Financing

Final Report

on Financing Natura 2000

Working Group on Article 8 of the Habitats Directive

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Contents

Executive Summary

1. Article 8 of the Habitats Directive was drafted in recognition of the 'exceptional financial burden' that Natura 2000 might place on the Member States, particularly those rich in biodiversity. However, it is now clear that Article 8 is insufficient since it is restricted to priority habitats and species under the Habitats Directive, requires that funding needs are assessed on a site by site basis, and relies on existing EU co-financing sources. Instead, as recognised by the Sixth Community Environment Action Programme, a broader approach to co-financing is needed, going beyond that explicitly provided for under Article 8, to secure the full implementation of Natura 2000 as a whole.

2. A great variety of activities are necessary for the effective management of Natura 2000 sites in the Member States, and co-financing needs potentially arise in relation to all of these. The amount of funding will depend on a number of factors, such as the activity in question, the type of habitat being managed, the objectives pursued, and the socio-economic features of the site and its surroundings.

3. The Article 8 Working Group sought to arrive at a broad-based estimate of the total future funding that is likely to be required by Member States to support these different activities. The estimate was based on existing research studies and direct expenditure estimates supplied by the Member States. The result is a broad-brush range of average figures for the cost of managing Natura 2000 in the EU, of **between €3.4 billion and €5.7 billion** per year between now and 2013. There are many reasons to believe that these estimates are conservative.

4. Based upon current experience, it is evident that the existing range of EU co-financing arrangements is unsuited to the challenge of implementing Natura 2000. Arrangements are complex, potentially involving a large number of funds, each with separate criteria and application processes and designed to deliver against its own objectives, rather than those of Natura 2000. None of the funds is available on a long-term basis for the full range of activities associated with Natura 2000 management.

5. The Working Group agreed that three main options should be examined for securing future co-financing for Natura 2000, as follows.

- **Option 1 –** using existing EU funds, notably Rural Development Regulation of the Common Agricultural Policy (CAP), Structural and cohesion Funds and the LIFE-nature instrument, but modifying these in order to ensure better delivery against Natura 2000 needs;
- **Option 2** - enlarging and modifying the LIFE-Nature instrument to serve as the primary delivery mechanism; or
- **Option 3 –** creating a new funding instrument dedicated to Natura 2000.

6. The Working Group examined the various strengths and weaknesses of these funding options, based on an agreed set of criteria identified as necessary for the effective co-financing of Natura 2000. As a result, the Article 8 Working Group recommends the following strategy.

7. Short term recommendation

- A clear reference to nature and environment should be inserted into the Rural Development Regulation (RDR), European Regional Development Fund (ERDF), Financial Instrument for Fisheries Guidance (FIFG) and European Social Fund (ESF) at the point of the mid-term review/evaluations of programmes in 2003-4. A new obligation to co-finance management of the Natura 2000 network in the RDR could be agreed as part of the Mid Term Review (MTR) of the CAP in 2003.
- Member States should support the Commission's proposal for the MTR of the CAP concerning the use of 'compulsory dynamic modulation' to shift funds from the CAP pillar 1 budget to the CAP pillar 2 budget.
- A significant increase should be made in the funding available to LIFE-Nature and the operation of this instrument should be simplified and made more readily applicable to supporting the capital investment needs of a wide variety of Natura 2000 sites.

8. Long term recommendation (2006 onwards)

- A specific requirement should be inserted in all major EU funding instruments including the European Agriculture Guidance and Guarantee Fund (EAGGF), ERDF and ESF, for them to support the proper management of Natura 2000. In addition, the RDR should be simplified, enlarged, and specifically promoted as a mechanism to secure the ongoing management of Natura 2000 sites in rural areas. A similar effort is required in relation to FIFG, to support the management of marine Natura 2000 sites.
- An enhanced 'LIFE+' fund should be adopted, offering substantial EU co-financing to 'fill the gaps' left by the coverage of the modified mainstream funds as well as promoting best practice and innovation in the appropriate management of the network. This LIFE+ Fund should offer a simplified funding mechanism with a multi-annual programme approach, via which all Member States should prepare Natura 2000 programmes to be implemented with the support of co-financing from the LIFE+ fund as well as mainstream EAGGF, ERDF, FIFG and ESF funds wherever appropriate.
- Environment and nature protection concerns should be further integrated into the CAP. A significant expansion of pillar 2 of the CAP should be secured, over the next decade, to pay for the provision of public goods, in this case the ongoing management of Natura 2000 sites.
- Incentives and/or subsidies from the CAP pillar 1 market regimes that lead to environmentally unsustainable production and a decrease in biodiversity, should be reduced. It should be a specific condition of all remaining aid under pillar 1, that it upholds the requirements of the Habitats Directive and the proper implementation of the Natura 2000 network ('cross-compliance').
- Consideration should be given to allowing Member States to further tailor CAP market regime funds and mechanisms in ways that promote nature management. For example, set-aside could be targeted to priority nature protection areas.

9. In addition to these recommendations, the working group notes that nature planners and land managers from existing and new Member States should prepare guidelines to improve the Natura 2000 network, and promote the development of multi-annual management programmes to enable the proper planning and delivery of funding. This work needs to be supported by further research to improve knowledge about site condition and management requirements.

10. The Working Group finally would like to stress, that the scale of funding needs in Natura 2000 is significant, but modest when compared to the €75 billion co-financing available in 2002 under the current EU Agriculture Budget, Structural and Cohesion Funds and the LIFE-Nature instrument.

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John Markland
(Chairman of the Article 8 Working Group)
Brussels
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Chapter 1 Introduction

1.1 General Background

Biodiversity is increasingly recognised as a central challenge for policy makers in Europe and elsewhere. Yet despite efforts to support the conservation of biodiversity, important ecosystems are still at risk; some species continue to decline at alarming rates, generally as a result of the disappearance or degradation of their habitats.[1]

This situation led to agreement, within the Gothenburg EU Sustainable Development Strategy, on a new EU objective of 'halting biodiversity decline' by the year 2010[2]. This same objective has subsequently been adopted at the global level, as part of the World Summit on Sustainable Development.

Nature and biodiversity are also among the four priorities under the Decision on the Sixth Community Environment Action Programme (2002-2012)[3]. Importantly, the Programme identifies ways of achieving the 2010 objective, inter alia, by:

> '*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*'.

On 9 May 2002, the 'El Teide Declaration'[4] endorsed the prominent role of Natura 2000 in delivering the EU's biodiversity objectives. It also recognised that the delivery of the EU's biodiversity objectives '*require targeted resources*'.

1.2 The Natura 2000 Network

Natura 2000 is the European ecological network established by the 1992 Habitats Directive[5]. Its main purpose is the protection of wild species and habitats of European significance. Now 10 years later, the Natura 2000 network of sites is finally becoming a reality. Although the site designation process is not yet complete, existing and proposed sites already represent some 18% of the Union's territory (approximately 60 million hectares).

The process for designating sites has, at times, been controversial. Much of the controversy relates to questions about the implications for the management of

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[1] *Draft chapter (in review) on Biodiversity and landscape diversity, EEA Kiev report*
[2] Gothenburg European Council, 15 and 16 June 2001, Presidency Conclusions
[3] Decision 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)
[4] The Declaration was made by the Commissioner for the Environment, Margot Wallström, and the Spanish Minister for the Environment, Jaume Matas, on behalf of the Council.
[5] Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L206, 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 L305, 08.11.1997, p.42)

designated sites and, in particular, who should bear the costs of the necessary conservation measures.

Article 8 of the Habitats Directive was drafted 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. Article 8 therefore provides for Community co-financing of measures required for the implementation and ongoing management of Natura 2000.

Delays in the designation of sites have meant that co-financing issues are only now being addressed. However, substantial developments have taken place since Article 8 was drafted, in relation to both the available EU co-financing instruments and the Natura 2000 network itself. It is also clear that inadequate attention to funding issues could seriously undermine the implementation Natura 2000.

It should be stressed that investments in Natura 2000 sites will benefit much more than biodiversity as commonly understood, i.e. genetic diversity, the diversity of plant and animal species, and the diversity of habitats. Ecosystems and ecosystem services are an important part of the biodiversity concept as well, and an increasing number of analyses and studies[6] show that nature conservation can generate substantial ecosystem services, such as reducing the risk of flood damage, acting as pollution filters, and reducing nutrient leaching. Natura 2000 also has the potential to generate a range of social and economic benefits, such as enhancing recreational values, supporting the advancement of knowledge, and supporting direct and indirect employment, notably within tourism and agriculture/forestry/fishing sectors, in what are often peripheral rural areas.

