



Financing Natura 2000: assessment of funding needs and availability of funding from EU funds

Introduction

The EU adopted the target of halting the decline in biodiversity by 2010 in its Strategy for Sustainable Development launched in Gothenburg in 2001¹. In May 2006, the European Commission adopted a communication “Halting Biodiversity Loss by 2010 – and Beyond: Sustaining Ecosystems for human well-being”². The Communication underlined the importance of biodiversity protection as a pre-requisite for sustainable development. Continuing to undervalue and over exploit biodiversity will make the Lisbon Agenda unachievable and mean any current gains in economic growth are transitory. The Natura 2000 network has a fundamental role to play in securing the ambition to halt biodiversity loss and in the EU’s long-term sustainable development. The EU Birds and Habitats Directives set out the framework for establishing this EU-wide network of protected areas. Although still incomplete, the Natura 2000 network already covers about 18% of the land surface of the 27 EU member states and some progress has been made in designating marine sites as well.

The success of the Natura 2000 network will be highly dependent upon securing the necessary level of funding for the establishment, maintenance and management of sites. If appropriate funding is not forthcoming, conservation objectives will not be met. The purpose of this study was to compare the funding needs with the availability of EU funds in a number of Member States with a view to informing the upcoming debate on the future EU budget. The work was carried out between January 2008 and June 2009 by BirdLife Partner organisations in six of the EU Member States (Austria, Bulgaria, Finland, Netherlands, Slovakia and Spain). The countries were selected to represent the different biogeographical regions and altogether they cover about 30% of the total Natura 2000 network in the EU, therefore they can be considered representative of the whole. Partners were requested to estimate the costs and available funds against the 25 types of activities in four major cost categories as defined by the Financing Natura 2000 Guidance Handbook³. Estimates were requested for both the terrestrial and marine parts of the network, although it was acknowledged that especially for the latter some major assumptions and extrapolations were needed. The evaluation of the availability of EU funds was based on national programming documents of the relevant funds (Structural Funds, Rural Development Fund, LIFE+ and European Fisheries Funds). A brief methodological guide was produced and distributed to Partners at the beginning of the project.

¹ Presidency Conclusions, Gothenburg Council, 15 and 16 June 2001. SN/200/1/01 REV1, page 8.

<http://ue.eu.int/newsroom/newmain.asp?lang=1>

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52006DC0216:EN:NOT>

³

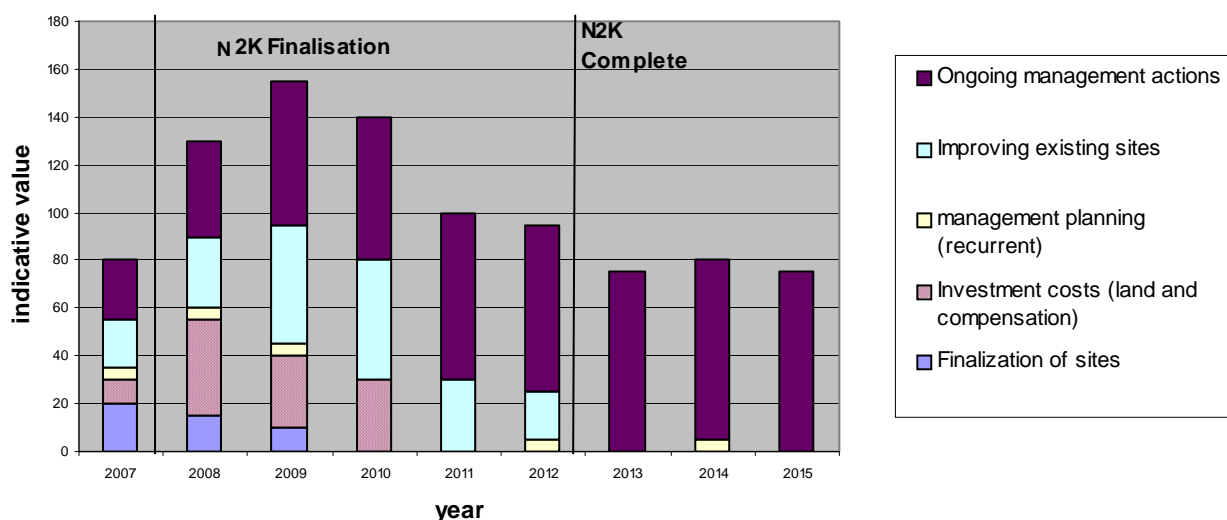
http://circa.europa.eu/Public/irc/env/financing_natura/library?l=/contract_management/handbook_update&vm=detailed&sb=Title

