, habitat types and species may demand more or less intensive and expensive management, a factor also influenced by the objectives Member States set for conservation, as well as the pressures being exerted on sites by other activities. Differences in price levels

between Member States will also be significant, and could for example, increase the cost of compensation for restrictions on land use development in the more densely populated Member States.

Measures and activities necessary for the designation and management of Natura 2000 sites can be one-off 'investment'-type actions, such as land acquisition or the restoration of damaged habitats or features (see Box 1). They may as well involve actions over extended periods, such as the regular active management of vegetation and other land features and habitat or species monitoring. These actions and measures that can be directly related to on-the-ground action can be regarded as investments and infrastructure needed for the management of the sites. However; the efficient management of the Natura 2000 network necessitates other actions too that they may involve broader site administration and educational or awareness-raising activities, which ensure that sites and their special qualities are protected from a variety of local and more strategic impacts and the idea of the Natura 2000 network is promoted and communicated to the public.

A detailed list of measures and activities necessary for the establishment and management of the Natura 2000 network is presented in Box 1. The type of activities required can be seen to fall into four broad categories. This categorisation is useful in subsequent discussion of both costing and eligibility of funding.

Box 1: List of activities needed for establishment and management of the Natura 2000 network	
Categorisation	Types of Activities
Finalisation of the Natura 2000 list of sites - Establishment of the Natura 2000 network	<ul style="list-style-type: none"> • <i>Administration of selection process</i> • Scientific studies/inventories for the identification of sites – surveys inventories, mapping, condition assessment • Preparation of information and publicity material
Management planning, administration and maintenance of network related infrastructure	<ul style="list-style-type: none"> • Preparation of management plans, strategies and schemes • Establishment of management bodies • Consultation – public meetings, liaison with landowners • <i>Review of management plans, strategies and schemes</i> • <i>Running costs of management bodies (maintenance of buildings and equipment)</i> • <i>Maintenance of facilities for public access to and use of the sites, interpretation works, observatories and kiosks, etc.</i> • <i>Statutory Staff (conservation/project officers, wardens/rangers, workers)</i>
Ongoing habitat and management monitoring	<ul style="list-style-type: none"> • Conservation management measures – e.g. maintenance of habitat or species in favourable conservation status, Improvement of habitat or species favourable conservation status • Implementation of management schemes and agreements with owners and managers of land or water for following certain prescriptions (like allowing for hedgerows, creating riparian belts, apply special silvicultural treatments to old growth forests, prevention of clear felling, etc). • Provisions of services; compensation for rights foregone and loss of income; developing acceptability "liaison" with neighbours • Monitoring and surveying • Risk management (fire prevention and control, flooding, etc.) • Surveillance of the sites • Provision of information and publicity material • Training and education • Facilities to encourage visitor use and appreciation of Natura 2000 sites
Investment costs	<ul style="list-style-type: none"> • <i>Land purchase, including compensation for development rights</i> • Infrastructure needed for the restoration of habitat or species • Infrastructure for public access, interpretation works, observatories and kiosks, etc.

The identified types and scopes of activities are not straightforward in terms both of description and categorisation. Further work is needed to develop this framework into a menu of activities for which EU funding could be available. For example, can a common understanding of many of these activities be developed? Should certain activities (e.g.

compensation for loss of land value) preclude the use of others (e.g. management schemes)? At the same time, there is a need to consider how much flexibility Member States should have in selecting from this common menu of activities, to develop a programmed approach to Natura 2000 funding which is both appropriate to specific national circumstances and encourages innovation and best practice in site management.

After serious consideration it seems that the following measures and activities are highly unlikely to receive Community support under any of the current Community Funds and instruments and the eligibility criteria that rule them. These measures include:

- Administration of selection process
- Review of management plans, strategies and schemes
- Running costs of management bodies (maintenance of buildings and equipment, support for statutory/permanent personnel)
- Maintenance of facilities for public access to and use of the sites, interpretation works, observatories and kiosks, etc.
- Staff needed to carry out statutory conservation activities (wardens/rangers, conservation/project officers, workers)
- Land purchase, including compensation for development rights

The actions referring to “*Land purchase, including compensation for development rights*” is of extreme sensitivity. There is controversy about the potential of actions like that and the extent to which they contribute to conservation objectives. The element of subsidiarity needs also to be examined and considered in this case. In any way, the Member States along with the Commission should further work on this issue and if the item maintained in the co-financing options, then guide-lines ruling the conditions of eligibility should be developed. What is also evident is that this measure does not have an impact on conservation only, but also in land prices.

Given the extensive range of habitat types and situations prevailing in the different Member States, it is obvious that no standard formula can be applied. A broad variety of activities may be required, which encompass maintaining grazing in mountainous prairies, establishment and maintaining of hedgerows, creating riparian belts, restoration of degraded wetlands, apply special silvicultural treatments to old growth forests, prevention of clear felling, to name but a few. However, as a general rule it will be important to ensure the continuation of traditional management regimes, which very often have been critical in creating and maintaining the habitats, which are valued today.

It should be stressed that the purpose of Natura 2000 is not to create "nature sanctuaries" where all human activity is prohibited (for example, forestry resources can be exploited in the designated areas). On the contrary, today, the presence - or resumption - of beneficial human activity is often essential for maintaining biodiversity, especially in rural and forested areas.

2.2.2. Costs deriving from the implementation of the Natura 2000 network

A comprehensive study for BirdLife International¹⁹ (Stones *et al*, 1999) estimated that the costs of the on-going management of the Natura 2000 network in the EU-15 are between 2.5 and 3 billion euro per annum, equivalent to 0.04% of EU GDP. This was based on four costing models of varying complexity, using a central estimate of 80 euro per hectare per year. These estimates were considered conservative, as they used conservative assumptions about the area of the network, and included on-going management costs only, and excluded land purchase and habitat restoration costs.

Establishing the Natura 2000 network has given rise to costs for various groups. If development rights are restricted, land prices may fall (though neighbouring areas may see higher land prices). Natura 2000 may impose restrictions on farming practices and fishing efforts (compensation for the former is already foreseen in the Common Agricultural Policy), and has been identified as posing problems for the transport and construction sectors. Mining and forestry activities on Natura 2000 sites are also affected, either by restrictions on their activity or by the need to incur additional costs related to changes in the way the activity is carried out. Mining and/or extraction rights may need to be brought out by the State, while compensation for foregone income may need to be provided to forest owners. The analysis below does not take account of these costs, except where they are regarded as part of the costs of managing the Natura 2000 network.

In preparing the cost estimates discussed below, the Commission has drawn on the Report of the Article 8 Working Group and an additional questionnaire completed by the Member States. The costs presented in the Working Group Report have been calculated for the whole Natura 2000 network, thus for all sites that had been so far proposed for designation under the Habitats and Birds Directives from the fifteen current member states. The calculation relates to 560,000 km², which amounts to almost 17.5% of the total terrestrial area of the EU-15.

The Working Group undertook an extensive review of the literature available on cost evaluation of actions on Natura 2000 sites. The evaluation studies estimated the overall cost of the network based on the costs of management measures for specific habitat types. Using the latest available information on the size of Natura 2000 and costs of measures, and discounting highest and lowest figures, the working group has arrived at a cost range of €2.8 billion to €8.8 billion per year and a mean cost of €5.7 billion per year for management of the Natura 2000 network in EU-15.

This estimate suffered from a number of methodological and technical weaknesses, such as small sample size, use of extrapolation, variability in data quality and in the identification of relevant costs. Member States were therefore requested to carry out individual costing exercises through completion of a questionnaire.

The questionnaire was designed to obtain an estimate of costs that Member States expected to incur in ensuring effective management of the Natura 2000 network. These costs include not only the restoration and designation of sites, but also the planning and execution of their long-term management. As many of the costs associated with the selection and designation of sites in the EU-15 Member States have largely been met during the last decade of efforts in implementing the directives, the questionnaire particularly focused on the costs associated

¹⁹ Stones T, Harley D, Rose L, Lasen-Diaz C, Rayment M and Trash M (1999). The Cost of Managing the Natura 2000 Network. Report for RSPB and BirdLife International. RSPB, Sandy, UK.

with the *post-designation* aspects of managing Natura 2000 sites. The estimates included costs associated with: the management planning process; on-going management actions, including compensation measures and incentives to land managers; and works necessary for the restoration, enhancement and enjoyment by the public of the particular Natura 2000 interests and features for which the site has been designated.

The experts' analysis and corrections for missing elements of the Member States responses' to the questionnaire led to a revised cost estimate of €3.4 billion per year for EU-15. These figures may be an underestimate and should be interpreted with some caution for the following reasons:

- Different approaches have been taken by the Member States in estimating future expenditure. In general, estimates were not obtained from detailed planning on each site.
- In most if not all Member States, estimates are not based on the full knowledge of the conservation goals for the various habitats and species necessary to achieve a favourable conservation status.
- Figures for some Member States do not include the necessary ongoing management costs to prevent negative impacts on sites of, for example, pollution caused by nitrates, ammonia and phosphorus.
- Although practice varies between Member States, some types of measures and sites are under-represented in the estimates. For example, several questionnaire responses exclude costs for some or all of the marine sites, as well as for agri-environmental schemes that provide for payments to farmers for measures undertaken to maintain agricultural ecosystems and habitats and are of a significant magnitude.

The figure of €3.4 billion was extrapolated to calculate costs for the 10 Accession Countries. It is expected that the 10 Accession Countries will designate around 20% of their surface under the Natura 2000 network (a proportion similar to EU-15 and one that adequately reflect natural conservation sites and areas designated currently under various international regimes). This results in an expected increase of the current Natura 2000 surface area by 150,500 Km². The calculation, following certain assumptions on the different costs level in the new Member States compared to EU-15, results in total costs for the 10 new Member States between € 0.63 billion and €1.06 billion per year, bringing the total cost estimate to €4.0-€4.4 billion per year for the enlarged EU. However, the estimate for the new Member States is open to criticism, because of the assumptions used.

Given the questions about the reliability and comparability of the estimates, a new questionnaire was sent to both Member States and Accession Countries in June 2003, requesting more detail and justification of the projected figures. Analysis of the results of this new information, including adjustments for the countries which did not reply, led to a revised estimate of €6.1 billion per year for EU-25. Annex 3 presents an analysis of the information sent by old and the new Member States, as well as the information submitted by the Member States with the first questionnaire issued by the Article 8 Expert Working Group. The increase in the estimated costs can be partially explained by Member States' progress in the preparation of site management plans, which has meant an improved assessment of the range of management measures needed and of the precise costs entailed.

The €6.1 billion cost estimate is taken as the most reliable for the purposes of this Communication. It can and should be further refined. Member States will be asked to review their submissions on the basis of commonly agreed cost estimation methods. The anticipated progress in preparation of management plans in the coming years should provide a sound basis for improving these cost estimates. It is clear, however, that costs vary significantly by country, region and by habitat. For example, they tend to be lower for marine habitats and some uplands and woodlands, and higher for wetlands and farmed habitats.

2.2.3. Eligibility of Natura 2000 measures

The design of the future financial instruments and their arrangements for the Natura 2000 network requires discussion and decisions on the measures which should be eligible for Community support. The different categories of expenditure needed for the establishment and management of the network are described in section 2.2.2 above. In our consideration of the framework for Community support it is appropriate to reflect on which of these costs should be identified as eligible for co-financing.

Establishment Costs

Some degree of support has been given to date to this broad category of costs by way of specific Community instruments such as Life-Nature and the Structural Funds. For the EU 15, given that the process of selection of sites is now essentially finalised, many aspects of establishment are now complete and arguably there is no substantive need for any ongoing support in this area. The one aspect of support which will continue relates to the preparation of management plans but such costs can reasonably be classified as an element of ongoing management.