1.3 Working Group on Article 8 of the Habitats Directive

In order to address co-financing issues in a comprehensive and effective way, the European Commission set up a Working Group on Article 8 in December 2001. The Working Group brought together experts and representatives from a number of Member States, stakeholder groups and non-governmental organisations. Representatives from DG Environment, along with DG Agriculture, Regional Policy and Budgets provided technical support to the Group.

The establishment of the Working Group was agreed at the meeting of the Habitats Committee on 30 November 2001. The following objectives were decided for the Group:

- to develop a common understanding of the provisions of Article 8 of the Habitats Directive;
- to obtain estimates of the financial costs associated with the future management of the Natura 2000 network of sites across the Member States; and
- to make recommendations on the necessary Community funds for the co-financing of these costs.

[6] For example, see Dubgaard *et al* (2001)

Three meetings of the Group were held[7] to decide on its approach, to develop a Member State questionnaire, and to discuss potential procedures, methods and results.

The questionnaire was sent to Member States in April 2002, asking for information on financial aspects of Natura 2000, including actual and estimated expenditure against different types of activities. The Group also undertook a literature review. The questionnaire responses and literature review were considered at a meeting of the Group held on 11-12 September 2002, when the content and approach of this Final Report was also decided. A final meeting was held on 4 November 2002 to finalise the report.

1.4 Approach to this Report

It is important to note that the approach of the Group has been to explore solutions to the issue of co-financing for the whole of Natura 2000. This means that we have not confined ourselves to a strict legal interpretation of Article 8, which in the view of the Group, is inadequate for the task in hand. It will be clear from Chapter 2 on the understanding of Article 8 that to do so would result in a very short report indeed.

We have, instead, set out to explore options which take into account the changes that have taken place since 1992 to funding instruments, to budgets, and in policy initiatives – such as the Sixth Community Environment Programme, the EU Sustainable Development Strategy and the Community's Biodiversity Strategy. Without such solutions, the objectives of the Natura 2000 network will not in our view be realised. In a search for solutions we may have exceeded our original remit. If so, we plead guilty.

Finally, it should be borne in mind that Natura 2000 co-financing issues are not of a static nature. The European Union is embarking on its biggest ever enlargement. Within a relatively short period of time, we can expect Natura 2000 to span not 15 but 25 Member States, including countries exceptionally rich in biodiversity. Due to the uncertain nature of these changes, this report focuses exclusively on the existing 15 Member States. It is however clear that enlargement will have a very significant bearing on future financing needs.

[7] Meetings were held on 17.12.2001, 28.02.2002 and 18.04.2002.

Chapter 2 Understanding Article 8 of the Habitats Directive

Article 8 of the Habitats Directive allows Community co-financing to be made available to the EU Member States for measures concerning sites hosting priority natural habitat types and/or species. It is therefore a *sine qua non* for securing implementation of the Natura 2000 network.

2.1 A Strict Legal Interpretation

According to the opinion of the Commission's legal services, Article 8 allows Community funds to be used to co-finance necessary measures, such as management plans or statutory, administrative or contractual measures. This is to enable Member States to meet their obligations under Article 6(1) of the Habitats Directive. 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.

A number of steps are envisaged in this process, 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 is to adopt an action framework of measures involving co-financing for sites once they have been designated.

Co-financing is to be ensured by 'available sources of funding', in other words those funds that are existing and that can support environmental objectives. Relevant funds that are in principle able to co-finance nature conservation projects include LIFE (Nature)[8], as well as the Structural Funds[9], the European Agricultural Guidance and Guarantee Fund - Guarantee Section[10] and the Cohesion Fund[11]. Any measures that are

[8] Regulation (EC) No 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.
[9] 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.
[10] 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.
[11] 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

funded must meet the general conditions for co-financing set out in the rules governing each of these instruments.

2.2 Common Understanding of Article 8

One of the three objectives of the Article 8 Working Group was to develop a common understanding of the Directive's co-financing provisions, taking account of the legal opinion whilst also having regard to the original rationale behind Article 8, and subsequent developments.

Article 8 was drafted in recognition of the 'exceptional financial burden' that the Habitats Directive might place on Member States, and particularly those Member States rich in biodiversity. Since 1992, the Habitats Directive and Natura 2000 have assumed greater strategic importance than many anticipated. They are now recognised as being the EU's principal tools for achieving the new global and EU objective of halting the decline in biodiversity by 2010. Natura 2000 has also grown physically, with the network now covering 18% of the EU's territory.

As Member States prepare for the next phase of implementing the Directive, involving the maintenance and restoration of sites, the question of financial and administrative resources has taken on increasing importance. However, while the original justification for co-financing provisions remains, the practical realities call for a broadening of the approach to the issue.

- As reflected in the Decision on the Sixth Community Environment Programme, financial instruments need to be implemented to ensure full implementation of the Natura 2000 network as a whole, i.e. going beyond priority habitats and priority species within Special Areas of Conservation, to include all sites designated under the Habitats and Birds Directives.

- Although Member States' co-financing needs initially can be assessed on an individual site basis, the scale of the Network – already consisting of more than 17,000 sites – will make such a case-by-case approach impractical in the longer term.

- It is evident that Article 8 refers to 'existing' funds being made available for co-financing, when in practice, such funds have often proved to be limited in scale, difficult to access, and/or poorly suited to the specific needs of Natura 2000.

The future enlargement of the EU to include at least another ten countries will simply reinforce the need for a broader, more comprehensive approach to co-financing for Natura 2000.

L161, 26.06.1999, p.57) and Council Regulation (EC) No 1265/1999 of 21 June 1999 (OJ L161, 26.06.1999, p.62).

2.3 Conclusions

In conclusion, the original needs behind Article 8 are as much, if not more, pertinent today than they were in 1992. If a strict legal interpretation is applied, however, Article 8 is insufficient due to its narrow scope, its case by case approach, and its reliance on existing EU co-financing instruments.

As the Habitats Directive and Natura 2000 enter a new stage which is largely focused on providing for the management and restoration of sites, so renewed emphasis will need to be given to the issue of co-financing at the national and EU level. The Sixth Community Environment Action Programme recognises that a broader approach to co-financing is needed, going beyond that explicitly provided for under Article 8, to secure the full implementation of Natura 2000 as a whole.

For these reasons, the Working Group has concluded that the Common Understanding is preferable to the strict legal interpretation of Article 8.

Chapter 3 Estimating the Nature and Scale of Funding Required for Natura 2000

Co-financing needs potentially arise in relation to a great number of activities necessary for the effective management of Natura 2000 sites in the Member States. The amount of funding will depend on the activity in question, but also the type of habitat managed, the objectives pursued, and the socio-economic features of the site.

In order to assess the nature and scale of funding needs, the Working Group undertook a review of existing literature and circulated a questionnaire around the Member States. The literature review analysed the range of financial estimates for funding Natura 2000 that have been produced in different academic studies, in recent years. The questionnaire sought detailed financial estimates from each Member State to cover past, current and future funding of the network. The questionnaire also sought information on which existing EU funds had been used for this purpose, to date, and views and supporting evidence on the appropriateness of using these funding sources for Natura 2000, in future.

3.1 Nature of Activities Associated with Managing Natura 2000

There is a wide range of potential measures and activities necessary for the designation and management of Natura 2000 sites, and for which funding may be required. Activities can relate to the pre-designation phase, or only follow after a site is designated. They can be one-off 'investment'-type actions, such as land acquisition or the restoration of damaged habitats or features, or they may involve actions over extended periods, such as the regular active management of vegetation and other features, and site or species monitoring. They can be directly related to on-the-ground action, or 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.

Table 3.1 illustrates a range of management activities for the designation and management of Natura 2000 sites, which the Working Group considered should be generally eligible for EU funding. Actual needs will, of course, vary from site to site. Some sites may also require other additional actions. For the purposes of the questionnaire, the Working Group decided to categorise these activities under four broad headings: pre-designation; management planning and administration; on-going management actions and incentives; and occasional capital costs. This allowed a general comparison between Member States of the relative management priorities for their Natura sites and also the predicted scale of costs associated with them.

The Working Group recognises that the definition of the type and scope of activities is not straightforward, with Member States taking very different approaches in responding to the questionnaire, in terms both of description and categorisation. Further work is therefore 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)? Are some activities simply more appropriate and amenable to EU funding or deserving of a higher priority?

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 funding which is both appropriate to specific national circumstances and encourages innovation and best practice in site management.