Part 1. Estimating the funding requirements of Natura 2000

The nature of costs

A variety of costs are incurred in protecting ecosystems and biodiversity from research, one-off restoration activities, ongoing management, land purchase, compensation payments or incentives to land-users and education and communication. For each Member State, the nature of costs will vary with the existing status of the network. For example, prior to establishing a network, money needs to be spent on identifying and designating sites. Once sites are designated, they will be in varying conditions. For degraded sites, money is required for rehabilitation whilst for sites in favourable condition, money will be required for on-going management. Member States (MS) are at different stages in establishing their Natura 2000 networks and will therefore be incurring different types of costs. Figure 1 provides an indicative graph on the time horizon of the broad categories of costs involved in establishing an effective network.

Figure 1. Indicative cost profile of an Member States Natura 2000 network



There are a number of other complexities, which need to be borne in mind when undertaking protected area cost estimates. The first is the treatment of one off investments and time limited activities. In estimating annual cost requirements, some assumption needs to be made about when such lumpy costs will be incurred. A common practise is smooth out investment expenditures over a limited number of years. That is the approach taken here.

A second issue relates to the nature of activities undertaken by Natura2000 site managers. Some activities are to achieve conservation objectives, others can be related to recreational activities, productive activities or the generation of ecosystem services. A site may spend money maintaining a walking trail to attract visitors or for educational support for school visits. Such expenditure does not contribute directly to the conservation of the site but may enhance its popularity and local acceptance. Such expenditures are generally included in analyses of cost requirements for Natura 2000.

A third complexity is that Management Plans for Natura 2000 sites may have different conservation targets than other national or global designations. Site managers will not

necessarily distinguish activities designed to meet, for example, Ramsar site or National Park objectives from SPA targets.

The EU's role in funding the network

Who should pay for the Natura 2000 network? Knowing the financial requirements to fund an effective network is one thing but who should pay is a separate issue. Economic theory suggests that both the private and public sector should pay given the public and private benefits generated. For the public sector, a variety of market failures make it necessary to spend public money. More specifically, there is a lack of market mechanisms to make beneficiaries pay for public goods, or to make polluters pay for all external damage done, and society is not well informed or sufficiently aware of the real value of ecosystem services or biodiversity conserved by Natura sites. A failure to pay for public goods leads to overexploitation or degradation of ecosystems.

Generally, in relation to Natura 2000, the public sector contribution should be met partly by the Member State and partly by the European Union. The logic of this rests on the principle of subsidiarity and the fact that the Natura 2000 Network yields benefits that are regional and international in nature, have transboundary impacts, and demand collective action. They are not, therefore, issues which can be dealt with solely by or within the boundaries of individual EU Member States- which makes a strong case for them to be addressed in the EU budget. Moreover, some Member States have designated a higher proportion of their territory as N2K sites due to the high natural value landscapes they harbour and they therefore share a bigger burden for preserving the EU's natural heritage for the EU citizens.

Article 8 of the Habitats Directive sets out the process to evaluate the co-financing needs for maintaining or re-establishing the priority species and habitats in favourable status of the Natura 2000 sites in the EU MS. This is a collaborative process between the MS and the European Commission that should come up with a prioritised action framework for Community co-financing. This was first attempted in 2003 through the work of the Article 8 working group and then in 2004 based on a questionnaire distributed to the MS by the Commission. This latter was the basis of the Commission Communication on financing the N2K network published in 2004⁴, which proposed the integration of biodiversity conservation objectives in all the major EU funds as a concrete measure to secure Community co-financing also for the N2K network. This report indicated that about half of the estimated 6.1 b Euro per year needed for the N2K network should come from EU funds and half from national co-financing. This report, therefore, takes over this general assumption that the EU should pay on average for 50% of the costs of the Natura 2000 network although this rate should vary between countries.