Administration and Maintenance Costs

There is a broad category of costs associated with Administration, maintenance and associated management costs, which is difficult to characterise in a simple way. As a general rule, existing Community funding instruments do not finance long-term administration costs of the Member States and maintenance support for infrastructure supported by Community funds. It is quite clear that these costs will in the future continue to be costs non eligible for Community co-financing. The one current exception to this relates to on-going management costs, which fall under the scope of rural development provisions where, via agri-environmental and similar measures, annual payments can be made to farmers, forest and land owners and rural operators/contractors for specific identified management works on their land, which have an environment related objective.

Investment and Infrastructure Development Costs

This category of costs includes a range of capital investments that can be required on Natura 2000 sites, including funding land acquisition where management of particularly sensitive sites is best organised by bringing them directly into dedicated conservation management. Major restoration programmes or the establishment of risk prevention schemes can also be seen as capital investments.

The provision of visitor facilities either for resolving existing visitor impact issues, or to provide for new access represents significant capital costs, but they are frequently essential to promote wide economic benefit to the sites.

Compensation Costs

One of the most controversial areas of costs relates to compensation to landowners and land managers for costs incurred as a result of restrictions on land use practices in Natura 2000 sites (like mining, housing or tourism development), of land value decreases or profits foregone as a result of designation and/or management requirements of Natura 2000 sites. The evaluation of such losses is closely linked to the implications of the required site management on any development activity. With respect to many development issues it is rarely the case that national legislation enshrines absolute freedom to develop land and there will be few situations where a reasonable claim can be made that compensation can be justified for refusal of specific development proposals. An exception would obviously be the case where such development consents have already existed prior to the designation process. Such situations are likely to be limited but are known to exist in some Member States, where for example mineral extraction permits existed and are still valid for sites of high natural value which subsequently have been identified as sites meriting Natura 2000 designation.

2.3. Expected results and benefits deriving from the co-financing

2.3.1. *Implementing the network – Providing for the biodiversity target*

At the European Council meeting in Gothenburg in June 2001²⁰, European Heads of State and Government made a commitment to reverse the decline of biodiversity in the European Union by the year 2010. The Natura 2000 network of protected areas made up of sites designated under the Community Birds and Habitats directives is a key pillar of Community action for the conservation of biodiversity. It is central to achieving the commitment made in Gothenburg.

2.3.2. *Other socio-economic benefits of the Natura 2000 network*

The benefits of co-financing will be a more efficient delivery of the Natura 2000 network objectives themselves. The Member States have agreed to implement the network and will be able to do so with more clarity and with less duplication of effort if co-financing follows the best possible mechanism. Nevertheless, it should be recognised that inevitably poor financing arrangements will leak into implementation problems and as such into the loss of the potential benefits of the Natura 2000 network itself.

While there have been no comprehensive assessments of such benefits at EU level, some broader work on the benefits of safeguarding our natural heritage has provided indications of their potential significance, as follows:

- Communities can benefit significantly from the provision of ecosystem services such as supply of quality water and flood control;
- Protecting nature, often also means preserving important characteristics of landscapes and the cultural heritage which are widely valued aspects of (local) community identity;
- Communities can benefit from locally significant levels of direct and indirect investment into Natura 2000 sites from local, national and EU sources;

²⁰ Presidency Conclusions of the Gothenburg European Council, 15 and 16 June 2001.

- Natura 2000 sites can be a key tourist attraction, attracting external purchase of local products and services, and supporting diverse local economic activity, as well as helping visitors gain greater awareness of habitats and their function and value;
- A significant number of local jobs can be supported through Natura 2000 related activities, diversifying rural employment opportunities and encouraging skills retention and development.

A broad appreciation of the full range of benefits, concerns and trade-offs can show how a Natura 2000 site can become a driver for sustainable development in the local economy and can contribute to sustaining the local rural communities. Active consideration of these issues in dialogue with all relevant stakeholders is the key to the successful establishment of the Natura 2000 network and its integration into the wider socio-economic sphere of an enlarging European Union.

3. PART 3: OPTIONS EXAMINED FOR THE CO-FINANCING THE NATURA 2000 NETWORK

3.1. Option 0: "No change of current practice" option

The Community has recognised that the conservation of its threatened biodiversity is essential to sustainable development. In the conclusions of the Gothenburg Summit²¹, the Heads of State made a commitment to halt the decline of biodiversity by the year 2010. This commitment is identified as a key element of the EU Sustainable Development Strategy²² and is developed in more detail in the 6th Community Environment Action Programme (EAP) (2002-2012), which identifies nature and biodiversity as one of the four main priorities for action. Key actions identified in the 6th EAP include implementation of the Community Biodiversity Strategy and Action Plans, including full implementation of the nature directives²³ and, in particular:

“... establishing the Natura 2000 network and implementing the necessary technical and financial instruments and measures required for its full implementation and for the protection, outside the Natura 2000 areas, of species protected under the Habitats and Birds Directives...[and] promoting the extension of the Natura 2000 network to the Candidate Countries”²⁴.

Despite the importance of biodiversity for society, the strength of the economic argument for biodiversity conservation, and measures taken at EU and Member State level for biodiversity conservation, the general state of European biodiversity is poor and the general trend is one of continuing decline. The Dobbris assessment²⁵ (1999) reported that: *“all types of European ecosystems are facing severe stresses and are not sufficiently well managed to absorb these*

²¹ Gothenburg European Council, 15 and 16 June 2001.

²² Communication from the Commission. A Sustainable Future for a Better World: A European Union Strategy for Sustainable Development. COM(2001) 264 final.

²³ Council directive 79/409/EEC on the conservation of wild birds (*OJ No L 103, 25.4.1979, p.1*) and Council directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (*OJ No L 206, 22.07.1992, p.7*), as amended by Council directive 97/62/EC of 27 October 1997 adapting to scientific and technical progress directive 92/43/EEC (*OJ No L 305, 08/11/1997, p.42*)

²⁴ Article 6, §2(a).

²⁵ Europe's Environment, The Dobbris Assessment. 1999. European Environment Agency. Chapter 29.

stresses. The known effects of these stresses on wildlife as well as reports on various species groups point to a decline of diversity within ecosystems (loss of habitats), within habitats (loss of species) and among species (loss of species and decline of species abundance)". Furthermore the 2003 3rd Environmental assessment states that "important ecosystems continue to be at risk" while "some previously highly threatened species are starting to recover, others continue to decline at alarming rates".

As mentioned in the previous chapter, Article 8(5) of the Habitats Directive permits Member States to postpone implementation of necessary measures where co-financing is not made available. Thus, in the event of a disagreement between the Commission and the Member States as to the appropriateness and priority of measures for co-financing, the provision in Article 8(5) may potentially be the basis of difficulties with regard to interpretation of a Member State's obligation to take necessary measures to ensure conservation of sites.

The discussion on the provisions of Article 8 shows that it does not unfortunately provide a clear basis for structuring Community co-financing of the network. Evidence of the impracticalities of its operational provisions, as explained in section 2, is the fact that no Member State has yet submitted a request for financial support together with the accompanying estimates of costs for co-financing as foreseen by the procedural provisions identified in Article 8. Nevertheless, it does lay down general concepts and principles, which need to be considered and adapted to the design of a framework for co-financing. Regarding cohesion of economic and social activities the implementation of the Habitats Directive is crucial. Natura 2000 is one measure to prevent within the Community an inequality regarding quality of nature and related quality of life.

If the current practice does not change, there will still be available financial resources for environmental spending and for nature conservation. Based on the subsidiarity principle that governs the preparation of appropriate plans and programs corresponding to the various funds, it remains in the hands of the Member States to decide to allocate from the resources available to them the amounts necessary for the management of the Natura 2000 sites, rather than allocating them to other of their priorities. It has been observed from the current practice that certain Member States have included actions for Natura 2000 in a greater extent than others, due to a variety of factors (availability of resources, strategic approaches, approach to multifunctional planning, etc).

However, with this diversity in practices the approach of the network is being jeopardised. There is a danger that low spending or no spending at certain regions will entail a danger of degradation of sites that are not covered with appropriate management plans and resources. Until now, mainly the Member States having regions benefiting from Objective 1 support have included actions for the management of the Natura 2000 network in their programmes. Some countries (e.g. Greece and Portugal) have followed a programme approach, which has allowed them to provide for the network, supporting projects that aim both at supporting administration, management and infrastructure, as well as providing information. Others have faced problems in designing and choosing appropriate measures in their regional operational programmes (e.g. Italy). This demonstrates that carefully designed strategic planning including a programme approach is needed. Similarly, the rural development resources have been used by a limited number of Member States to date. Some German Länders and Italian and Spanish regions have made use of the provisions of Article 16 of Regulation 1257/99 in their rural development plans. Other countries (e.g. Spain, UK, Germany, Greece and Austria) have chosen to develop agri-environmental measures targeting specifically the needs of their Natura 2000 sites. There are also agri-environmental measures that support environmentally

friendly practices in Natura 2000 sites (like organic farming, farming promoting integrated pest management techniques, etc), however there is little information available from Member States on how much agricultural area under agri-environmental schemes not targeting specifically Natura 2000 sites has been designated as Natura 2000.

During the EU Nature and Forest Directors meeting²⁶ the issue of financing the Natura 2000 network has been addressed. The Conclusions of this meeting indicated that:

- It is crucial to strengthen the integration of the Natura 2000 obligations into other EU sectoral policies, widening the possibilities to finance Natura 2000 through all EU funding instruments, in particular the CAP.
- There is an urgent need for clarification of possibilities for EU-co-financing of the measures necessary if the provisions and intentions of the network are to be realised. The work of the Working Group on Article 8 of the Habitats Directive is central in this clarification and is strongly supported. The Working Group is urged to prepare early recommendations on specific measures to be included in the current review of the CAP to aid the financing of Nature 2000.
- The results of the Working Group will be a substantial input to the European Commission's communication to the Council of the European Union and the European Parliament. The European Commission is urged to stress the co-financing of Natura 2000 as a basic tool in the implementation process and realisation of the EU objectives on biodiversity.
- Public awareness raising, local initiatives and support by all stakeholders are crucial to support the realisation of the network as was recognised by the EU Ministers of Environment at the Council Meeting in June 2002 by the assignment of the El Teide Declaration. Many Member States have started processing management schemes in Natura 2000-sites, based on public participation, and already there seems to be good examples for inspiration in several Member States.
- The European Commission is encouraged to support Member States initiatives towards nature conservation integrating regional and local socio-economic requirements, and taking into account that successful nature conservation should be based on the highest possible degree of support from local stakeholders.

The conclusions of the EU Nature Directors meeting on “Financing, Communication and Implementation of the NATURA 2000 network”²⁷, indicate that “*Cross compliance of all EU funding with the objectives of the Habitat and Birds Directives should be ensured and will highly contribute to the effectiveness of the network*”, while all the Directors agreed “*the existing EU funding mechanisms have to be modified and improved in order to realize an appropriate financing of the network*”. The Nature Directors have further indicated that “*Site management, monitoring and public awareness were the most outspoken priorities in the discussion on types of measures to be financed.*”, while “*Further work in defining types of measures and means of activities for which funding should be made available, with respect to the different needs of Member States, should be carried out in order to facilitate the debate on financial instruments.*”

²⁶ Presidency conclusions of the meeting: Nature & Forest directors meeting. Visgo, Denmark, 2-4 October 2002. Available on line at: http://www.eu2002.dk/news/news_read.asp?iInformationID=23177

²⁷ Hosted in Alexandroupolis, Greece, under the 2003 Greek Presidency (10-12 April).