Table 3.1 Activities for the Designation and Management of Natura 2000 (according to the Article 8 Working Group questionnaire to the EU15)

Types of Activities	Categorisation adopted by Working Group
• Preparation of information and publicity material • Scientific studies to identify and designate sites - survey including inventory, mapping, condition assessment • Administration of selection process • Consultation; public meetings; liaison with landowners; complaints • Pilot projects	Pre-designation phase
• Preparation and review of management plans, strategies and schemes • Establishment and running costs of management bodies • Provision of staff (wardens, project officers), buildings and equipment • Consultation – public meetings, liaison with landowners • Costs for statutory and case work (EIAs, legal interpretation, etc)	Management planning and administration
• Conservation management measures – e.g. maintenance of habitat or status of species • Management schemes and agreements with owners and managers of land or water • Fire prevention and control • Research monitoring and survey • Provision of information and publicity material • Training and education • Visitor management	"Ongoing" management actions and incentives
• Restoration or improvement of habitat or status of species • Compensation for rights foregone, loss of land value, etc • Land purchase, including consolidation • Infrastructure for public access, interpretation works, observatories and kiosks, etc • Habitat type survey and GIS data	"Occasional" management costs

3.2 Future Funding Requirements

The Group sought to arrive at a broad-based estimate of the total future funding (expressed on an average, annual basis) that is likely to be required by Member States to support these different activities.

Following Lierdeman (1996), there are two established methods for calculating costs arising from the long-term management of Natura 2000 sites. These are the 'top down' or 'bottom up' approaches, or a combination of the two, as follows.

- *Top-down approach* – estimates are based on predicted costs for a small sample of sites, extrapolated to all Natura 2000 sites. This provides a broad but acceptable estimate of management costs for the whole Natura 2000 network, over a given time period. Key drawbacks are that estimates have been based on small samples of data, with a wide range of estimates of costs per site or activity.
- *Bottom-up approach* – an overall estimate is calculated by adding up the management costs for each site. This approach is the ideal, since it takes better account of needs of individual sites, including long-term management costs. However, it relies on good information being available on individual sites, which is currently not the case in many Member States.
- *Combined approach* – in which bottom-up estimates are calculated where data permits, while a top-down approach is used to estimate costs where data is not available. This is a pragmatic way to arrive at estimates that are relatively reliable, given the nature of existing data.

The Working Group sought to develop and apply the latter approach by combining results from the following.

- Existing research studies attempting to estimate costs associated with the management of sites, using the top-down approach; and
- Direct expenditure estimates and supporting information supplied by the responsible authorities within the Member States, following a number of different approaches.

The results are summarised below.

3.2.1 Review of 'Top-Down' Studies

The literature contains a number of studies attempting to estimate, using the 'top-down' approach, costs associated with site management and Natura 2000. While these studies provide broad estimates of cost, they do suffer from a number of weaknesses:

- As already noted, a key drawback of the 'top-down' approach is its reliance on very small data samples. For example, Lierdeman (1996) used only 53 LIFE-Nature funded projects as a basis for extrapolating the costs for the whole Natura 2000 network. Different data sources have been used to identify the extent and type of sites and their costs, including CORINE, standard data sheets, socio-economic factors, LIFE projects, and records of existing management measures. Furthermore, some data was over ten years old.
- Different management activities were included in the calculations of costs, in different studies. Some tried to include the costs for a whole series of different types of activities, while others concentrated on just a few key actions.
- Estimated costs associated with activities and sites also vary widely, with estimates in several cases based on LIFE projects, even though these will tend to focus on addressing specific problems, or funding more cost-intensive phases of site management than might be expected over the longer term.

The Working Group overcame some of these weaknesses. Figures relating to the total coverage of Natura 2000 have been updated and standardised using official Commission data. These new figures reflect existing designations and site proposals, whilst also taking account of any overlap between sites designated under both the Birds and Habitats Directives. Some additional data was also introduced regarding the costs of different management measures.

Results

Using the updated information on the size of Natura 2000 and costs of measures, and discounting highest and lowest figures, the Working Group has arrived at a likely range of costs, between €2.8 billion and €8.8 billion per year, for Natura 2000 management. This is equivalent to an average cost of €5.7 billion per year. The Working Group considers these figures to be the best basis upon which reasonably to proceed, despite the weaknesses noted above.

Table 3.2.1 Updated Literature Review on Costs of Natura 2000

Literature	**Size of Natura 2000 network (ha)**[12]	**Cost (€/ha/year)**	**Total cost (€billion/year)**
Goriup (1990)			
Gross ranges based on existing grant-aid provisions	60,500,000	56	3.4
		448	27.1 (max)
Habitat maintenance cost of function of site size	60,500,000	47	2.8
Habitat maintenance cost as function of habitat type	60,500,000	145	8.8
Stones T *et al* (1999)			
Basic model	60,500,000	80	4.8
Refined Model	60,500,000	85	5.1
Lierdeman E (1996)			
	60,500,000	12.5	0.75 (min)
		125	7.5
Thauront M (2002)	Total sites		
	20,000	-	7.6

Some further tentative conclusions can also be drawn from the studies, as follows.

- Costs associated with sites are likely to be higher in the first few years following their establishment, and are likely to stabilise thereafter.
- Standard management costs tend to be relatively low, compared to land tenure and ‘hard’ restoration costs, and administration and financial management aspects, although this may be due to fact that the literature has not covered many standard management activities.
- In general, the bigger the area of the site, the lower the cost per hectare, although this will also depend on the types of activities and habitats under consideration.

[12] Data on net coverage, obtained from the University of Leuven

3.2.2 Member State Questionnaire

A Member State questionnaire was used to get an estimate of the costs that Member States expected to incur in future, in ensuring the effective management of the Natura 2000 network of sites.

The costs of Natura 2000 include not only the restoration and designation of sites, but also the planning and execution of their long-term management. Many of the costs associated with the selection and designation of sites in the existing EU Member States have already been largely met. The Group was therefore particularly interested in the costs associated with the *post-designation* aspects of managing Natura 2000 sites, including: costs associated with the management planning processes; 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 estimates provided by the Member States are best estimates but 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, based on real ecological and socio-economic conditions.
- The estimates were prepared within a relatively short space of time, with no estimates currently provided for Ireland or Luxembourg, and only partial estimates for Belgium (covering the Walloon region).
- 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 several countries do not include expenditure on agri-environment schemes that may be significant. This will mean that costs are underestimated.
- 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 underrepresented in the estimates. For example, several questionnaire responses exclude costs for some or all, marine sites. The overall effect will be that both total hectarage figures and total costs will be underestimated.

Results

Bearing in mind these discrepancies, the questionnaire results provide reliable if conservative estimates of future costs to be incurred in the post-designation management of Natura 2000 sites. The estimated average cost is €3.4 billion per year.

A number of points also arise in relation to the questionnaire responses, as follows.

- There are wide variations in cost estimates between the Member States.

- Costs associated with ongoing management activities tend to be substantially higher than management planning and capital investment costs.
- The management of coastal and marine sites may require fewer resources than the management of terrestrial sites.

3.2.3 Combined Results of the Literature Review and Questionnaire

The data generated by the literature review was compared to and combined with the estimates generated from the Member State questionnaire. The result is a broad-brush range of average figures for the cost of managing Natura 2000 in the EU of between €3.4 billion and €5.7 billion per year.

Table 3.2 Member States' Estimates: Anticipated Expenditure on Management of Natura 2000 Sites, Jan 2003 to Dec 2012

			Costs in million Euro, total for 10 years			
Country (4)	**Number of Natura 2000 sites**	**Area covered by sites (ha) (1)**	**Management Planning and Administration**	**Ongoing Management Actions and Incentives (2)**	**Occasional Capital Investments**	**Total Cost for all Activities**
Austria	182	1,365,000	92.65	306.34	176.04	575.02
Belgium	243	220,000	18.20	87.60	52.50	158.30
Denmark (7)	254	1,168,939	8.67	208.73 (165-253)	68.32 (51-86)	285.72 (224-347)
Finland	1,832	7,465,400	58.00	177.00	297.00	532.00
France (3) (5)	1,226	4,696,900	618.72	271.77	585.00	1,475.49
Germany (3)	3,994	4,910,164	932.00	2,699.50	1,260.60	4,892.10
Greece	346	3,533,900	142.30	1,761.50	117.70	2,021.50
Italy	2,767	5,000,000	25.97	54.29	404.69	484.95
Netherlands	155	1,733,000	1,927	362.70	202.20	2,491.90
Portugal	89	1,956,993	15.25	113.00	140.00	268.52
Spain	1,564	11,811,474	1,659.40	8,260.50	3,080.20	13,000.00
Sweden	3,508	6,222,254	25.00	641.00	1,261.00	1,927.00
UK	800	1,311,500	59.39	305.03	139.50	503.91
TOTAL respondents	16,706	51,395,524	5,582.55	15,248.96	7,784.74	**28,616.41**
TOTAL EU-15		60,500,000 (6)				**33,685.68**
Average cost per year, in million Euro						**3,368.57**

Notes

1. Figures adjusted to remove double counting of areas covered by proposed Sites of Community Importance and SPAs, except in Denmark, Finland, Greece, Netherlands and UK.
2. Figures for France, Portugal, Spain, Sweden and UK do not include agri-environment costs, which may be significant.
3. Figures for France and Germany do not include marine sites beyond territorial waters, as the area for these sites is currently unknown.
4. Ireland and Luxembourg did not respond in time for this exercise.
5. Figures do not include land purchase or fire prevention and control expenditure.
6. Total EU-15 figures for total net coverage of Natura 2000 sites are provided by University of Leuven.
7. Uncertainties in estimates reflected in presenting the dispersion in results. Cost in marine Natura 2000 areas not included.