Problems identified in estimating the financial needs of Natura 2000

The current report summarises the findings of detailed studies conducted by BirdLife Partners in seven Member States to arrive at a figure of the estimated needs of the N2K network in their respective countries. The detailed national reports are available on request. The first thing to note is that although some basic guidance was given to BirdLife Partners on how to estimate costs, no standard methodology was used. BirdLife Partners adopted different approaches to overcome data limitations and the lack of an agreed standard, such as:

⁴ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52004DC0431:EN:NOT>

- preparing a questionnaire for relevant authorities requesting basic data
- interviewing desk officers in the relevant authority
- using published data on average costs of managing different habitats or species
- extrapolating from known sources of data such as LIFE projects
- using computer modelling to model the distribution of species within the N2K network
- scrutinising existing management plans and agri-environment schemes for proposed measures and their costs
- using experts on species other than birds and habitats to identify types of measures needed, etc.

Not surprisingly, in every country there have been major difficulties in trying to find comprehensive data regarding the conservation measures needed to maintain or restore N2K sites to favourable status and their approximate costs. The main problems identified during this costing exercise can be summarised as follows:

- The network of N2K sites can not be regarded as complete, neither on land nor at sea. Apart from the Netherlands where all Important Bird Areas are now designated as SPAs and the terrestrial network of N2K sites is complete, all investigated countries show smaller or bigger gaps in their terrestrial N2K networks. Marine N2K sites represent a special problem as the identification and designation of such sites have only been started in most of the countries concerned.
- Out of the countries investigated only the Netherlands has developed Favourable Reference Values for the species and habitats of Community importance at the site and national level. Austria has done work to assess the conservation status of such species and habitats at the national level but these have not been translated to the individual sites or to the N2K network as a whole. In Slovakia, work on setting FRV values has started but not completed. Therefore, in most countries it is not yet possible to fully evaluate how far the N2K network is from having a favourable status for the qualifying species and habitats, and how much restoration may be needed to achieve this.
- Most of the N2K sites do not have management plans setting out the required measures and restrictions with regards to agreed conservation objectives (FRVs), which makes it difficult to estimate the cost of such measures/restrictions. Where N2K sites overlap with statutory protected areas, these often have management plans but with different objectives and measures that are not always relevant to the objectives of N2K sites.
- There is no central agency or database where all relevant information regarding the different types of costs is collected. Data is often held in different public agencies or not publicly available at all.

Summary of the cost estimates for the six countries investigated

The total estimated costs of financing the N2K network in the selected MS can be found in Table 1.

Table 1. Summary of estimated costs of the N2K network

Country	Total annual costs (Euro)	Size of N2K network (ha)	Average costs per ha per annum (Euro)
Austria	206,905,000	1,301,300	159
Bulgaria	270,648,000	3,759,000	72.00
Finland	126,970,710	4,800,000	26.45
Netherlands	208,571,428	1,100,000	189.61
Slovakia	61,647,855	1,377,425	44.75
Spain	2,749,392,658	14,286,090	192.45
Total	3,624,135,651	26,623,815	136.1

The table reveals a broad range of per hectare costs. This variation is explicable to some extent. For Slovakia and Bulgaria, it would be expected that costs of actions are cheaper than in Spain, Austria or the UK given the lower overall standard of living in these countries. For Spain, the costs reflect the need for on-going restoration work which is considerably more expensive than management activities for sites in more favourable status. Once the network quality is improved, costs are estimated to fall to Euro 1.8 billion per year in this country. For the Netherlands, costs for restoring the environmental quality of Natura 2000 areas to favourable conditions for habitats and species are also much higher than regular management costs. In this country, regular management is estimated to be about 20% of the total annual costs. Perhaps most surprising is the low average cost of maintaining and improving the Finnish N2K network, which comes out lower than average costs calculated for Bulgaria and Slovakia, countries with generally lower salaries and average prices. All estimates are in line with a range of payments associated with agri-environment prescriptions.

Part 2 - Overview of the availability of EU funds in selected EU Member States

The second task for BirdLife Partners was to estimate the availability of financing opportunities from the relevant EU funds (Structural Funds, Rural Development Funds, European Fisheries Fund and LIFE+). In principle, all these funds include nature conservation as one of their objectives and, at least theoretically, they could all be used for financing various aspects of the establishment and protection of the Natura 2000 network. The links between the EU funds and the different types of costs of the N2K network are explored in detail in the Financing Natura 2000 Guidance Handbook published in 2007. BirdLife Partners have scrutinised the national programming documents of each fund (with the exception of the LIFE+ fund for which no such documents exist) to identify potential measures that could be used for the Natura 2000 network. A summary of their findings is given in Table 2 and Table 3 below.