A joint declaration of the Spanish and the Portuguese Ministers of Environment has been submitted to the March 2004 meeting of the Environment Council. Both Ministers indicated that the “*Community Financial support to the management required for the Natura 2000 is indispensable for the full implementation of the network and the achievement of the 2010 target*”.

It is thus evident that Option 0 is not a valid option. Even if Community Funding mechanisms and instruments are available to the Natura 2000 network, there is a great demand from Member States and stakeholders to the Commission to continue its work towards the implementation of the Natura 2000 network and the provision of financial support for its management. There is further need to address the following issues:

- Integration of the Natura 2000 network needs into other policies, mainly the Regional Policy, the Common Agricultural Policy, and the Common Fisheries Policy.
- Addressing the capacity of the available Funds and implementing rules to provide for Natura 2000 in an efficient way.
- Continuing the work of defining types of measures and eligible activities for which funding should be made available, with respect to the different needs of Member States and providing guidance on using the available resources in an efficient way.
- Addressing the participation of involved stakeholders and partners in the management of Natura 2000 and facilitating access to funds.
- The Commission has further examined in depth the available options for providing co-financing for the network. The Article 8 Expert Group Report identified and described the following 3 possible options for co-financing the Natura 2000 network:

BOX 3:

The Options identified by the Article 8 Group which served as the basis for Stakeholder Discussion/Consultation

- **Option 1** – using existing EU funds (notably Rural Development Funds, Structural and Cohesion Funds (including the LEADER+ and INTERREG initiatives) and LIFE-Nature instrument), but modifying these in order to ensure better delivery against Natura 2000 needs;
- **Option 2** – increasing the funds available to and upgrading the LIFE-Nature instrument to serve as the primary delivery mechanism;
- **Option 3** – creating a new funding instrument dedicated to Natura 2000.

Options 2 and 3 although quite similar and favouring the creation of a funding instrument dedicated to Natura 2000, have differences between them due to the modalities they imply. During the stakeholder consultation (both in responses to the Web consultation but also during the meeting/hearing held in Brussels) a fourth option had been identified, which is one that allows for the existence of all 3 identified options together. Further to that, all three options are further examined and the joint options will be examined too.

3.2. Option 1: Using Existing Community Funds

The figures assembled in the report of the working group as well as the estimates derived by the questionnaire issued to EU-25 stands a little over than €6 billion per year (the figure is without fully taking into account estimates that are likely to be ineligible like the ones furnished for land purchases and compensation for development rights foregone). A variety of existing EU funding sources have been used by Member States to provide co-financing for certain costs associated with the management of sites proposed or designated as Natura 2000 sites (see Box 3). The funds, which have been used for this purpose to date, include the Structural Funds (in particular the ERDF, the EAGGF-Guidance in certain regions and the INTERREG and LEADER Initiatives), the Cohesion Fund, the EAGGF-Guarantee Section (for the financing of Rural Development measures including the accompanying measures), and the LIFE financial instrument for the environment (in particular LIFE-Nature).

BOX 4: Community Funds and Initiatives available for supporting Natura 2000

EAGGF: Through Rural Development (Reg. 1257/99), the fund offers support for environmental friendly farming (Articles 22 – 24), for farming in areas under environmental restrictions (Article 16) and forestry practices in rural areas all over the EU territory. These measures apply in Natura 2000 areas as well. Moreover, following the 2003 CAP reform, Article 16 applies only in Natura 2000 areas. All Member States provide some support for farmers within Natura 2000 sites, to a greater or lesser extent.

ERDF: The Fund offers possibility for co-financing investments in the framework of environment programmes, measures and schemes for nature conservation as long as they contribute to overall economic development of the region.

ESF: The Fund offers possibility for co-financing types of actions like training, promotion of employment opportunities, etc.

LEADER+: This Structural Funds' Initiative allows for the implementation of integrated rural development programmes for selected areas. The LEADER+ has an annual budget of 2,020 million euro from the EAGGF-Guidance Fund. LEADER+ seeks to encourage the implementation of integrated, high-quality, original strategies for sustainable development; objectives include to “*enhance the natural and cultural heritage*”, so nature conservation projects are eligible. These projects can include management planning and actions as well as promotion and information measures for the Natura 2000 sites.

INTERREG III: This Structural Fund's Initiative allows for trans-boundary co-operation between Member States, as well as between Member States and non EU countries and has been used for the promotion of enhanced management of trans-boundary sites between Member States as well as with non EU countries. INTERREG III has a budget of €4,875 million annually from the ERDF for the period 2000-2006. In particular INTERREG III-B (trans-national co-operation) will “*promote the preservation of the environment and good management of natural resources, in particular water resources*”. The list of priorities and measures of INTERREG III-B includes projects for:

- ‘Contributing to the further development of a European ecological network (NATURA 2000), linking protected sites of regional, national, transnational and Community importance’.
- ‘Creative rehabilitation of landscapes degraded by human activities, including areas threatened by agricultural abandonment’.
- ‘Innovative promotion of natural and cultural assets in rural regions as potential for development of sustainable tourism, in particular in sparsely populated areas’.

INTERREG has proved to be an important source of funds for trans-boundary projects in Natura 2000 sites.

Cohesion Fund: This fund is available only to three countries, Spain, Portugal and Greece and aims to assist these countries to make progress in environment and transport. The Fund provides support to projects rather than

programmes. It has been used so far to a lesser extent for facilitating some restoration and management projects for Natura 2000 in Ireland (which was eligible up to 2003).

LIFE: The LIFE instrument comprises three components - LIFE-Environment, LIFE-Nature and LIFE-Third countries. Although the resources available for LIFE are rather limited compared to ERDF and EAGGF, the instrument has been used by all Member States and facilitates projects for a great number of stakeholders. LIFE-Nature provided pump-priming investment activities related to site set-up and experiments in restoration and new management techniques. About 10% of all Natura 2000 sites have been supported. LIFE-Environment has been used by relatively few Member States for habitats management, particularly in cases where other environmental functions are also relevant (e.g. wetlands, coastal ecosystems), mainly for time-limited investment, but not for ongoing management.

3.2.1. EU Financing Instruments - Current Co-financing

The currently available Community funds have provided opportunities for supporting management and investment needs for the Natura 2000 network (see Table 5 which presents experiences of using the different Community funds and Box 4 where opportunities for Natura 2000 under Rural Development provisions are identified). While the EU has made funding available the responsibility for implementing Natura 2000 lies with the Member States. Hence, in the context of the funding programmes Member States have decided how to better accommodate Natura 2000 in their national strategic planning, structural or rural development programmes and other development initiatives like LEADER+ and INTERREG, or the Cohesion Fund.

Table 5: EU Funding for Natura 2000 - Experiences of using the available Community Financial instruments today

Fund	Use by Member States – following information of the responses to questionnaire
EAGGF – pillar 2 (RDR)	Used by all Member States, mostly for agri-environmental management payments to farmers, where this is relevant. Some MS have also used other RDR measures: forests (Articles 30 and 32); rural development (Article 33 – protection of the environment sub-measure); areas with environmental restrictions (Art 16); and training (Art 9) to support Natura 2000 management actions on sites, and some also used similar measures under the former Objective 5b EAGGF guidance funds.
ERDF	Used by a large number of Member States, especially for funding site plans and other preparation and studies, also for funding and facilitating infrastructure for the interpretation/public enjoyment of sites, for a minority of sites
LEADER+	Used by a some Member States to support both survey work, management planning, management action and the promotion of Natura 2000 sites
Interreg	This Community Initiative has been used especially to promote enhanced management of trans-boundary sites between MS and for those affected it has proved an important source of funds, although time-limited.
LIFE-Nature	Used by all Member States, mainly for time-limited, pump-priming investment activities related to site set-up and experiments in restoration and new management techniques. About 10% of all of sites have been supported. More information about LIFE Nature is available in the link: http://europa.eu.int/comm/environment/life/life/nature.htm
LIFE-Environment	Less common source than LIFE-Nature, has been used in a few MS for habitats actions when other environmental functions are also relevant (e.g. protection of wetlands), also mainly for time-limited investment/infrastructure, not for ongoing management activity. More information about LIFE-Environment is available in the link: http://europa.eu.int/comm/environment/life/life/environment.htm

The Member States have used these opportunities in different ways for two main reasons. Firstly, not all the financial instruments (like the Cohesion Fund) and resources (Objective 1 regions) are available to all Member States. Secondly, Member States have flexibility to propose programmes that reflect their specific strategic approaches and development priorities to all the instruments. Financing Natura 2000 has therefore been an option, but not an obligation. Also, what is feasible in some Member States due to the allocation of sufficient financial resources may be less feasible in other Member States. Furthermore, each of the main funds and initiatives includes constraints, such as eligibility constraints for certain regions or countries in the case of Cohesion Fund, and for certain management actions, schemes and recipients in the case of ERDF and EAGGF.

BOX 5: Using Rural Development for the support of Natura 2000 sites

Fund: European Agricultural Guidance and Guarantee Fund (EAGGF)

Legal basis: Council Regulation (EC) No 1257/99 on support for rural development from the EAGGF (Article 37 of the EC Treaty) and Council Regulation (EC) No 1783/2003 amending Regulation (EC) 1257/99.

Implementing rules: Commission Regulations 1750/1999 and 817/2004 (replacing 445/2002 (as amended by Commission Regulation 963/2003))

An average €7 billion per year from EAGGF, of which around €4.5 billion per year from the Guarantee Section, has been allocated to Rural Development measures. On September 1999, the Funds for rural development support were allocated to the MS, on an annual basis, according to objective criteria. For rural development measures included as a part of Structural fund programming within Objective 1 regions, Member States chose what proportion of overall Structural fund financing to use for rural development actions supported by the EAGGF-Guidance. The implementation of the programmes is the responsibility of Member States according to their Rural Development Programmes, which have to be approved by the Commission. The provisions of the regulation allow for support for the following activities, which can impact positively on Natura 2000 sites:

Article 16: Compensation to farmers farming in areas faced with environmental restrictions (AER). Following the 2003 CAP Reform, this article focuses exclusively on the provision of support to Natura 2000 sites (sites designated under Habitats and Birds Directives).

Articles 22-24: Agri-environmental measures aiming to promote environment friendly farming methods providing compensation to farmers for income foregone and incentives (for Natura 2000 some Member States have applied 10% incentive for farming within Natura 2000 sites).

Articles 29, 30 and 32: Investments, payments to forest owners and other forestry activities, that allow for afforestation, for maintaining and improving the ecological stability of forests and for improving their ecological and social values and for risk prevention in forested areas, etc.

Article 33: Support for integrated rural development projects (measure for "protection of the environment" activities).

Article 9: Training for farmers and other rural operators in land conservation practices and environmental management.

Member States which do not receive support under Objective 1 have also developed similar measures and have used the possibilities available for former Objective 5b regions using EAGGF-Guidance funds.

3.2.2. *Changes recently introduced in EU policies that affect the co-financing of Natura 2000*

Natura 2000 in the Context of the 2003 CAP Reform

The 2003 CAP reform will have significant consequences for farmers including those in Natura 2000 areas. From 2005, a decoupled single farm payment scheme will progressively replace current direct payments with only limited coupled elements maintained in specific sectors (e.g. rice, nuts and olive oil) to avoid abandonment of production. The income support is of great importance to farmers within the Natura 2000 areas where agricultural output is generally low and farm profitability reduced.