3.3 Conclusions

There is a wide range of estimated costs in the literature and questionnaire responses. These differences arise due to a number of factors, including the various methodologies used to estimate costs, variations in the infrastructure 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, for example, increasing the cost of compensation for restrictions on land use in the more densely populated Member States.

Nevertheless, using a number of different methods and cost estimates, the best estimate appears to lie in the range of €3.4 and €5.7 billion per annum.

While there is an element of uncertainty about these figures, they are likely to be an underestimate for a number of reasons.

- The number and coverage of sites is likely to increase over the coming two years as Member States make further progress with their designation process.
- In the meantime, there are several potentially significant gaps in reporting on costs arising in relation to existing sites (e.g. marine sites) and estimates, e.g. agri-environment funding.
- The estimated costs have not been obtained, in general, from detailed planning on each site to reflect real ecological and socio-economic conditions. More detailed planning could be expected to result in higher estimates.
- Over the next few years, EU enlargement is expected to have the effect of significantly increasing the number of areas in need of proper management, including areas facing severe problems due to abandonment or risk of intensification following accession. None of these sites are included in any of the estimates in this report.

In effect, the total costs of managing Natura 2000 are likely to be very substantial for the existing Member States and the new Member States. The scale of funding needs is significant, but modest when compared to the €75 billion co-financing available in 2002 under the current EU Agriculture Budget, Structural and Cohesion Funds and the LIFE-Nature instrument.

The Member States and the EU are already providing some level of funding, but additional funding will be needed to support Natura 2000. As concluded by EU Nature and Forest Directors meeting in Denmark in October 2002, ‘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. Without such co-financing instruments, provisions and ambitions of Natura 2000 management will not be fulfilled.’

Chapter 4 Sources of EU Funding for Natura 2000

4.1 Introduction

This chapter examines potential EU sources of funding for the management of Natura 2000 sites, providing a short description of the main (co)financing sources and their conditions and characteristics as funding instruments. The key features of each source are outlined in a Table 4.1. This is followed by a brief look at experience to date in using EU co-financing for Natura 2000 management, as recorded in responses to the questionnaire circulated by the Working Group. An analysis of these funding sources and their suitability for supporting Natura 2000 management is provided in Chapter 5.

4.2 Potential EU Funding Instruments

4.2.1 Common Agricultural Policy – European Agricultural Guidance and Guarantee Funds

Funds are potentially available under the Common Agricultural Policy, mainly to support farmers who are farming in Natura 2000 areas. These comprise:

a) CAP pillar 1 - market regimes

Some aspects of the so-called 'market regimes' of the first pillar of the CAP, which provide aid to particular sectors of production, may contribute indirectly towards Natura 2000 management. In general, most of these market measures are wholly funded by the EU and do not require Member State co-financing.

The funds are intended to meet sectoral objectives and thus they largely ignore and may threaten nature conservation aims (see Baldock *et al* 2002; Donazar *et al* 1994*)*. In other cases they may support nature conservation by helping to sustain particular examples of co-evolution between valued habitats and extensive agricultural use, which might not be viable in the absence of sectoral support. Examples might include rice in southern Europe and livestock payments in some mountain areas of central and northern Member States, and set-aside payments throughout the EU. Their effects upon retaining agricultural employment and thus preserving traditional management structures in some high nature value areas should be recognised, although payments may not always be beneficial even in these areas.

b) CAP pillar 2 - Rural Development

The Rural Development Regulation (RDR) 1257/1999 is financed by EAGGF Guarantee funds in all areas outside Objective 1, and part-financed by EAGGF Guidance funds (part of the Structural Funds – see below) within Objective 1 areas. Co-financing rates for these measures range from 25% to 50% outside Objective 1, and up to 75% within Objective 1. Measures are delivered through 7-year programmes, which were approved in 1999/2000 and will run until the end of 2006. The total EU budget for the RDR (according to Agenda 2000) is planned to rise from €6.2 billion in 2000 to €7.1 billion in 2006.

Several measures under the RDR have a specific environmental focus, although biodiversity and Natura 2000 are not explicitly mentioned in the preamble to the Regulation. In principle, the most important of these measures for Natura 2000 would be:

- voluntary agri-environment payments under Article 22 which offer multi-annual support for environmental land management by farmers,
- compensation for 'areas with environmental restrictions', and more general support for sustainable farming in Less Favoured Areas (Articles 14 and 16),
- support for improving the ecological value of forests under Articles 30 and 32,
- support for protection of the environment under Article 33, and
- training for farmers and foresters in environmental land management under Article 9.

However, most measures under the RDR could also be of value in particular local contexts, and as part of sustainable development strategies for Natura 2000 sites (e.g. Article 4 which provides support for farm investment including for environmental enhancements).

Because the RDR is the second pillar of the Common Agricultural Policy, it remains quite strongly linked to support for the farm sector and a number of measures are specifically available only to farmers – notably, the agri-environment measures. Whilst this condition does not apply to Article 33 (rural development) and some forestry measures, these measures also have conditions attached, which may limit their potential use for Natura 2000.

4.2.2 Structural Funds

The four Structural Funds are delivered through multi-annual programmes to **Objectives 1, 2, and 3**, as well as being targeted at four Community Initiatives, according to a common set of rules governing their use (general Regulation 1260/1999). Objectives 1 and 2 refer to specific, designated territories within the Member States, and these two objectives absorb all of ERDF and the majority of ESF and FIFG funds. Objective 3 applies throughout the territory, outside Objective 1, and is served by ESF alone. FIFG is also available outside Objective 1 areas, through dedicated programmes. In pursuing all three Objectives, programmes should contribute to socio-economic development and environmental protection and improvement.

Co-financing rates for Structural Funds vary from 25% to 50% in Objective 2 and 3 areas, but can be up to 75% in Objective 1 areas. The current programmes were prepared and agreed in 2000/2001 and will run until the end of 2006. The total budget for the Structural Funds (including ERDF, ESF, FIFG, EAGGF-Guidance) is €195 billion for the period 2000-2006.

The **European Regional Development Fund (ERDF)** provides support for economic development in areas of the EU that:

- are lagging behind the average, as measured by a range of economic indicators and situations (Objective 1), or
- that face particular problems of structural adjustment, due to declining traditional industries and sectors (Objective 2).

The basic aim of ERDF is to promote economic development through time-limited, pump-priming actions which stimulate local economic activity and a range of associated multiplier benefits. It is by nature, a kind of ‘investment aid’ rather than ongoing management funding. Within this framework, projects can support ‘the development of tourism and cultural investment, including the protection of cultural and natural heritage, provided that they are creating sustainable jobs’ (Article 2).

In general, ERDF funds tend to be drawn down mainly by public-sector led partnerships that come together to formulate particular ‘projects’ to benefit the area(s) concerned. Funding is also preferentially given to projects which are likely to deliver most in terms of standard *economic* indicators, such as new jobs created or existing jobs sustained, or clear economic gains for local communities.

ERDF funds can support the establishment of intermediary organisations or new staff posts within local public sector organisations, in order to ensure effective delivery of projects over a number of years and provide for adequate monitoring and reporting of outcomes. This is a contrast to the RDR described above, where the Regulation and its EAGGF funding rules can make it difficult for rural development programmes to support the creation of such posts and organisations.

There are some isolated examples of ERDF being used to support Natura 2000, but the options for doing so are limited due to the weak references to environment and nature conservation in the ERDF rules.

The **European Social Fund (ESF)** is designed to promote education and training across the EU, to ensure that the Community has a suitably skilled workforce to adapt to the changing requirements of the modern economy. Unlike ERDF, ESF funds are in principle available throughout the EU territory rather than only in designated areas. However, priority for ESF funds is given to the areas designated for ERDF funds and ESF funds in these areas are delivered through integrated multi-annual programmes alongside ERDF (and in Objective 1 areas, alongside EAGGF-Guidance funds as well). Training and education projects can include nature conservation training and awareness-raising and cover things as diverse as courses in various aspects of habitat management (e.g. to enable people to set up new businesses supplying management services to nature sites) and school visits to nature sites.