Given the inherent difficulties in assessing the availability of funds for measures that could benefit N2K, most Partners opted for giving a minimum-maximum range of potential funds, the minimum estimates giving the more conservative and therefore more realistic view of how much of these funds can be spent on activities that could benefit the EU's protected areas. The range of these estimates is very big for some of the countries (especially for Finland and Spain). In four of the six countries, the European rural development fund (EARDF) is the biggest potential source of money, mostly through agri-environment payments, although this fund includes measures specifically designed to support management of forest and grassland

habitats within N2K sites. In Bulgaria, Finland, Slovakia and Spain, Structural Funds could also substantially contribute to the Natura 2000 network, especially through funding for infrastructural investments. The Cohesion Fund is a potential source of funding only in Slovakia and Spain. LIFE+ is an important small-scale funding dedicated to nature conservation priorities with one of its primary focus on N2K. The most disappointing finding is the largely zero value of the European Fisheries Fund for N2K sites, despite the fact that its regulation includes aqua-environment measures and the management of N2K sites among its objectives.

Table 2. Summary of the potential availability of EU funds in the selected EU Member States during the current financing period (2007-13)

EU fund	Austria		Bulgaria	Finland		Netherlands	Slovakia		Spain	
	Min	Max	Total	Min	Max	Total	Min	Max	Min	Max
ERDF	10	28	492.3	132	879.9	32	1019	1019	603	4333
EAFRD	342.2	342.2	777.4	14.16	14.16	36	10.6	152.8	1731	2687
LIFE+	39.9	39.9	14	51.8	60.2	34	26.2	26.2	175	350
CF	0	0			0	0	103.8	103.8	90	1800
SF	0	0			0	0	0	0	0	44
EFF	0	0			0	0	0	0	0	63
Total	392.1	410.1	1,283.7	197.96	954.26	102	1,159.6	1301.8	2,599	9,277

Table 3. Summary of the average annual EU funds potentially available for N2K in the selected EU member States

EU fund	Country									
	Austria		Bulgaria	Finland		Netherlands	Slovakia		Spain	
	Min	Max	Total	Min	Max	Total	Min	Max	Min	Max
ERDF	1.4	4	492.3	19	125.7	4.6	160.5	160.5	86	619
EAFRD	48.9	48.9	777.4	2.1	2.1	5.1	1.5	21.8	247	384
LIFE+	5.7	5.7	14	3.7	4.3	4.6	3.7	3.7	25	50
CF	0	0		0	0	0	14.8	14.8	13	257
SF	0	0		0	0	0	0	0	0	6
EFF	0	0		0	0	0	0	0	0	9
Total	56	58.6	1283.7	24.8	132.1	14.3	180.5	200.8	371	1325

It is even more illuminating to look at the gaps between the financial needs and the potential available EU funds across the six EU Member States. We used the assumption that on average about 50% of the needs of the N2K network would be met from EU funds. In reality, in the more recently acceded Member States as well as in countries with a high proportion of the N2K network in their territory (such as Spain) it is more prudent to assume that a larger share of the financing needs should be borne by the EU. On the other hand, richer countries where the N2K is well established like the UK and Netherlands should shoulder more of the financial burden of managing and protecting the EU protected areas in their territory. However, for the comparisons across the countries we used a uniform 50% EU contribution as a standard.

Table 4 summarises the gaps between the 50% financing needs and the min/max figures for EU funds available for the N2K network for each country. If we take first the more conservative estimates of the EU funds, only the financial needs of Bulgaria and Slovakia

could be fully met from EU funds, if spending was actually allocated to these priorities. There is a variable funding gap between 45 and 89% of the funding need in the countries Austria, Finland, Netherlands and Spain. If we take the most optimistic estimates for the availability of EU funds the big gaps for Austria and the Netherlands remain, while the funding gap (about 4% of the funding need) for Spain becomes very small. Interestingly, the Dutch BirdLife Partner also estimated the funds available for N2K from state and regional budgets (which was not part of the project). The total available annual amount from all three (EU, state and regional) sources is about 147.3 m Euros, while the annual funding need is about 208.6 m Euros, so there is still a 61.36 m Euro (or 29.3% of the need) shortfall annually in one of the richest countries in the EU for N2K management.