From 2005, the granting of single farm payment and other direct payments will be conditional to the respect of environmental, food safety, animal and plant health and animal welfare standards, as well as the requirement to keep all farmland in good agricultural and environmental condition (“cross-compliance”). Among the environmental standards to be respected are the Natura directives. For farmers in Natura 2000 areas, the linkage requires, in particular, respect for both the non-deterioration and non-disturbance of sites and as appropriate the implementation of statutory management plans.

The respect of the Natura directives is recognised and co-financing opportunities are further enhanced through the modifications introduced to Regulation (EC) No 1257/1999²⁸ on rural development. In this way, the Article 16 has been specifically amended to compensate farmers for the costs incurred and the income foregone because of restrictions on agricultural activities in areas with environmental restrictions resulting from the implementation of the Birds and Habitats directives. Such payments are considered as necessary to solve the specific problems arising from the implementation of these Directives. The maximum payment eligible for Community support, (€200/ha), may be increased in duly justified cases to take account of specific problems. In addition, a support higher than the maximum amount may be granted on a degressive basis during a period not exceeding five years from the date the new restrictions become mandatory in accordance with Community legislation.

In order to maintain land in good agricultural and environmental condition and to avoid abandonment, Member States are required to adopt standards taking account of the specific characteristics of the areas concerned and including soil and climatic conditions, farming systems and farm structures. This provision, properly used, can contribute positively to continuing farming activity in Natura areas.

The broadening of the number and scope of measures of the Rural Development regulation after the 2003 CAP reform could provide many possibilities for the support of Natura 2000

²⁸ Council Regulation (EC) No 1783/2003 amending Regulation (EC) No 1257/1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF).

sites. For instance, measures within the forestry chapter are no longer restricted to private owners and their associations and to municipalities or their associations, in so far as investments are aimed at the improvement of their ecological (*inter alia*) value or restoration of forestry production potential damaged by natural disasters and fire are concerned. On the other hand, forest restoration and prevention measures were possible under Article 30(1), 6th indent for state owned forests since 2000.

The Structural and Cohesion Funds

The present rules of the Structural Funds (period 2000-2006) clearly focus on investment and capital expenditure which will promote socio-economic cohesion, and involve geographic restrictions on the areas which are eligible for support, (Objective 1 and Objective 2 regions), as well as the type of support, while keeping labour market actions of a more general nature available to the entire Community area (Objective 3). Although the Structural Funds Regulations do not place restrictions on potential beneficiaries, a significant proportion of the available funds go to one-off investment activities and infrastructure projects either of the public or private sectors, while ongoing management costs like wardens and staff payment are not eligible for support.

Structural Funds are generally able to provide support for a variety of Natura 2000 infrastructure and other capital investment needed, as well as restoration projects. However, the implementing rules of the Funds do not include any obligatory allocation of financial resources to Natura 2000 areas.

The Commission presented in February 2004 the Third Report on economic and social cohesion: *A New Partnership for Cohesion*, which sets out its vision for cohesion policy in an enlarged Union for the period 2007-2013²⁹. The proposals follow the Communication on Policy challenges and Budgetary means of the Enlarged Union 2007-2013 which included a €336 billion package for cohesion policy and aim at reducing disparities and promoting greater economic, social and territorial cohesion by producing concrete recommendations on how these resources should be used in order to narrow the economic gaps between Member States and regions and achieve faster growth and more sustainable development. It launches the discussions inside and outside the European institutions on the future of this policy area.

The Commission proposes a new architecture for EU cohesion policy, which is organised around three main priorities:

- **Convergence: supporting growth and job creation in the least developed Member states and regions.** First and foremost, this objective would concern those regions with per capita GDP less than 75% of the Community average³⁰. At the same time, temporary support is proposed for regions where per capita GDP would have been below 75% of the Community average for EU15 (the so-called statistical effect). Modernising and diversifying the economic structure, extending and upgrading basic infrastructure, protecting the environment, reinforcing administrative capacity, improving the quality of labour market institutions, education and training systems and increasing human capital would be the major issues of co-financing of national and regional programmes. In addition, those Member States, whose Gross National Product is below 90% of the

²⁹ COM(2004) 107 final.

³⁰ Measured at NUTS II level in purchasing power parities and calculated on the basis of the Community figures for the last three years available on the moment the decision is taken.

Community average³¹ will be eligible for the Cohesion Fund. This will continue to finance transport and environmental programmes.

- **Regional competitiveness and employment: anticipating and promoting change.** The key **objective** of cohesion policy outside the least favoured Member states and regions would be twofold: First, through *regional programmes*, cohesion policy would help regions and the regional authorities to anticipate and promote economic change in industrial, urban and rural areas by strengthening their competitiveness and attractiveness, taking into account existing economic, social and territorial disparities. Second, through *national programmes*, cohesion policy would help people to anticipate and to adapt to economic change, in line with the policy priorities of the European Employment Strategy (EES) by supporting policies aiming at full employment, improving quality and productivity at work, and social inclusion.
- **European territorial cooperation: promoting the harmonious and balanced development of the Union territory.** Building on the experience of the INTERREG Initiative³², the report recommends the continuation of action to promote the harmonious and balanced integration of the Union's territory by supporting co-operation at cross-border and transnational level. In principle, all regions along the external and internal borders, terrestrial as well as maritime³³ would be concerned by cross-border co-operation. The key aim is to provide joint solutions to common problems between neighbouring authorities, such as urban, rural and coastal development and development of economic relations and networking of small and medium-sized enterprises.

In terms of financial resources for the period 2007-2013, it is proposed to allocate €336.3 billion or 0.41% of the Union's Gross National Income (GNI) in support of cohesion (0.46% before the transfers to the rural and fisheries instruments). On current estimates, around 78% of this amount would be for the "convergence" priority, some 18% for "regional competitiveness and employment" and around 4% on "European territorial cohesion". The key principles of the delivery system for cohesion policy will be maintained such as strategic planning, programming on the basis of the needs and priorities of the regions and the member states, decentralised management, systematic monitoring and evaluation. The report proposes important changes, including a new dialogue with the Council to help to ensure that cohesion policy is adjusted to the priorities set out under the Lisbon and Gothenburg agendas. Each year, the European Institutions would examine progress on the strategic priorities and results achieved on the basis of a report by the Commission summarising Member States' progress reports.

The Report provides information on the future kind of support that the different structural instruments could provide. It proposes that the ERDF should provide support for "*protecting the environment, notably by helping Member States to achieve full compliance with the body of EU law, supporting the development of eco-industries, rehabilitating derelict industrial sites, supporting measures to prevent natural and technological risks, investment in infrastructure linked to Natura 2000 contributing to sustainable economic development*

³¹ Measured in purchasing power parities and calculated on the basis of the Community figures for the last three years available on the moment the decision is taken.

³² Since 1990, the INTERREG Initiative has financed cross-border, transnational and interregional co-operation projects to reinforce the economy, infrastructures, employment and the environment.

³³ Only maritime borders proposed by Member states would be eligible.

favouring cleaner methods of transport and the development and use of renewable energy". This allows for the inclusion of projects promoting infrastructure and capital investment in the future programmes of the member states that will receive the support of the Structural funds for the period 2007-2013.

3.3. Option 2: Make LIFE-Nature the delivery mechanism for financing Natura 2000

LIFE-Nature has provided, since 1992, Community co-financing for the establishment and management of the Natura 2000 network. During the last ten years, the range of actions covered by LIFE-Nature includes the development of national inventories of habitats and species of Community interest, development of management plans or management guidelines for proposed or designated Natura 2000 sites and, principally, concrete actions for the management of those sites. The Commission has tabled a proposal for the extension of LIFE for the period 2004 to 2006³⁴.

The LIFE instrument has been implemented in phases; 400 million euros were allocated for the first phase (1992-1995), approximately 450 million euros were allocated for the second phase (1996-1999), and the current phase, "LIFE III" (2000-2004)¹ has a budget of 640 million euros. Typically LIFE III-Nature conservation projects include most or all of the following actions:

- Implication of different stakeholders concerned with the site(s) or species;
- Restoration of degraded sites, and in exceptional cases site creation;
- Preparation and execution of site management plans or species actions plans;
- Safeguard of existing and restored sites (including purchase and long term leases);
- Awareness raising amongst administrations, experts and the general public;
- Scientific monitoring of habitats and species.

During the last ten years, the range of actions covered by LIFE-Nature includes also the development of national inventories of habitats and species of Community interest, development of management plans or management guidelines for proposed or designated Natura 2000 sites and, principally, concrete actions for the management of those sites. The Box 6 includes some examples of LIFE-Nature projects in different EU-15 and other countries participating in the programme.

New conditions were included in LIFE III coincidental with the progress in site designation. In order to receive funding, the major part of a LIFE III-Nature project *must* comprise concrete actions, such as site restoration or improvement. All projects must include awareness-raising activities. With the gradual implementation of EU nature conservation legislation, LIFE-Nature has also evolved. Whilst *a priori* site designation was not a condition for funding under LIFE I, this has been strictly adhered to in the subsequent phases. Purely

³⁴ Proposal for a Regulation of the European Parliament and the Council amending Regulation (EC) N° 1655/2000 concerning the Financial Instrument for the Environment (LIFE), COM(2003) 667 final.

theoretical and research type of projects, for instance the preparation of management plans without implementation, are no longer eligible under LIFE III.³⁵

Box 6: LIFE-Nature in action

LIFE-Nature finances nature conservation projects; this can cover a very wide range of projects, reflecting the diversity of natural environments in Europe. Examples include:

Belgium: acquisition of land to protect areas of special importance.

Denmark: restoration of riverbanks and wetland habitats; reintroduction of grazing.

Germany: restoration of wetlands.

Estonia: preservation of Baltic boreal coastal meadows.

Greece: protection of almost extinct species such as the Mediterranean monk seal.

Spain: protection of grasslands, wetlands, dunes, lagoons and coastal and maritime areas; protection of declining species (brown bear, European black vulture, European mink, bats, etc).

France: ecological land management contracts with groups of farmers.

Ireland: enhancement of Ireland's natural heritage, in particular through eco-tourism.

Italy: protection of certain species (wolves, bears, bats, etc) or certain habitats (e.g. wetlands, river ecosystems, springs).

Latvia: restoration and protection of extensive natural areas.

Luxembourg: restoration of biodiversity destroyed by farming.

Hungary: conservation of the wolf and the lynx in the north-east of the country.

Netherlands: reintroduction of spontaneous processes to recreate natural landscapes.

Austria: "green bridge" above a motorway to allow brown bears to move into the Alps and strengthen the bear population.

Portugal: management plans for Natura 2000 sites.

Romania: national action plan to protect dolphins in the Black Sea.

Slovenia: protection of peat bogs.

Finland: monitoring of certain species of butterfly, indicators of the state of the environment.

Sweden: restoration of large areas of coastal meadows and wetlands on the islands of the Baltic sea.

United Kingdom: protection of birds which nest on the land, which may involve the removal of non-native animal species such as the American mink which are proliferating in the Hebrides.

LIFE-Nature has acted also as an efficient catalyst to start and promote coordinated activities using different financing sources. Stakeholders have asked in the past for the continuation and

³⁵ Exception is made for associate candidate countries and new member states in 2004.

strengthening of LIFE-Nature in future so to be the primary delivery mechanism of the management of Natura 2000. Although stakeholders and beneficiaries of the LIFE-Nature have recognised that LIFE has provided support, pivoted pilot projects and supported innovative actions, they feared that LIFE by itself is not enough to guaranty the implementation of the Natura 2000 network and it has been suggested that administrators responsible for Natura 2000 should use its experience to develop appropriated co-ordination mechanisms and actions at all relevant levels (UK Presidency Conference, 1998, Bath, UK)³⁶. Thus although it has been proposed to increase the dedicated funding for nature conservation under LIFE Nature to the best possible, it has been proposed to recognise that the budgetary constraints existing for the financial period 2000-2006 mean that LIFE is likely to complement other funds initiatives, rather than playing the lead role in funding the network (Rayment, 2002).