The **Financial Instrument for Fisheries Guidance (FIFG)** is the structural fund specifically designed to address structural adjustment issues in the fisheries sector. Like ERDF and ESF it is disbursed through multi-annual programmes, though covering the full territory of each Member State. Current programmes were agreed in 2000 and will run until 2006. FIFG can potentially support a wide range of actions concerned with reducing fishing effort and promoting a more sustainable industry, which could include aspects of marine site management such as might be required under Natura 2000. However, the bulk of current FIFG programme funding is devoted to vessel modernisation and decommissioning, and processing and marketing. There are few examples of monies being used in support of Natura 2000 management goals.

The **European Agricultural Guidance Fund (EAGGF-Guidance)** is also a Structural Fund. However its use is now largely governed by the rural development Regulation (RDR) described above, and it is delivered through integrated multi-annual Structural Fund programmes in Objective 1 areas alongside ERDF and ESF. Thus it shares the purposes of the RDR but is subject to a slightly different set of rules concerning programming and delivery arrangements, which are similar to the rules affecting the other Structural Funds.

The **Community Initiatives** are more localised funding frameworks targeting specific issues in development. The total budget for Community Initiatives from 2000-2006 is 5.35% of the Structural Funds budget, or approximately €10.4 billion. **LEADER +** (funded by EAGGF Guidance) and **Interreg III** (funded by ERDF) are particularly relevant to Natura 2000 site management. LEADER + promotes innovative actions in local rural development, with one of three objectives to enhance Europe's natural and cultural heritage. Interreg III supports cross-border partnerships and initiatives. Both Initiatives can only be accessed through local groups or partnerships which come together specifically to apply for and administer the funds, in line with a pre-agreed local strategy approved by Member State administrations. Currently, the new LEADER+ and Interreg III funds for 2000-2006 have been allocated to Member States but not all have yet been distributed to local groups, some of which are still in the process of establishment.

4.2.3 LIFE

In contrast to these generally large and strategic funds, the **LIFE** instrument is a focused source of finance for environmental and nature conservation actions of a combination of pump priming, innovation and demonstration. Projects for co-financing are selected annually from proposals received by the Commission. LIFE funds are awarded on a competitive basis through a bidding procedure following the submission each year of project proposals to the European Commission (DG Environment).

LIFE-Nature has a specific strategic goal of contributing to the establishment of the Natura 2000 network and for this branch of LIFE the pump-priming feature is the most important. LIFE-Nature is allocated 47% of total LIFE funding, and co-finances exclusively actions which are linked to the Birds and Habitats Directives, and consequently to Natura 2000. It supports nature conservation projects, which contribute to maintaining or restoring natural habitats and/or species to a favourable conservation status. Each project includes significant stakeholder co-operation and public awareness actions. Contributions from LIFE-nature to projects are set at 50% (or up to 75% for projects concerning priority species or habitats). Total financing for LIFE for 2000-2004 is €640 million, with €60 million per annum for LIFE-Nature. LIFE-Nature funding has been crucial in the establishment of many Natura 2000 site management plans.

Natura 2000 sites are also open to support from the LIFE-Environment branch of LIFE although funding through this channel is rare in practise.

4.2.4 Other Relevant EU Funds

The **Cohesion Fund** was established in 1994 explicitly to support major environmental and transport infrastructure projects in the EU's four poorest Member States – Greece, Ireland, Portugal and Spain. Eligibility is to be re-examined in 2003, in the light of GNP figures. Large infrastructure projects (particularly investments in water treatment and management) have received support. The funds apply a minimum eligible project expenditure threshold of €10 million, although there is scope for groups of projects to be funded. Projects are mainly delivered via public sector investment programmes. The Cohesion Fund is supported by an EU contribution of €18 billion over the period 2000 to 2006, although this budget will be reduced if one of the four Member States no longer qualifies after the mid-term review.

The EU also provides funding to support a wide range of academic research under the **Sixth Framework Programme on Research and Technological Development**. This is generally disbursed through major multinational initiatives tackling strategic issues, including issues relating to the environment and biodiversity in the EU. Co-financing is awarded following a lengthy competitive bidding process. Such large-scale research projects could involve a range of developments of potential value to the management of Natura 2000 sites, such as improved tools for monitoring and planning and enhanced techniques for site maintenance. However, it would be unlikely that such projects would actually undertake a significant level of site management work in themselves, and their main focus is usually upon the advancement of learning and the publication and other promotion of research findings throughout Europe.

Table 4.1 Key Features of Potential Natura 2000 Funding Instruments

EU Fund	Total Budget	Eligible Member States/regions	Main types of projects supported
CAP Total	€43.90 b pa		
EAGGF – pillar 1	*€39.57 b pa*	*All*	*Market support*
EAGGF – pillar 2 (RDR)	*€4.33 b pa*	*All*	*Full range*
Structural Funds	€28.25 b pa		
ERDF		*Obj 1 and 2 areas*	*Investment aid*
ESF		*All*	*Training and education*
FIFG		*All*	*Mainly investment aid*
LEADER +	*€2.02 b 2000-6*	*All*	*Innovative actions*
Interreg III	*€4.88 b 2002-6*	*All*	*Cross-boarder partnerships*
Cohesion Fund	€2.62 b pa	Ireland, Greece, Italy, Spain	Investment aid
LIFE-Nature	€60 m pa	All	Mainly start-up funds
LIFE-Environment	€300 m 2000-4	All	Mainly start-up funds
6RTD	€17.5 b 2003-6	All	Research

4.3 Use of EU Co-financing – Present Experience

To date, Member States have used a variety of EU funding sources to provide co-financing for some of the costs associated with the management of sites proposed or designated under the birds and Habitats Directives. In response to the questionnaire circulated to Member State authorities by the Working Group, information on past and present use of EU funding sources was gathered. This is summarised in table 4.2, overleaf.

The table demonstrates that EU co-financing has been used for some years to support the planning and management of Natura 2000 sites. However, this funding has not been comprehensive, covering only a minority of sites, and it has been from a wide variety of funding sources. Each source has its own conditions and constraints, most of which are designed to ensure that these instruments deliver against their own objectives, rather than specifically against the goals of Natura 2000 except for LIFE-Nature funding. So, for example, ERDF funding is primarily designed to stimulate and support regional economic development, so its use has only been possible where Natura 2000 sites have been able to demonstrate that their planning and management will bring socio-economic benefits.

Another important point about the use of EU co-financing for Natura 2000 to date is that – with the exception of LIFE-Nature - it has been largely opportunistic and ad-hoc, rather than obtained as the result of strategic planning for management needs at national or regional level, within the Member States. Furthermore, a significant proportion of EU funds used so far has been applied through time-limited projects, rather than ongoing arrangements. However, both these characteristics seem likely to change in the near future as Member State administrations plan for establishing and maintaining the Natura 2000 network. Already, some countries (e.g. France, Sweden) have developed a more strategic approach to co-financing site management by building this into other multi-annual programmes such as the rural development programmes under the RDR.

Nevertheless, there is a clear perception amongst the authorities responsible for Natura 2000 that current EU co-financing has been insufficient, too subject to chance, and too time-limited to form an adequate basis for providing support to Member States in meeting the requirements of the Directive.

Table 4.2 EU Funding for Natura 2000: Present Experience

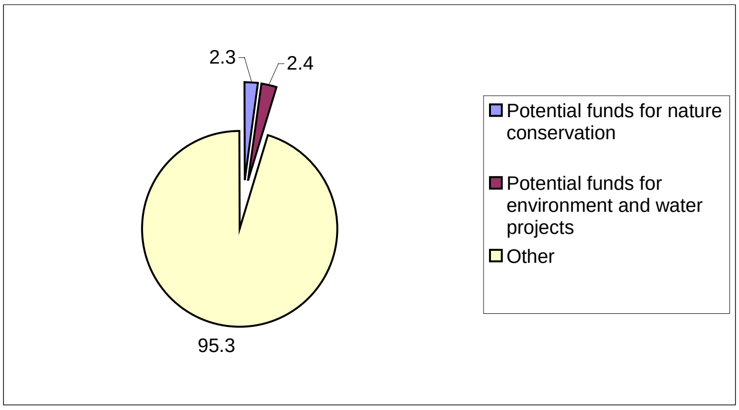
Fund	**Comments on Member States' use**
EAGGF – pillar 2 (RDR)	Used by all Member States, mostly for agri-environmental management payments to farmers, where this is relevant. Some MS have also used other RDR measures: forests (Articles 30 and 32); rural development (Article 33 – protection of the environment 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, also for funding staff posts and facilitating interpretation /public enjoyment of sites, for a minority of sites
LEADER	Used by a handful of 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 8% of all of sites have been supported.
LIFE-Environment	Less common source than LIFE-nature, used in a few MS for habitats where other environmental functions are also relevant (e.g. wetlands), also mainly for time-limited investment, not ongoing management.
Integrated Med Programme	Cited as used by only one MS, for actions similar to those supported by ERDF funds.