Table 4. Summary of the difference between the financial needs and availability of EU funds in selected EU Member States

Country	50% Cost estimate (m Euros per year)	EU funds (m Euros per year)		Difference (m Euros per year)	
		Min	Max	Min	Max
Austria	103.45	56	58.6	-47.45	-44.85
Bulgaria	71.74	183.3	183.3	111.56	111.56
Finland	63.48	24.8	132.1	-38.68	68.62
Netherlands	104.29	14.6	14.6	-89.69	-89.69
Slovakia	30.824	180.5	200.8	149.676	169.976
Spain	1374.69	371	1325	-1,003.69	-49.69

The main problems identified by BirdLife Partners during the exercise to assess the availability of EU funds for the N2K network are as follows:

- In national programming documents, measures are only broadly defined and financial allocation for the different measures are often only indicative. It is, therefore, very difficult to see which measures are targeted at N2K or other biodiversity objectives and how much money is actually allocated to them.
- There are no quantitative, measurable objectives set for N2K and nature conservation in general in the various programming documents, which makes their evaluation very difficult.
- Different regions in Austria and Spain have very different approaches regarding funding for N2K which is reflected in their funding allocations. Some of them identified N2K funding as a priority and allocated significant sums to it but the majority did not include sufficient funds in their programming documents and budgets.
- Natura 2000 and biodiversity conservation is simply not identified as a priority for EU funds in most countries, apart from LIFE+ (where 50% is ring-fenced for biodiversity and nature) and possibly EARDF in some cases.

Conclusions and Recommendations

The **main conclusions** of the study can be summarised in the following:

- According to the BirdLife Partners' own estimates using a variety of approaches the annual total costs of maintaining or bringing the Natura 2000 networks to favourable

status ranges between about 62 m Euros for Slovakia to 2.7 b Euros in Spain. Average costs per hectare also vary widely with costs in Western and Southern Europe generally higher than in the East and North.

- There is a **substantial funding gap between the financing needs of the N2K network and funding potentially available from the various EU funds** in the older Member States at least (EU15). It is reasonable to assume that in these countries a higher proportion of the funding would come from national and regional sources, however, in the case of the Netherlands there is some shortfall even in these funds. In the case of the new Member States Bulgaria and Slovakia, EU funds could potentially cover more than half of the financing needs of the N2K network from current allocations. In the case of Spain, although the total potential allocations from EU funds may cover most of the needs, it is very unlikely that these allocations will actually be made.
- It is still very **difficult to estimate both the actual needs of the N2K network and the money available for its maintenance and restoration**. The reasons are manifold: the most important ones include the incompleteness of the network, lack of clear conservation objectives and prescriptions for individual sites, the lack of access to reliable cost estimates for the network and the very general nature of the national programming documents where N2K is clearly not a priority. Statistical information on the way EU funds are spent is not collected in a way from which allow a truthful estimate of how much money is allocated and actually spent on Natura 2000 sites or other biodiversity conservation priorities.
- Available evidence presented in the reports indicates strongly that **the integration option of the financing needs of the N2K network into the various EU funds is not working** properly. The main reason for this seems to be the absence of the political will on behalf of national and also some regional governments to allocate public funds to deliver real public goods, such as nature conservation. The lack of good knowledge of what is needed to achieve a good status of the N2K network may also contribute to this.

The **main recommendations** arising from the study are as follows:

- As stated in all official EU documents, most recently in the EU's Biodiversity Action Plan, **the Natura 2000 network should be urgently finalised**, on land by 2010 and at sea by 2012.
- All N2K sites should have at least a brief statement identifying the **conservation objectives** to be achieved (Favourable Reference Values) and the **necessary conservation measures** (prescriptions and restrictions) to be put in place to this end.
- **Cost estimates** relevant to the various aspects of establishing and maintaining/restoring the N2K networks needs **to be collected by a central agency** (ideally the relevant nature conservation authority) and made publicly available on the Internet for future reference.
- Money allocated for the various aspects of the N2K network from the EU funds should be **labelled** as such and should be **recorded** at the national level and **reported** to the EU to allow for meaningful statistical analyses to be made.
- All money identified as potentially available for the N2K network from the relevant EU funds should be **actually allocated and spent** to this end.
- Before the end of the current financial period, a thorough **revision of the actual spend from EU funds on N2K** should be carried out by the relevant Directorate-Generals of the European Commission and compared to the revised cost estimates to

evaluate whether the integration option has worked or not. The lessons learned from such an assessment should be used to better design the next EU budget beyond 2012.

- For the new **EU budget 2013-20 a significant part of the EU budget should be ring-fenced** to cover between 50 and 75% of the funding needs of the N2K network.