3.4. Option 3: Create a new fund or initiative to deliver Natura 2000

Many stakeholder groups have expressed concern that the currently available financial instruments are not broad enough in scope and coverage to adequately provide for sufficient co-financing of the Natura 2000 network. Therefore the majority of environment stakeholders (environmental NGOs and Environmental authorities of Member States) have asked for the creation of a new fund or financial instrument within the Community budget that would deliver on Natura 2000. This option has also been identified by the Expert Group on Article 8 as an alternative to the use of the current mechanisms and to the increase of the funds of LIFE-Nature.

The Article 8 Working Group have suggested that any new fund would have to be broad in its geographical scope and take account of the different contributions of the Member States to the network. Funding available across the geographical area of the EU should not be too difficult to achieve in a new funding instrument. The new fund could be specifically designed to be broadly available to all relevant groups of stakeholders. The implementing rules of the fund can be built in such a way that will allow resources to be available to the full range of actors involved in implementing Natura 2000. In addition to that, the need for funding to cover the full range of costs types would need to be specified in a modified funding instrument. The Member States' national administrations responsible for the implementation of the Natura 2000 network favour this last option over all others, as it provides them with financial resources that will be a priori available only for nature conservation and the management of Natura 2000 sites and corresponding actions for the network.

4. PART 4: ADDRESSING THE IMPACTS OF ALL IDENTIFIED OPTIONS

The discussion and consultation with authorities and stakeholders shows that some of the concerns expressed by stakeholders as to comprehensiveness and appropriateness of existing funding mechanisms to cover all the needs of Natura 2000 management are well founded. Experience to date demonstrates that although the existing Community instruments provide for Natura 2000 needs there are limitations in their use by Member States for Natura 2000 purposes. If we also put aside the creation of new Fund/instrument dedicated to the management of the Natura 2000 network, which no longer stands as an option as the

³⁶ UK Presidency and EC (1998) Conference on "Natura 2000 and people: A partnership", 28-30 June 1998 in Bath, UK. Proceedings available at: <http://europa.eu.int/comm/environment/nature/conf.pdf>

Commission's proposal for the future Financial Perspectives has excluded such a possibility, the remaining option is the use of the LIFE-Nature instrument.

Thus although the Community Funds and instruments described in the previous chapter offer substantial possibilities to finance the Natura 2000 network, there are significant gaps and limitations in **using the existing Community Funds and Instruments** (Option 1) for funding the management of habitats and protection/conservation activities for species. These are:

- **Differences in objectives:** With the exception of LIFE Nature, Community Funds have been designed to meet their own objectives of economic development and regional co-operation, thus the management of nature conservation sites can only be a secondary objective. Not all Natura 2000 management needs contribute to the objectives of these Funds and could qualify for funding. Developing Natura 2000 projects that meet multiple objectives is a significant challenge.
- **Focus on specific land uses:** Schemes under the Rural Development Regulation usually focus on farmed/agricultural land and forest land. There are practically no opportunities for habitats that are not farmed or forested.
- **Focus on certain types of projects:** The identified Funds provide support for certain types of projects – and these may not correspond to all the needs of the network. For example, the Structural Funds are more suited to meeting capital rather than on-going management costs, and infrastructure such as visitor centres rather than habitat management.
- **Focus on specific regions:** Programmes often focus on particular regions – especially those in greatest economic and social needs (then classified under different Objectives). However, these regions are frequently – but not always – those with the greatest need for nature conservation funding.
- **Limited budgets:** LIFE Nature – which is the instrument most easily applicable to Natura 2000 sites – has a small budget compared to the costs of managing the network.
- **Lack of expertise among authorities administering the Funds:** Most of the available Community Funds are administered centrally in the Member States and very often are administered by officials with a limited understanding of nature conservation issues. This can limit their effectiveness in funding Natura 2000 projects.
- **Lack of capacity to access finance and develop projects in some regions:** Even where funding is potentially available, accessing it can be a challenge, especially where there is a lack of information coupled with a lack of capacity to build partnerships and develop projects. The new Member States specifically will have to deal with capacity efficiency both in their administration and among stakeholders.

For such on going management, Rural Development is currently the main potential instrument, but is limited to agricultural and forestry habitats and compensation for profits foregone is restricted even more strictly to agricultural holdings/land and the beneficiaries should be exercise farming activities. With respect to investment costs, the structural funds provide the main funding element at present, but have currently significant regional limitations. Thus it is widely recognised that there is a need for putting more emphasis on following a strategic planning approach, where Natura 2000 has to be established as an important priority which account not only for the network *per se*, but also for the general

targets of biodiversity and the overall target of halting its loss by 2010. The Member States should be asked to take onboard this objective during the preparation of their programming documents and plans and to fully explain which their key priorities are and how they account sufficient for them with the Community resources that have been made available to them.

If the alternative option of a **dedicated new Natura 2000 fund** (Option 3) as proposed by the expert working group had been maintained, while initially appearing an uncomplicated option for the stakeholders, it could however have posed itself a number of problems, since it could entail that all existing funding of Natura 2000 would be transferred to such a new instrument. This would imply, for example, for agricultural areas, that there would continue to be agri-environment measures for non-Natura 2000 and a separate operating scheme of payments for Natura 2000 sites. This could potentially lead to duplication of administrative arrangements in both the Member States and the Commission, as well as potentially confusion for landowners and managers. Similar complications could be foreseen with respect to investment costs covered by structural funds.

If this option is to be followed, the new fund/instrument for Natura 2000 would possibly require an annual budget up to €3 billion under the assumption of a mean co-financing rate of around 50% and of eligible costs that will be around €6 billion per year. However, this amount could need to be increased, as for the new Member States, but also for certain regions in EU-15 that will retain their Objective 1 status higher co-financing rates will normally apply (currently the respective co-financing rates can reach a maximum of 85% of Community contribution).

However, as also the Article 8 Working Group Report has highlighted, it was not very probable that a separate fund would be able to provide such a sufficient amount of funding. This has been verified by the Commission's proposal on the financial perspectives post 2006, where no new instruments have been proposed. Thus Option 3 has been ruled out as an option for the next financial perspectives period (2007-2013) and will not be assessed further thereafter. The Commission has thus tried so far to integrate the Natura 2000 network and its needs into all its major proposals for the future Community Financing. These include the Commission's proposal for the future Financial Perspectives and the Third Report on Economic and Social Cohesion.

Alternatively, **LIFE-Nature** could carry on being used for Natura 2000 management and its resources increased (Option 2). This instrument would be devoted to the management of Natura 2000 network and would have a potentially broad applicability and a remit designed specifically to meet the criteria to be established for the co-financing needs and priorities of the Natura 2000 network.

Unlike other Community funds, LIFE-Nature is clearly targeted at promoting the implementation of the Birds and Habitats Directives and, in particular, of the Natura 2000 network. However, having a limited budget (on average €75 million per year accounting for about 0.07% of the Community budget) and being awarded on a competitive basis, LIFE-Nature cannot envisage covering all the possible needs for managing of all the Natura 2000 sites, as it does not follow a program-based approach. In particular, it is intended to set up the basis for management of Natura 2000, but cannot support under its current constraints the long-term management of the network itself, as these outlined above. Continuation projects, targeting the same species or habitat types in the same sites, are eligible for co-financing, but only at a reduced rate and have to face the competition of projects intended to set the basis for management of new sites. There are many activities related to the management of Natura

2000 sites that need a dedicated environment fund, and LIFE-Nature is the obvious choice to fill this role. At the same time, the total budget for LIFE would need to be substantially increased to address the needs for EU co-financing of the protection of the Natura 2000 sites, taking also into account the 10 new Member States and the continuation of participation by the remaining candidate countries.

However, such an approach might have the following impacts. Resources would have to be allocated to the new LIFE-Nature, to ensure that it could operate at a sufficient scale to be effective. The current proposal on the financial perspectives for the period 2007-2013 has not included any new Community Fund for nature conservation and the financial resources available for environment have been upgraded marginally only. This marginal increase in the resources to be allocated for the Financial Instrument for the Environment and for all environment related spending is not sufficient by itself to support the management of Natura 2000. Thus in the future it is expected that the role of the successor of LIFE will be one of provider of support activity rather than being the primary delivery mechanism of management of the sites.

The resources available for the new Financial Instrument for Environment as indicated in the Commission's proposal for the Financial Perspectives do not realistically allow for sufficient resources to be allocated to the new instrument. For sure the new Financial Instrument for the Environment would not be able to cover the identified costs and needs of the network. Also, the actions that would be supported would provide for synergies to substantial spending from the remaining available funds, notably the Structural and Cohesion Funds and the Rural Development fund.

The shortcomings and difficulties of the two main options (integration and a stand alone fund) available suggest that a practical way forward would be by a combination of the two. This would foresee the continuing use of existing funding instruments with an extension of their scope to cover a greater range of required management related costs in the case of the rural development funds and a broader geographic cover for investment costs covered by the structural funds. These extensions of coverage could be complemented by *funding for Natura under the funding instrument for environment*, which would cover the aspects for which funding was deemed necessary, but which could not be eligible for funding under other funds. These aspects can be support actions such as networking of best practices, communication and public awareness raising activity. This approach will guaranty synergies between the financing options and will help to provide co-financing options and opportunities for all possible varieties of costs and activities.

It is important to keep in mind that this proposal does not call for additional spending, but rather recommends that Member States finance Natura 2000 by using money from the structural funds and from agri-environmental measures under the CAP. Accordingly, it is likely that the effectiveness of the former in contributing to economic and social cohesion, and the latter in supporting rural development will be somewhat smaller than if Member States concentrated spending on the main purposes of these instruments. Offsetting these considerations, ensuring the effectiveness of the Natura 2000 network in maintaining biodiversity should deliver substantial benefits to society which would not otherwise occur.

5. PART 5: REPORTING ON THE IMPLEMENTATION OF THE PROPOSAL

Apart from specifying priority areas for future action, the 6th Environment Action Programme has moved towards clearer specification of its strategic objectives and, crucially, indicated the need to define measurable goals and timetables in areas such as land use, the urban environment and resource use.

The Commission, while not having the lead role in Natura 2000 site management, does have an ongoing responsibility to ensure respect of Community legislation. This is specifically recognised in various articles of the directives which, for example, make provisions for Commission's opinion in respect to major developments impacting priority sites (Article 6.4) and for periodic reports on implementation via the reporting requirements (Article 17).

The monitoring and the evaluation of the results of this proposal will have to be carried out closely together with the monitoring and evaluation of programs corresponding to the Structural Funds and Cohesion Funds, as well as Rural Development Plans supported under the Rural Development Regulation. For these Funds there have been developed sets of monitoring indicators, whose implementation has been discussed and agreed with the Member States. However, the Natura 2000 network concerns and management implementation is not represented adequately in these sets of evaluation indicators. For this reason, currently there is no concrete information from the annual reports of the Member States on the implementation of their Structural, and Rural Development programs on measures and actions as well as related expenditure in Natura 2000 sites. The reports on the Mid-Term evaluation of these Funds will be available by the end of 2004 however the amount of information available remains limited.