4.4 Conclusions

It is evident that existing EU co-financing arrangements are unsuited to the challenge of implementing the Natura 2000 network. Funding arrangements are very complex, potentially involving a large number of funds, each with separate application processes and each designed to deliver against their own objectives, rather than those of Natura 2000. None of the funds is available on a long-term basis for the range of activities associated with the management of Natura 2000, identified in Chapter 3 of this report. This, and the generally weak references to environment and nature conservation in the funds rules, has resulted in comparatively limited use of funds for Natura 2000, to date. LIFE-Nature provides the exception but is severely limited by its size.

BirdLife International estimated that, based on optimistic assumptions, on average only 2.3% of Structural Funds and CAP funding would have been dedicated to nature conservation over the period 1996 to 1999 (see Chart 4.4 below).

Chart 4.4 Estimated percentage of Structural Funds and CAP funds for nature conservation



Source: Bina *et al* (1997)

Significant policy modifications will be necessary if the identified funding needs of Natura 2000 are to be met. The main options for doing so, including the creation of a new fund, and their various advantages and disadvantages, are outlined in the following Chapter.

Chapter 5 Analysis of Future Funding Options

5.1 Options for Effective EU Co-financing for Natura 2000

The findings of the Working Group indicate a need for significant EU co-financing to meet the requirements of the Habitats Directive in relation to the management of Natura 2000 sites. The total costs of such management are estimated to be between €3.4 billion and €5.7 billion per year between now and 2013, with EU co-financing up to 85%, based on existing arrangements. These costs are large by comparison with expenditure under the LIFE-Nature fund but not by comparison with the total budgets of the RDR or the Structural Funds.

The pattern of spending will vary from Member State to Member State depending, amongst other things, on the Natura 2000 site coverage. It is likely to be skewed for each site, with more expenditure needed in the start up phase, for example, when investments in restoration may be required. At the European level, the expenditure profile is likely to be more even, because different countries and regions are at different stages of progress in achieving adequate site management, so individual site 'peaks and troughs' will tend to be less pronounced. Looking at the balance of required spending, it appears that over half of the required expenditure will be for ongoing site management actions, while the other half will be divided between costs for site planning and strategic management, and the cost of one-off investment activities. It is important to recognise all three categories of expenditure when considering potential EU co-funding sources.

On the basis of existing funding possibilities, outlined in Chapter 4, the Working Group concluded that current arrangements are inadequate to meet the needs of Natura 2000. Based on this analysis, the Group agreed that three main options are available for securing future co-financing for Natura 2000. These three options are:

- **Option 1 –** using existing EU funds e.g. RDR, Structural Funds, etc, but modify these as necessary in order to deliver against Natura 2000 needs;
- **Option 2** - enlarge and modify the LIFE-Nature instrument to become a principal delivery mechanism; or
- **Option 3 –** create a new funding instrument dedicated to Natura 2000.

The Working Group examined the various strengths and weaknesses of these funding options, drawing upon experience of the members of the Group and the responses to the Member State questionnaire. The analysis was based on an agreed set of criteria identified as necessary for the effective co-financing of Natura 2000.

Although the focus of this report is mainly on potential EU co-financing instruments, it must be remembered that the proper implementation of the Natura 2000 network has significant resource implications for the Member States themselves, even with additional EU support. Based on the calculations in Chapter 3, there will be a major need for new resources to be allocated at Member State level over the coming decade, if governments are to meet their obligations to Natura 2000. There will probably also be a need for significant resources for Natura 2000 management among the Candidate Countries, but this issue has not been considered by the Working Group.

5.2 Criteria for Effective EU Co-financing

The Working Group considered the issue of funding criteria in discussions during the final stages of its work. The following key criteria were identified, which should be met by any future sources of financing for Natura 2000.

Financing Natura 2000 – Key Criteria For Funding Instruments

1. A **sufficient amount** of funding should be made available from the EU and Member States to deliver favorable conservation status of Natura 2000 within the timescale set by the Directive and to maintain it beyond that point.

2. Funding should be available **across the geographical area** of the EU and Candidate Countries, including both marine and terrestrial Natura 2000 areas and taking into account the different contributions, based on designated areas, that each Member State makes to the network.

3. Funds should in principle be available to the **full range of actors** involved in implementing Natura 2000 (including farmers, landowners and users, and other stakeholders including environmental NGOs).

4. Funds must be available for the **medium to long term** (> 10 years) in acknowledgement of the fact that environmental improvement and enhancement is a long-term process.

5. The use of funding instruments should support the **range of cost types involved**, including administration and active management, investments and ongoing maintenance costs.

6. Within an agreed framework, funding should be **flexible** to allow competent authorities to develop priorities and schemes appropriate to their European, national and local circumstances. A dedicated ***programme*** approach, enabling funds to be delivered through schemes and other delivery measures designed or determined at local level, would facilitate this and promote coherence in the use of funds.

7. Funding instruments should be simple, **straightforward** and clearly understandable to any potential applicants/recipients. The process to access funds should be transparent, and be supported by good information to assist actors at all levels.

8. Nature conservation should be recognised as a legitimate use of **mainstream EU regional and rural development funds**, while some **earmarking** of funds is also necessary, to ensure that the range of Member States' obligations on Natura 2000 can be met. Again, this could be facilitated by a programme approach.

9. Monitoring and subsequent review of the use of funds should be based on a series of **outcome** measures to be agreed for appropriate habitats and species in each site management plan. There should be proper accounting in place for all Natura 2000 expenditure, indicating total co-financing figures for each Member State.

Other issues to be borne in mind

- Cross-compliance should be used to ensure other funding does not undermine the objectives of Natura 2000.

- Funds to manage Natura 2000 should not be redirected from existing nature conservation uses, e.g. other agri-environment priorities.

5.3 Assessing Options against the Funding Criteria

The following paragraphs attempt a brief assessment of the three funding options against the above criteria. The assessment is summarised in Table 5.1, at the end of this section.

Criterion 1 - A sufficient amount of funding

The figures assembled in this report imply a potential need for financing of between €3.4 billion and €5.7 billion per year, over the next ten years.

Option 1: Of the funds described above, the LIFE-Nature instrument is clearly too small to deliver funding on such a scale, and the sixth framework RTD funds are unlikely to support this scale of direct activity. The Community Initiatives, on their own, also appear too small to deliver on this scale. Thus to fulfil this criterion, it would appear that potential funding from the RDR and/or the Structural Funds would be favoured.

Option 2: the budget for LIFE would require a significant increase, if this option was to be selected.

Option 3: A new fund would require an annual budget of something over €1.7 billion per year, given current co-financing rates.

Criterion 2 - Funding available across the geographical area of the EU and should take account of the different contribution made by each Member State to the network

Option 1: In principle, only the LIFE fund can do this, although the RDR and ESF can potentially cover all terrestrial areas and FIFG could cover all marine areas. ERDF and the Cohesion Fund apply only to designated areas or particular groups of countries, thus a potentially significant proportion of sites would not be eligible for funding from these sources. The high overlap between Natura 2000 coverage and Cohesion Fund countries should be noted. However, the current allocations to Member States under all these funds do not take any account of their relative contribution to the Natura 2000 network.

Option 2: This would be compatible with the scope of the LIFE-Nature instrument, although the criteria for the distribution and use of funds would need to reflect the contribution made by each Member State to the network.

Option 3: A new fund would have to broad in its geographical scope and take account of the different contributions of the Member States to the network.

Criterion 3 - Funds to be available to the full range of actors involved in implementing Natura 2000

Option 1: In principle, the Structural Funds, the Cohesion Fund and the RDR as a whole can all be made available to different actors. However, constraints upon eligibility become more apparent when one looks at the separate, specific funding measures contained in each fund.

RDR constraints

- Although the RDR funds can be used to support non-agricultural projects and initiatives in a minority of cases, most of the money is tied either directly to farmers or to those producing, processing and marketing agricultural products. The fact that agri-environment schemes can only be offered to farmers is a significant constraint upon the use of this measure to support Natura 2000 management particularly in those Member States where a high proportion of sites are forests or other non-farm areas.
- Another potential issue with agri-environment measures in particular is that these are voluntary schemes, and thus can only be applied where Member States and/or regions offer appropriate measures and farmers are willing to sign up to them. Where this occurs, agri-environment measures appear well adapted to Natura 2000 site management in agricultural landscapes.
- Where farmers are obliged in law to undertake nature management as a result of Natura 2000 requirements, they can receive compensation under Article 16 of the RDR. This option has not proven popular among the Member States, with only Germany using it to any degree within its RDPs. As with agri-environment it can only be applied to farmers, and the compensation level is subject to a maximum of 200 €/ha/year with a co-financing rate generally much lower than that offered for agri-environment.
- Other eligibility criteria for certain RDR measures also limit their applicability. For example, Article 32 funds for the management of non-commercial forests for their ecological value can only be used to fund additional management above that which is already practised rather than enabling compensation to be paid for income forgone by those who maintain current practices. Also, funds for environmental investments on farms under Article 4 can only be paid to viable farm businesses run by full-time farmers, and Article 33 cannot support the promotion of agricultural products as part of local sustainable development activities, although it appears potentially able to support non-farmers' site management activities and there is no maximum payment ceiling. While Article 30 supports a variety of activities in relation to forestry, there are some restrictions on its availability to public sector forest owners and managers.
- Finally, although it has been shown to be possible for Member States to use RDR funds to support staff posts and management planning in local projects in some cases (under Article 33), there is a general prohibition on EAGGF funds being used to pay for 'the public administration'. This has discouraged environmental agencies and local authorities from seeking RDR support for this kind of action.