Thus there is a need to build concrete synergies for monitoring Natura 2000 progress in terms of physical indicators (designation progress: land designated, management plans established, etc; and qualitative indicators: conservations status; appropriate management practices followed, resources allocated, trained personnel, etc.). Natura 2000 is not currently covered adequately in the current set of indicators used for the evaluation of the Community funds and even when an indicator has been proposed, this has not been provided for in the mid term evaluation reports presented by the Member States for the period up to 2002. In the future there is need to continue the work in this area and to start a discussion with the Member States and the scientific experts.

In addition to these formal elements of reporting that could further be enhanced and elaborated in the future, the Commission is aiming to promote the good implementation on the Natura 2000 network, by the production of various guidance materials on further Articles of the Directive and, in addition, is promoting greater public awareness of the network by information initiatives such as the Natura 2000 newsletter and Green Days events. The Communication on Financing the Natura 2000 network recognises the need to continue the work on the estimation of the costs of managing the network. Furthermore, work is needed on the definition and the development of understanding on the appropriate measures corresponding to the management of the sites and to the needs of the various and diverse habitats and species. The Commission will continue its work on the exchange of information on management and best practices to be followed building on experiences of Member States with different Community instruments and funds, as well as LIFE-Nature. The Commission envisages also the publication of more detailed guidance on how the available Community funds can be used for the management of the Natura 2000 network.

6. PART 6: STAKEHOLDER CONSULTATION

6.1. Facilitating consultation with Stakeholders on Financing Natura 2000

A wide consultation was held during the preparation of Commission's Communication on Financing the Natura 2000 network. The consultation process involved the authorities responsible for the Natura 2000 and a variety of stakeholders. During the consultation process the findings of the Expert Group's Final Report on Financing Natura 2000 have been discussed. A variety of process has been used to allow a wide as possible participation in the discussion of the future financing options of the network as these have been identified in the Report of the Expert Group on Article 8. Two Presidency Conferences, a Public meeting with stakeholders in Brussels and a web consultation has been facilitated.

The first public presentation of the Expert Group in Article 8 Report has taken place to the Meeting of the Nature and Forestry Directors of Member States and Accession countries that took place in Visgo during the Danish Presidency of the EU in November 2002. Thereafter the Member States and Candidate Countries were consulted twice on the Options available for Financing Natura 2000. The first opportunity to give oral comments took place during the meeting of the Habitat Committee on 10th March 2003, the second was during the Nature Directors Conference held in Alexandroupolis, Greece on 10th-11th April 2003. Further to that the responsible authorities in Member States and Acceding and Candidate countries have been asked to send written comments and to scrutinise the results and the options presented in the Report of the Expert Group.

The findings of the Article 8 Group have been assessed further and discussed in several meetings with stakeholders that DG Environment has hosted and have been presented in various forums (the European Parliament meeting in November 2002, the Advisory Committee on Agriculture and Environment, the Advisory Committee of Forestry and Cork). A public consultation with NGO Stakeholders on Financing Natura 2000, took place on 26th March 2003 in Brussels. NGOs have been invited to this meeting through lists of stakeholders present in similar events and meetings. The participation was good³⁷ and the discussion has been lively around the 3 options that have been identified by the Article 8 Working Group. The outcome of the meeting was that apart of the 3 options, the majority of the stakeholders favoured a fourth approach which had a strong element of integration of Natura 2000 concerns in other instruments, however the issue of ring-fencing available resources was a controversial one between environmental groups and farmers/landowners. In addition to this hearing the participating stakeholders were asked to present their comments in writing.

The web consultation aimed to stakeholders interested to the Natura 2000 issues and has attracted numerous responses by a variety of stakeholders and a wider audience on the three identified options available for co-financing the management of Natura 2000. The total number and engagement of contributions illustrates the high importance of the subject. Summarising it shortly, the comments were mainly on which funding option to choose with some comments on the measures that should be eligible for co-financing. *Often the options discussed were not in compliance with the options described in the Report of the Expert Group. Instead they were mixtures of the 3 options presented in the Report.* The web discussion focused on two options: Using the existing funds or creating an individual fund

³⁷ A list of the stakeholders contacted is attached in the annex of the Consultation Report.

dedicated exclusively to Natura 2000. Clearly the choice is usually related with the position and interest of the commenting person or party and this has to be taken into account.

A Consultation Report on the responses received, as well as a list of the participating stakeholders and an analysis of their responses is available on the web site of the Directorate General for Environment under the link to the nature protection and Natura 2000 page (http://europa.eu.int/comm/environment/nature/nature_conservation/natura_2000_network/financing_natura_2000/index_en.htm) and in particular the one referring to the Financing on the Natura 2000 network.

6.2. Summary of main points raised during the consultations

During the consultation process the findings of the above mentioned Expert Group's Final Report on Financing Natura 2000 have been discussed. To structure the consultation two main areas for discussion were worked out and an opportunity was offered for introducing any opinion:

- Funding option to be chosen
- Measures eligible for co-financing
- Other comments

The results of the consultation responded to the main questions put by the Commission - namely what approach should be taken to funding? And which measures should be eligible? Additionally many of the participants raised the issue of the adequacy of the funds to be applied to Natura 2000 independent of the funding option chosen.

Which funding option to choose

While the expert group report, which formed the basis of the discussion during this consultation process, identified three funding options as listed in section 1.3 above it became clear in the discussion that opinions were focused on two options. Either funding should be from existing funds (option 1) or from a dedicated Natura fund (option 2 & 3).

Option 1 - Using existing funds

This option was favoured in most of the Member States comments received. It was however associated with concern as to the ability of environment ministries to effectively access funds from financial instruments managed by other ministries. Additionally many comments argued that an expanded Life Nature fund would also be needed to cover expenditure which would not be eligible for funding from existing instruments. This essentially argued for a combined option.

Option 2 - Creating a New Natura 2000 fund

This option was preferred by environmental NGOs and agricultural and landowner interests. The main arguments but forwarded related to the need to guarantee that funding would be applied to Natura 2000 needs which was seen to be difficult to achieve under the first option. Landowning/agricultural interests argued that Natura 2000 funding needs were new elements. They should be met by new funds demonstrating that the Community was supporting financially the achievement of its objectives and this should not be achieved by diverting

resources from priorities in the existing funding instruments. A linked concern motivates this choice on the issue of the overall sufficient of funds. Concerns were raised as to whether Natura 2000 could be adequately funded from instruments where it would have to compete for funds with other priorities.

Eligibility of measures

NGOs and landowning interests expressed concern particularly as to the eligibility of conservation action in the Forestry sector. This latter element arguing either for an expansion of the scope of existing instruments under the Rural Development Regulation or its coverage in a separate funding instrument. This was linked to concerns as to ensuring that landowners were adequately compensated for restrictions imposed on these by the designation of their land for Natura 2000.

In discussion with Member States it was, however, clear that this is a complex issue as many restrictions on landowners are already inherent in National legislation relating to planning and development and cannot therefore be directly attributed to the Natura 2000 designation. This is clearly a sensitive issue which will require further consideration.

Other comments

Co-financing and competences

Stakeholder expressed their view that both the European Community and Member States have certain responsibilities regarding Natura 2000. The Commission's responsibility should be reflected in the Community's engagement for co-financing Natura 2000. National responsibility was also stressed.

Compensation

Opinions varied with landowning groups arguing strongly for co-financing compensation, and others for excluding compensation from the bulk of eligible measures.

Funds constraints

Stakeholders argued that the limitation of CAP to farmland and agricultural work, the exclusion of forestry measures and the non fitting regarding public land needs to be changed. The funds should be open for all types of measures in Natura 2000 sites.

Some felt that the shifting money from pillar 1 (markets) to pillar 2 (rural development) of the CAP will not be sufficient for Natura 2000, because the main amount of money will still be in pillar 1.

The Structural Funds are connected with regions, which are not identical with the Natura 2000 areas. To use those funds for Natura 2000 the targets will have to be changed and opened.

6.3. How the stakeholder consultation results made an input in this proposal

Clearly the results of the Member States' and stakeholder consultation have shown a division in opinions on the issue of the option to be adopted for Financing the Natura 2000 network. The majority of Member States favoured the integration option for reasons of less administration procedures and for developing synergies between the different Community

Funds and Instruments, while other stakeholders showed a preference for a dedicated Natura 2000 fund or a future LIFE-Nature instrument with a significantly higher amount of allocated resources.

The Commission took on board this input and used the argumentation provided for most of the options during the discussions for the Commission's proposal on the Financial Perspectives for the period 2007-2013. This Commission proposal has practically diminished the options of a bigger, in terms of available resources, LIFE-Nature and of creating a separate instrument for the management of the Natura 2000 network. However, the integration option, which has been opted by many stakeholders and particularly Member States, and which during the preparation work of this Communication has been chosen as the most appropriate option, has been picked up by the Commission and has further integrated and highlighted in its proposal for the Financial Perspectives and in the Third Cohesion report. The following chapter explains further why the integration option has been chosen by the Commission.

PART 7 – COMMISSION'S DRAFT PROPOSAL AND JUSTIFICATION

The protection of Europe's biodiversity has reached a crucial stage. The legal and policy framework is in place and protected sites have been designated to form the Natura 2000 network. The Habitats Directive provides for Community co-financing of Natura 2000. This effort now needs financial support at EU level if real progress is to be made in halting the decline of Europe's bio-diversity and achieving sustainable development.

The Commission has examined four policy options: no new action and three possibilities for the financing of the Natura 2000 network. The results of the Member States' and stakeholder consultation³⁸ have shown a clear division in opinions on this issue. The majority of Member States favoured the integration option, while stakeholders showed a preference for a dedicated Natura 2000 fund. Despite the limitations outlined above, the Commission had considered that the integration option is the better approach for the following reasons:

- it will ensure that the management of Natura 2000 sites is part of the wider land management policies of the EU. Thus, on one hand, farming inside Natura 2000 sites will be part of the CAP financial support and, on the other hand, structural interventions, being part of rural and regional development policies. This complementary approach will enable the network of Natura 2000 sites to play its role in protecting Europe's biodiversity better than if Natura sites are seen to be isolated or different from the wider policy context.
- it will allow Member States to set priorities and to develop policies and measures which reflect their national and regional specificities.
- it will avoid duplication and overlap of different Community funding instruments and the administrative complication and transaction costs which would be associated with such duplication.

³⁸ A Report of the consultation on the Financing of Natura 2000 is available on the link: http://europa.eu.int/comm/environment/nature/nature_conservation/natura_2000_network/financing_natura_2000/index_en.htm

During the examination of the available options obstacles that do not permit an optimum use of the available resources for the Natura 2000 network have been identified and the need for modifying these instruments and their implementing rules in order to ensure better delivery against Natura 2000 has been advocated. However, certain changes have already been introduced in key Community policies. The 2003 CAP Reform has provided further opportunities for Natura 2000 rural development measures and Member States should further exploit them in order to gain experiences and get prepared for the next Rural Development and Structural Funds programmes for the next financial period (2007-2013). Integrating further the options available under the CAP Reform on their Rural Development plans from 2004 onwards will allow Member States to be better prepared for addressing adequately the Natura 2000 network the next programming period starting 2007. The Commission's proposal supports the continuation of financing of the Natura 2000 sites that are in agricultural or forestry use from the Rural Development funds, as these areas are eligible for Rural Development support and measures have already been supported and experience has been gained. Rural Development can provide for agri-environmental schemes and support for compensatory allowances under Article 16 for farmlands as well as for supporting ecological forestry activities (article 32), training (article 9) and provide for integrated approaches to land use planning through Article 33.

This will require appropriate proposals in the forthcoming revision of the rural development regulation building on existing opportunities to facilitate and co-finance rural development actions related to the implementation of Natura 2000 including for the management of sites on farm and forest land and promoting the uptake of these opportunities by Member States. Further to those options, the future Structural Funds³⁹ can further provide support for investments on infrastructure needed for the management and the restoration of Natura 2000 sites.

The integration option is the one further identified and supported in the Commission's Communication "Building our Common Future – Policy challenges and Budgetary means of the Enlarged Union 2007-2013"⁴⁰. This Communication presented the future financial perspectives and policy direction and budgetary allocation after 2006. The financial envelope devoted to Natura 2000 area is not addressed in this Communication, but the Commission has indicated its commitment to the Natura 2000 network, which is reflected in the text. Actions for the network are fall under Heading A on Sustainable Development and more specifically under part 3 "Sustainable management and protection of natural resources: agriculture, fisheries and environment". The Communication states that future rural development policy after 2006 should be structured *inter alia* around:

- enhancing the environment and countryside through support for land management, including the co-financing of rural development actions related to NATURA 2000 nature protection sites.

Furthermore one of the important activities included in the environmental priorities for the period 2007-2012 is the:

³⁹ COM(2004) 107 final.

⁴⁰ Communication from the Commission to the Council and the European Parliament *Building our common Future* Policy Challenges and budgetary means of the Enlarged Union 2007-2013 COM(2004) 101, final.

- development and implementation of the Natura 2000 network of sites to protect European bio-diversity as well as implementation of the biodiversity action plans.

At the same time, the Communication indicates that cohesion policy is based on the principles of subsidiarity and of partnership with Member States and regions, and that the co-funded measures should reflect regional priorities and economic development needs. The Commission cannot propose against these key principles and oblige Member States and regions to finance predefined actions or to earmark financial resources to a given policy area. However, in the course of the programming dialogue, which will be reinforced and made more strategic, the Commission would discuss with Member States and regions the best way to incorporate Community priorities, including the financial needs of the Natura 2000 network.

This will require appropriate proposals in the forthcoming revision of the rural development regulation building on existing opportunities to facilitate and co-finance rural development actions related to the implementation of Natura 2000 including for the management of sites on farm and forest land and promoting the uptake of these opportunities by Member States. European Cohesion Policy, implemented through the cohesion and structural funds, already permits support for investment in infrastructure in Natura 2000 sites under national, regional and cross border programmes, where they contribute to the overall economic development of the region. In its proposal for the revision of the Structural and Cohesion Funds, the Commission will safeguard this possibility. In addition to the funding to be provided within the rural development and structural funds some support for the Natura 2000 network will be included in the proposed Financial Instrument for the Environment. Funding here will be primarily for supporting actions such as networking of best practices, communication and public awareness raising activity. It may however be desirable to finance under FIE some elements of management that can not be eligible under the main funding instruments. This could include for example specific projects on endangered species.

In its proposal for the revision of the Structural and Cohesion Funds, the Commission will indicate how investment in infrastructure in Natura 2000 sites can be included in national and cross border programmes, ensuring that existing funding opportunities can be continued and potentially expanded, for the period of the next financial perspectives. In each case the criteria for eligibility will be set out and the general rules of each fund will apply.

While the Commission considers that the estimated annual costs of the network is in the order of around €6 billion per year this can not for the reasons explained above, be seen as a precise estimate. The likely level of Community co-financing towards these costs will depend on a number of factors:

- the variable rates of co-financing that apply to the support from different Community instruments (currently up to a maximum of 85%) which will in any case be reviewed in the forthcoming proposals from the Commission
- the priority that individual member states give to the funding of Natura 2000 as opposed to other expenditure area in the allocation of resources within their programmes.
- some of the identified costs will not be eligible for Community support

This will require appropriate proposals in the forthcoming revision of the rural development regulation building on existing opportunities to facilitate and co-finance rural development

actions related to the implementation of Natura 2000 including for the management of sites on agricultural and forest land and promoting the uptake of these opportunities by Member States. European Cohesion Policy, implemented through the cohesion and structural funds, already permits support for investment in infrastructure in Natura 2000 sites under national, regional and cross border programmes, where they contribute to the overall economic development of the region. In its proposal for the revision of the Structural and Cohesion Funds, the Commission will safeguard this possibility⁴¹ and subsequently provide appropriate guidance on how to operationalise the Gothenburg commitment. In addition to the funding to be provided within the rural development and structural funds some support for the Natura 2000 network will be included in the proposed Financial Instrument for the Environment. Funding here will be primarily for supporting actions such as networking of best practices, communication and public awareness raising activity.

It is therefore foreseen that Community Funds and primarily the Structural and Rural Development Funds will make substantial co-financing available for the implementation of the Natura 2000 network. It is however, not possible to fix a target for the level of this funding since the final expenditure will depend on the priority given to Natura 2000 within individual member states programmes. The criteria for eligibility will be set out in each of these Regulations and the general rules of each fund will apply.

Further work needs to be done on refining cost estimates and developing programmes of implementation at the national level, which will be necessary to make effective use of the Community funds. Member State's current work on management plans for the Natura 2000 sites should contribute to improved cost estimates.

It is important to ensure that the choice of integrating the funding needs of the Natura 2000 network into other policy areas, as outlined in this Communication, results in sufficient overall funding to secure the objectives of the network. The Commission will therefore encourage Member States to give due consideration to the needs of Natura 2000 when establishing their programmes for these funds. The Commission will also consider publishing more detailed guidance on how these funds can be used to support the Natura 2000 network.

Box 7: What kind of co-financing will the Community provide for Natura 2000 in future?

It is not possible to give a precise indication in advance of the amounts likely to be spent annually on co-financing Natura 2000 sites from 2007 onwards since it will be up to each Member State and region to decide how to take account of the needs of its sites in drawing up national and regional programmes under the various funds. It is not proposed to ring fence set amounts inside each Fund since the situation inside each Member State will be different.

For this reason, it is not possible to indicate in advance how much of the cost estimated in this Communication for Natura might be co-financed by the Community budget. However, the following illustration, based on experience in the 2000-2006 period, is given to show how the proposed system could work.

⁴¹ A new opportunity for the co-financing may be created by a proposal under consideration in the Commission for a New Financial Instrument for transfrontier co-operation in the Community external frontiers.

The rate of co-financing for specific investments/activities will be fixed in each regulation and will vary (e.g. currently up to a maximum of 50 to 85%). However, to simplify, if co-funding was shared 50/50 between the Community and Member States this would imply that up to half of the estimated cost might come from the Community. While exact current expenditure is uncertain, it can be estimated that in the order of €500 million are spent annually through Rural Development measures supporting the management of Natura 2000. Allowing for enlargement and the finalisation of designation it is anticipated that, subject to the choices made by Member States in their rural development plans, this figure will significantly increase in the next years. Similar figures are not available for the Structural Funds so it is not possible to make similar or illustrative projections at this stage. However, the overall share of environment projects in the Structural Funds is quite significant and important sums are already spent on nature protection in some Member States.

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ANNEX

1. Extracts of Council directive 92/43/EEC of 21 May 1992 on the Conservation of Natural Habitats and of Wild Fauna and Flora

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 130 thereof,

Whereas it is recognized that the adoption of measures intended to promote the conservation of priority natural habitats and priority species of Community interest is a common responsibility of all Member States; whereas this may, however, impose an excessive financial burden on certain Member States given, on the one hand, the uneven distribution of such habitats and species throughout the Community and, on the other hand, the fact that the 'polluter pays' principle can have only limited application in the special case of nature conservation;

Whereas it is therefore agreed that, in this exceptional case, a contribution by means of Community co-financing should be provided for within the limits of the resources made available under the Community's decisions;

HAS ADOPTED THIS DIRECTIVE:

Article 8

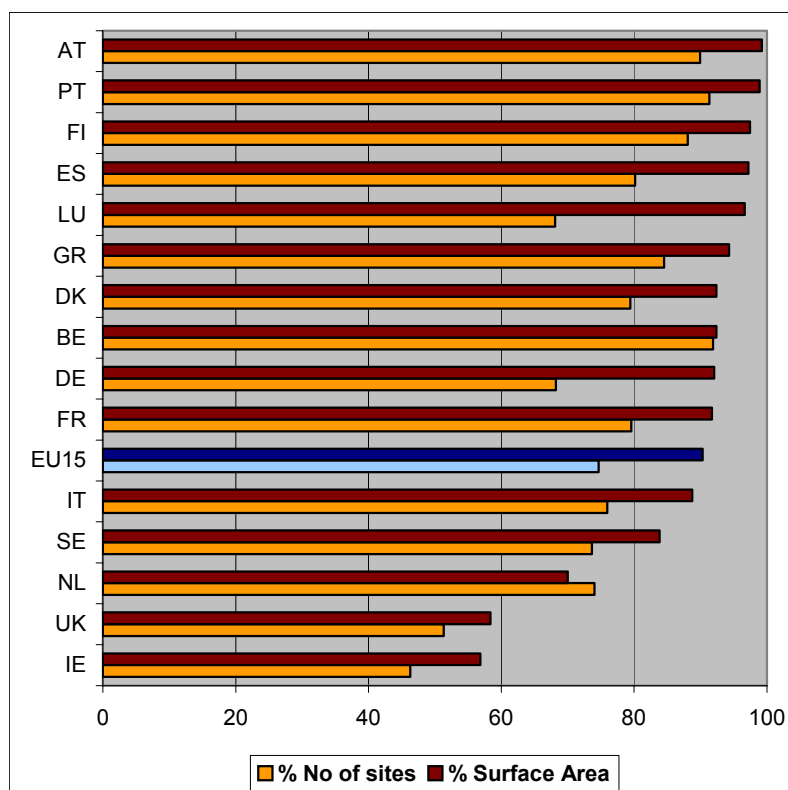
1. "In parallel with their proposals for sites eligible for designation as special areas of conservation, hosting priority natural habitat types and/or priority species, the Member States shall send, as appropriate, to the Commission their estimates relating to the Community co-financing which they consider necessary to allow them to meet their obligations pursuant to Article 6 (1).
2. In agreement with each of the Member States concerned, the Commission shall identify, for sites of Community importance for which co-financing is sought, those measures essential for the maintenance or re-establishment at a favourable conservation status of the priority natural habitat types and priority species on the sites concerned, as well as the total costs arising from those measures.
3. The Commission, in agreement with the Member States concerned, shall assess the financing, including co-financing, required for the operation of the measures referred to in paragraph 2, taking into account, amongst other things, the concentration on the Member State's territory of priority natural habitat types and/or priority species and the relative burdens which the required measures entail.
4. According to the assessment referred to in paragraphs 2 and 3, the Commission shall adopt, having regard to the available sources of funding under the relevant Community instruments and according to the procedure set out in Article 21, a prioritised action framework of measures involving co-financing to be taken when the site has been designated under Article 4 (4).
5. The measures which have not been retained in the action framework for lack of sufficient resources, as well as those included in the above mentioned action framework which have not received the necessary co-financing or have only been partially co-financed, shall be reconsidered in accordance with the procedure set out in Article 21, in the context of the two-yearly review of the action framework and may, in the meantime, be postponed by the Member States pending such review. This review shall take into account, as appropriate, the new situation of the site concerned.
6. In areas where the measures dependent on co-financing are postponed, Member States shall refrain from any new measures likely to result in deterioration of those areas."