Structural Funds constraints

- Whilst ERDF is potentially more widely available than RDR funding for actions 'beyond the farm gate', in practice it is most commonly associated with public sector projects and initiatives. Importantly, this fund can only support projects, which promote economic benefits, and funds are only made available for investment-type activities. The funds are often difficult or impossible for small businesses and individual land managers to secure, although they may be able to benefit from 'delegated grant schemes' run by local public sector bodies through projects which have received support from ERDF.
- ESF must, by definition, be offered only to those who provide or receive training, education or awareness-raising activities but this can include a wide range of potential recipients.

Options 2 and 3: Because the LIFE instrument is potentially available to all types of applicant, a modified LIFE fund would meet this criterion. Likewise, a new fund could be specifically designed to be broadly available to all relevant groups.

Criterion 4 - Funds to be available for the medium to long term (> 10 years)

Option 1: This criterion would tend to mitigate against the use of short-term, project based funding instruments to supply the required resources, such as LIFE, LEADER and Interreg. Furthermore, even within the larger funds there is often a presumption that funding should be only for time-limited activities (e.g. as with ERDF). Of the different funds examined, only the RDR clearly provides for ongoing, multiannual management costs through the land-based agri-environment schemes, forestry schemes and Less Favoured Area and Article 16 payments. Under Article 33, it is possible to set up and support multi-annual schemes for a variety of purposes, including protection of the environment – but only where these schemes are clearly of a kind which cannot be delivered using any of the other Articles of the RDR (to avoid duplication).

Option 2: a modified LIFE instrument would have to be designed so that it could offer multi-annual funding, rather than support only for specific time-limited projects. It would probably be most effective if it could offer support for an agreed multi-annual Natura 2000 programme in each Member State.

Option 3: a new fund could introduce a multi-annual Natura 2000 programme in each Member State.

Criterion 5 - Funding to support the range of cost types involved

Option 1: The RDR is clearly able, through its mix of measures, to cover ongoing management costs as well as investment actions over the relevant time-scales. Of the other funding sources, the Structural Funds, taken together, can support a mix of investment and more regular expenditure but this is only for the lifetime of the projects funded and the general emphasis of expenditure would tend to be on investment or other one-off actions. Since the estimates presented in this report indicate that ongoing management is the largest cost element in relation to Natura 2000, the RDR would tend to be the favoured instrument among current funds, in this instance.

However, Member States have had some difficulty in using RDR funds for certain activities, particularly planning and staffing for site management, because of the detailed constraints applied to particular measures and the rules governing EAGGF expenditure. From past experience, it seems that these costs have more readily found support from ERDF, ESF and the Community Initiatives. Promotion is also a difficult area for RDR funding and experience suggests that ESF funding can be applied for this purpose. It could be necessary in future for the Commission to clarify that planning and staffing for Natura 2000 site management should be eligible for funding under Article 33 of the RDR, so that Member States can feel free to use it for this purpose, where appropriate.

Options 2: the review of LIFE-Nature projects has shown that the main expenditure has been used for occasional capital investment. The need for funding to cover the full range of costs types would need to be specified in a modified funding instrument.

Option 3: a new fund would have to offer funding to meet this criterion.

Criterion 6 - Funding to be flexible - a dedicated programme approach would facilitate this and promote coherence in the use of funds

Option 1: None of the existing funds specifically provides for the elaboration of focused Natura 2000 sub-programmes within the broader programmes that they support. All the main funds already have their own objectives, which are the primary determinants of how they can be used. These other goals will constrain the flexibility with which they can be applied to Natura 2000 site management. Under the current definition of funding purposes, Natura 2000 sub-programmes would not be an option for ERDF funding programmes unless they were explicitly creating economic benefits, but they could potentially be a feature of RDR programmes. Furthermore, the current programmes for the use of these funds are largely decided and approved up until 2006 so until then, it will only be possible to apply them to Natura 2000 where this has already been foreseen or allowed for, within the current programmes.

Nevertheless, it is increasingly recognised that in the broader context of sustainable rural development and environmental integration, all EU funding programmes should contribute towards community objectives for the environment, including for Natura 2000. As a consequence, it is possible to envisage a proportion of the funding currently directed through programmes for rural and regional development, fisheries and training and education to be ‘earmarked’ by the Member States in future, in order to deliver against a defined and dedicated programme for Natura 2000 site management which gives the flexibility to tailor funding to the management needs of different sites and different Member States.

For this to be realised in practice, several steps would be required prior to the next funding round in 2007:

- Member States would have to devise Natura 2000 management programmes in a co-ordinated fashion with their programmes for the RDR, Structural Funds and Community Initiatives. Natura 2000 programmes could be scrutinised and approved at EU level, via DG Environment.
- Guidelines would be needed to explicitly set out in national or regional plans what proportion and through what mechanisms the programmes for RDR, Structural Funds and Community Initiatives and/or a new fund, would deliver against the Natura 2000 programme.
- EU level approval processes and the development of guidelines for these programmes would have to be co-ordinated to ensure coherence in the funding arrangements approved.
- Modifications would be required to some existing funds to ensure the necessary flexibility to adapt measures at individual site level. Notably, the current requirement for all modifications to RDR programmes to be made only once annually and via an approval process in the STAR[13] Committee represents a

[13] The STAR Committee is one of the Committees reporting to the Agriculture Council, composed of officials from the Agriculture Ministries of each Member State and supported by DG Agriculture.

significant constraint upon the flexible use of measures in this way. It would be preferable to enable simple notification of modifications by Member States on condition that these remained consistent with the overall goals of programmes and the RDR itself.

*Option 2:*A modified LIFE-Nature instrument would require Member States to devise multi-annual programmes and submit these to DG Environment for approval and agreement on the funding to be provided from the new instrument.

Option 3: A new fund would allow compliance with this criterion, within a multi-annual programme.

Criterion 7 - Funding instruments to be straightforward and readily accessible to applicants/recipients

This is a principle, which should apply across the range of existing and any potential new EU funding instruments. In the particular context of Natura 2000 management, there is a need to emphasise that funds should be available to a wide range of types of recipient, should be sufficient to cover the required costs of different actors. Simplification and subsidiarity in delivery (e.g. through dedicated programmes) should facilitate this.

Criterion 8 - Nature conservation to be recognised as a legitimate use of mainstream EU regional and rural development funds, while some earmarking is necessary.

This criterion could be addressed through a process such as that described under Criterion 6, above.

Criterion 9 - Monitoring and subsequent review of the use of funds to be based on a series of outcome measures to be agreed for appropriate habitats and species in each site management plan, supported by proper accounting.

This is a basic principle that could be applied, in theory, to any dedicated use of funds for Natura 2000 management, whether they be from Structural Funds, RDR funds, a modified LIFE instrument or a new fund.

Option 1: In the case of using existing funds, what is required is that such indicators should be able to either *supplement or even replace* the current monitoring measures used to track the effectiveness of different funding programmes. Only in this way could one ensure that it is possible to assess whether these funds are delivering effectively against Natura 2000 goals, as well as the overall amount of co-financing being provided.