2. Information regarding the Natura 2000 network, land use and map of Natura 2000 sites in EU-15

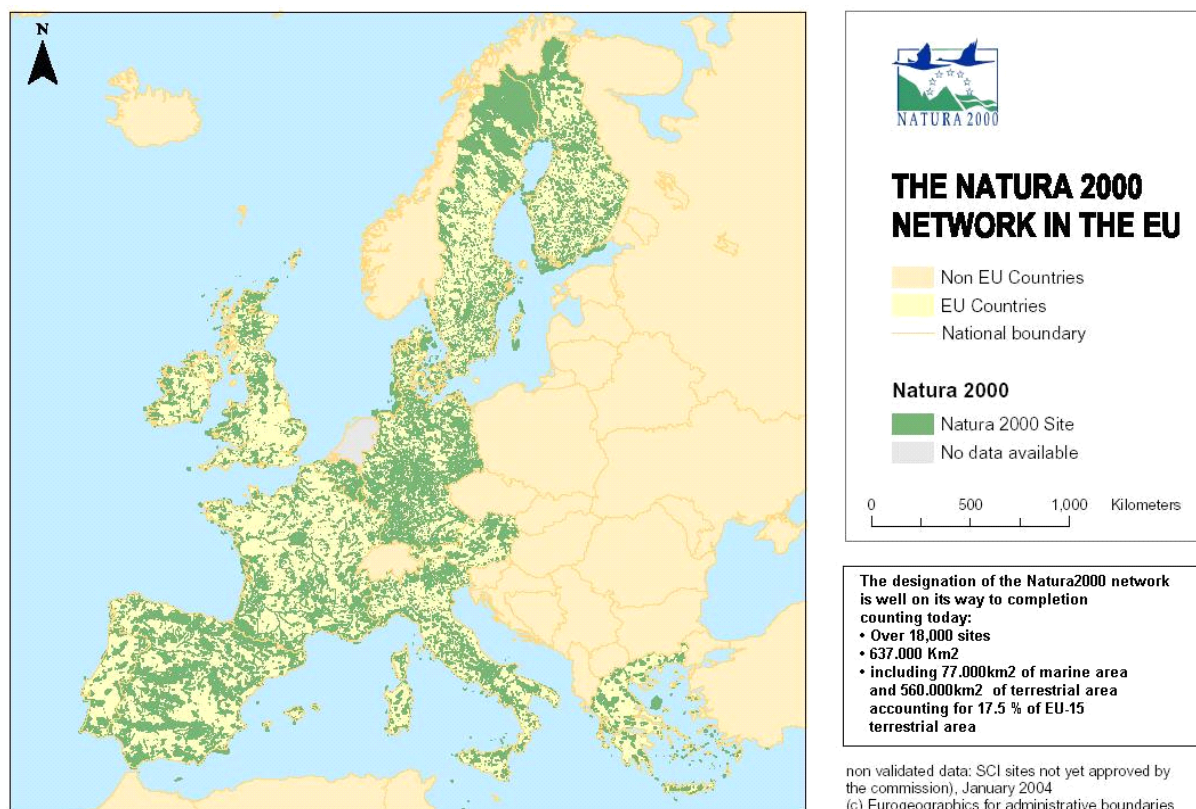
Figure 1: pSCIs with priority features (Habitats and Species)

SCIs with priority features

	No of sites	%
	Surface Area %	
AT	89.9	99.2
BE	91.9	92.4
DE	68.2	92.0
DK	79.4	92.4
ES	80.1	97.2
FI	88.0	97.4
FR	79.6	91.7
GR	84.5	94.3
IE	46.3	56.8
IT	76.0	88.7
LU	68.1	96.6
NL	74.0	70.0
PT	91.3	98.9
SE	73.6	83.8
UK	51.3	58.4
Total	74.6	90.3



Map of Natura 2000 network in EU-15



Note: The definition of this map is not very fine for a map of this scale, but at the moment is the best available map for all EU-15. Better definition and clearer boundaries details can be obtained from maps on a country by country basis.

Table 1: Distribution of Natura 2000 sites by size of sites by country

Country	Total	>= 50 ha		>= 100 ha		>= 150 ha	
Austria	158	122	77%	103	65%	93	59%
Belgium	271	255	94%	247	91%	236	87%
Germany	3535	2721	77%	2264	64%	1898	54%
Denmark	253	222	88%	208	82%	190	75%
Spain	1203	1044	87%	993	83%	958	80%
Finland	1662	1127	68%	931	56%	829	50%
France	1126	986	88%	915	81%	870	77%
Greece	238	237	100%	235	99%	234	98%
Ireland	363	296	82%	250	69%	224	62%
Italy	2329	1952	84%	1781	76%	1651	71%
Luxemburg	47	34	72%	27	57%	26	55%
Netherlands	76	76	100%	75	99%	73	96%
Portugal	94	90	96%	86	91%	81	86%
Sweden	3419	1489	44%	1073	31%	871	25%
UK	568	459	81%	410	72%	366	64%
Sites	15342	11110	72%	9598	63%	8602	56%

3. Analysis of Member States' and Accession Countries Information on Costs of the Natura 2000 Network

Table 3: Anticipated expenditure for managing Natura 2000 sites (pSCIs and SPAs)

Member State		Austria	Belgium	Denmark	Finland	Germany	Greece	France	Ireland	Italy	Luxembourg	Netherlands	Portugal	Spain	Sweden	UK
Activities	Types of Activities Comments	<i>calculated sum of pSCI+SPA</i>	<i>calculated from ind. figures of the 4 regions</i>			<i>calculated sum of pSCI+SPA</i>	<i>pSCI+SPA</i>	<i>pSCI+SPA</i>	<i>calculated sum of pSCI+SPA</i>	<i>calculated sum of pSCI+SPA, based on LIFE projects</i>			<i>pSCI+SPA without Azores</i>		<i>calculated sum of pSCI+SPA</i>	
Investment costs	Restoration projects for habitats or species	30.747.175				sum for all 3 activities	20.000.000	15.000.000	2.750.000	433.606.582			37.840.622		18.300.000	
	Land purchase, including compensation for develop. rights	3.896.635					<i>no info</i>	0	1.100.000	1.780.796.895			65.065.382		88.400.000	
	Infrastructure for public access, interpretation, observatories etc.	212.346					9.000.000	0	0	1.167.178			4.075.947		950.000	
sub-total		34.856.156	30.127.000			159.705.267	29.000.000	15.000.000	3.850.000	2.215.570.655			106.981.951		107.650.000	
Management planning and administration	Preparation and review of management plans, strategies	7.186.276				sum for all 4 activities	500.000	3.000.000	1.200.000	<i>together with next row</i>			267.920		4.500.000	
	Establishment and running costs of management bodies	16.815.558					12.500.000	41.000.000	0	79.502.888			148.705		442.000	
	Training	518.300					10.000.000	1.000.000	230.000	13.802			214.158		254.000	

	Education and visitor management	500.378				6.300.000	0	0	14.601.524			532.628		4.800.000		
sub-total		25.020.512	5.382.000			116.878.946	29.300.000	45.000.000	1.430.000	94.118.214			1.163.411		9.996.000	
On-going management actions and monitoring	Land use categories	Predicted annual costs (in €)										Different Classification				
	Marine					1.180.000	52.000.000	<i>in "other"</i>	2.033.000	26.626.893			11.080.479		2.900.000	
	Wetlands					sum for all activities: 341.808.223	7.000.000	<i>in "other"</i>	0	95.314.984			883.710		862.000	
	Inland waters – Marshes						6.000.000	<i>in "other"</i>		15.139.650			<i>not available</i>		4.289.000	
	Pastures						8.000.000	<i>in "agricult."</i>		226.979.770			6.342.282		31.140.000	
	Agriculture	95.873.471					80.000.000	180.000.000		<i>no info</i>			46.412.391		498.000	
	Forests	24.365.642					24.000.000	30.000.000	65.000.000	205.562.930			36.201.075		15.200.000	
	Orchards - Dehesas						3.000.000	<i>in "agricul."</i>	<i>no info</i>	<i>no info</i>			14.752.024		<i>no info</i>	
	Snow Rocks						<i>no info</i>	<i>in "other"</i>	<i>no info</i>	<i>no info</i>			<i>no info</i>		4.304.000	
	Other	1.412.939					<i>no info</i>	102.000.000	<i>no info</i>	<i>no info</i>			<i>no info</i>		1.294.000	
sub-total		121.652.052	8.508.040				342.988.223	180.000.000	312.000.000	67.033.000	569.624.227			115.671.961		60.487.000
Total		181.528.720	44.017.040				619.572.436	238.300.000	372.000.000	72.313.000	2.879.313.096			223.817.323		178.133.000
First questionnaire		57.502.000	15.830.000	28.572.000	53.200.000	489.210.000	202.150.000	147.549.000	-	48.490.000	-	249.190.000	26.852.000	1.300.000.000	192.700.000	50.391.000

Continued

New Member States		Cyprus	Estonia	Hungary	Lithuania	Latvia	Poland	Slovenia	Slovakia
Activities	Types of Activities								
Investment costs	Restoration projects for habitats or species	1.200.000	640.000	17.350.000	755.000	1.230.769	6.000.000	1.187.000	180.000
	Land purchase, including compensation for develop. rights	3.400.000	1.920.000	107.552.000	750.000	538.462	1.500.000	216.000	2.200.000
	Infrastructure for public access, interpretation, observation facilities etc.	2.000.000	960.000	1.481.000	590.000	923.077	1.200.000	918.000	120.000
sub-total		6.600.000	3.520.000	126.383.000	2.095.000	2.692.308	8.700.000	2.321.000	2.500.000
Management planning and administration	Preparation and review of management plans, strategies	500.000	190.000	1.878.036	1.464.000	119.355	2.000.000	290.530	140.000
	Establishment and running costs of management bodies	500.000	770.000	2.981.280	480.000	922.886	2.600.000	530.000	200.000
	Training	850.000	30.000	503.012	99.000	38.462	100.000	86.000	30.000

	Education and visitor management	1.000.000	320.000	858.100	858.000	53.846	1.000.000	202.700	19.000
sub-total		2.850.000	1.310.000	6.220.428	2.901.000	1.134.549	5.700.000	1.109.230	389.000
On-going management actions and monitoring	Land use categories								
	Marine	100.000	60.000	0	<i>no info</i>	436.308	<i>no info</i>	21.500	<i>no info</i>
	Wetlands	600.000	30.000	3.133.320	2.491.520	210.411	<i>no info</i>	1.260.000	43.000
	Inland waters – Marshes	150.000	20.000	1.655.000	<i>no info</i>	840.340	<i>no info</i>	86.650	35.000
	Pastures	<i>no info</i>	2.350.000	1.632.260	2.240.000	1.401.523	<i>no info</i>	5.468.750	65.000
	Agriculture	300.000	1.960.000	1.673.028	<i>no info</i>	767.251	<i>no info</i>	1.372.570	26.000
	Forests	5.250.000	2.360.000	2.777.200	20.373.600	6.764.308	<i>no info</i>	400.000	290.000
	Orchards - Dehesas	<i>no info</i>	<i>no info</i>	161.012	<i>no info</i>	<i>no info</i>	<i>no info</i>	1.018.380	<i>no info</i>
	Snow Rocks	<i>no info</i>	<i>no info</i>	0	<i>no info</i>	<i>no info</i>	<i>no info</i>	<i>no info</i>	20.000
	Other	<i>no info</i>	20.000	251.600	<i>no info</i>	483.653	<i>no info</i>	10.000	5.000
sub-total		6.400.000	6.800.000	11.283.420	25.105.120	10.903.794	<i>no info</i>	9.637.850	484.000
Total		15.850.000	11.630.000	143.886.848	30.101.120	14.730.651	14.400.000	13.068.080	3.373.000