Table 5.1 Evaluation of Funding Options against Criteria

	Option 1 – use of existing funds								Option 2	Option 3
Criterion	**RDR**	**ERDF**	**ESF**	**FIFG**	**LEADER**	**Interreg**	**Cohesion Fund**	**LIFE - Nature**	**'LIFE+' (modified)**	**New Fund**
Overview	Potentially very important, needs growth, simplifying, broadening beyond farming for Natura sites	Potentially important in some areas but not all territory, require change to accommodate nature as a legitimate focus for outputs and measures, cannot be relied upon as the sole source of funds			Can be valuable as a tool to demonstrate best practice and sustainable development, but not a mainstream solution to Natura 2000 management		Could be valuable if concerted effort to submit national programmes as groups of projects.	Currently valuable but too small, over-subscribed & difficult to access	Needs enlargement & programme basis	Needs significant funds and programm e basis
1 – scale	Yes	Yes	Yes	Yes	No	No	Yes	No	?Yes	?Yes
2 – geographical cover/MS distribution	Yes/no	No/no?	Yes/no	Yes/no?	Yes/no	No/no	No/yes?	Yes/no	Yes	Yes
3 – all actors	Not all measures	Yes	Yes	Yes – but focus on fisheries sector	Yes	Yes	Yes	Yes	Yes	Yes
4 – long term	Yes?	Yes	Yes	Unclear	Unclear	Unclear	Yes	Unclear	?Yes	Yes
5 – all cost types	Yes	Only investment	No	Yes but ongoing less common	Yes	Yes	Yes?	Yes	Yes	Yes
6 – flexible programmes	Yes but requires change in rules	No – would require change in goals	Yes but requires change in goals	Yes but requires change in goals	Yes	Yes	No?	Yes	Yes	Yes
7 – simple, accessible	Requires change	Requires change	Requires change	Requires change	Yes	Requires intermedi ary	Yes?	Requires change	?Yes	Yes
8 – Nature is legitimate purpose in itself	Yes but must be close to farming	No - Requires change	Yes	Requires change	Yes	Yes	Yes	Yes	Yes	Yes
9 – monitoring based on nature outcomes/accounting	No but could be	No - requires change	No – requires change	No –requires change	No - could be	No – could be	No - requires change	Yes	Yes	Yes

Chapter 6 Conclusions and Recommendations

The Article 8 Working Group estimated that between €3.4 billion and €5.7 billion is needed per year for the implementation of Natura 2000 in the current EU Member States, with funding to meet a number of key criteria.

None of the existing EU co-financing instruments meet all of the criteria. However, these could be met by an appropriate, integrated and balanced application of existing instruments, subject to a number of key modifications. Some of these modifications would face significant structural limitations that could be difficult to override. Others could potentially be achieved through existing commitments to review and modify funding instruments where necessary, prior to the new programming period in 2007.

In principle, all the criteria could be met by a modified LIFE fund or a new funding instrument if these supported multi-annual programmes for Natura 2000 management, and had sufficiently large budgets.

All three options identified in Chapter 5 therefore remain possible for the future co-financing of Natura 2000 management. However, it is important to be clear about what changes would be required to current policies and instruments, for any of these options to be effective.

6.1 Required Changes for Effective EU Co-financing

Option 1 – use of existing funds

In view of past experience, there is a clear need for more explicit recognition of the legitimacy of using funds such as ERDF, ESF and RDR to support the management of Natura 2000 sites. This is *in addition* to the value of continued use of the existing LIFE-Nature fund in its rather distinct role, to promote innovative and enhanced application of funds to achieve more effective outcomes. But as this report has shown, the current LIFE-Nature fund is too small to realise the objective of supporting the effective management of Natura 2000 sites.

There would have to be a revision to the objectives or targets of the RDR and Structural Funds so that they explicitly promote Natura 2000 goals, as well as economic and other objectives. Ideally, it would be necessary to ensure that environmental benefits are not seen as subordinate to socio-economic ones. For example, it should be possible to fund nature management which does not directly create jobs or support farmers' incomes, justified on the basis that a healthy and beautiful environment is a pre-requisite for sustainable economic development. When seen in this context, investment in Natura 2000 management should lead to indirect economic and social benefits even where it does not only directly generate jobs or enhance incomes.

However, revision of the ERDF in this way could require a change to the Treaty (TEC Article 158), in which case it would appear unlikely. Similarly, it could be difficult to modify FIFG so that it could fund marine site management that was not directly related to specific fisheries' needs, and the use of ESF funds for Natura 2000 would seem unavoidably to have to relate to specific skills or knowledge needs in the Member States.

On the other hand, RDR funds can already be applied to Natura 2000 management without such specific economic or social requirements so there would appear to be more potential in relation to this fund, particularly if Article 33 could be specifically promoted for non-farm Natura 2000 management purposes alongside an expanded use of agri-environment and forestry measures, where appropriate. It would be possible to seek a modification to the RDR in 2006 to promote its explicit use for Natura 2000 management, within the broad context of sustainable rural development. Such a modification would require agreement by the Council.

If an existing fund (such as the RDR) were modified to include Natura 2000 related objectives; the allocation of resources between Member States should reflect their relative burdens in respect of Natura 2000 management. A crude measure might be to weight allocations by reference to the proportion or the total area of Natura 2000 sites in each country or region. However, as this report has shown, other factors might also need to be taken into account where possible (e.g. habitat type, nature of ownership, degree of immediate threat to site survival, etc).

The rules and conditions governing the use of RDR funds also need to be made more coherent with the goals of EU environmental legislation in this field. For example, agri-environment funds are potentially very important for securing the management of semi-natural habitats (e.g. species-rich meadows, salt marshes) dependent upon extensive agricultural practice, but at present they can only be applied to farmland.

Also in relation to the RDR, there is growing appreciation that the Regulation requires a significant degree of simplification and enhanced flexibility in its application, to enable the integrated delivery of different measures at ground level. The STAR Committee is currently undertaking an exercise to promote simplification in the use of RDR measures financed by the EAGGF Guarantee budget, which should be helpful in this regard. A removal of the detailed constraints governing particular measures in return for a more strategic assessment of the appropriate use of funds, as well as a simplification of the accounting and reporting rules along the lines of those applied to Structural Funds, could do much to address these concerns. This is important in the case of Natura 2000 management, since in order to fund site planning, ongoing management and investment activities would require the use of several different measures within the RDR in a co-ordinated way.

Finally, it is important to recognise that the current mainstream EU funding sources are largely determined and directed by interests other than environmental ones, at local, national and EU levels. If these funds are to make a serious contribution towards the achievement of Natura 2000 goals, it will be necessary for environmental expertise and concerns to be brought more centrally into the process of programme development, approval, implementation and ongoing monitoring and development. This requires provision for a form of ‘earmarking’ to be recognised as legitimate, operating through closer collaboration between regional development, agricultural and environmental authorities, including national Ministers and their departments as well as between EC officials and among those working at regional and more local levels, at all stages of the planning and implementation of programmes. Currently, there are many situations where environmental expertise is marginalised in the design and delivery of EU funding programmes, and significant institutional change could be required in some countries or in relation to some funds, for this situation to be reversed. Such a process would undoubtedly take time, and a degree of EU-wide commitment and central oversight to ensure that it was followed through.

Option 2 – a modified LIFE instrument

In the discussion of funding criteria and options, it is clear that there could be some strategic and procedural advantages in seeking to establish a modified LIFE instrument with the express purpose of promoting the proper management of Natura 2000 sites. Such an approach would enable the use of a funding instrument with nature conservation as its principal goal and with potentially broad applicability and a remit designed specifically to meet the criteria as identified in this report and supported by appropriate environmental expertise at EU, national and more local levels.

However, given the relatively small scale of resources yet made available to the LIFE-Nature instrument, it would seem inappropriate to seek to make such a modified instrument the sole means of promoting and securing adequate EU co-financing for Natura 2000 management. For this option to be made possible, Member States would have to agree to the amendment of the Regulation governing the LIFE instrument, to enable the creation of a new funding stream with the specific characteristics discussed in Chapter 5. In addition, new resources would have to be found, to ensure that the instrument could operate at a sufficient scale to be effective. Securing Member State agreement to the allocation of new resources to such an instrument could likely be difficult to secure, particularly in the light of concerns about the scale of the EU budget, in a number of Member States.

Option 3 – a new fund

This option would potentially share both the strengths and the weaknesses of option 2. However it is possible that almost purely because it were seen as a ‘new fund’, it would be more difficult to establish than the option of a suitably modified LIFE fund. It would require a similarly demanding process of political agreement among the Member States to enable the establishment of a new fund dedicated to Natura 2000 management. A strong case would be required to ensure that it could secure sufficient funds to be effective. Thus, politically, it may be viewed as a slightly less attractive option than option 2.

Opportunities for Change

In addition to identifying practical steps necessary for developing any of these future funding options to meet the proposed criteria for Natura 2000 funding, it is important to consider the potential opportunities that exist for change. At present, most of the mainstream funds for EU co-financing are already dedicated to the delivery of agreed programmes, which will run until 2006. Within those programmes, the scope for delivery of Natura 2000 management is likely to be limited, for the reasons outlined above. Thus for most of these funds, a significant application to Natura 2000 will not be possible before 2006/7, when new programmes are drawn up and agreed.

In a similar fashion, it would not be possible to create either a modified LIFE instrument, of the kind specified above, nor a new fund for Natura 2000, until at least 2006, because the overall EU budget has been fixed until that date.

There is an important exception to this pattern in the Mid Term Review (MTR) of the Common Agricultural Policy, which could lead to changes to EAGGF Guarantee spending as early as 2004/5. Under the current Commission proposals for MTR, options are put forward for increasing the finances devoted to the RDR through a redirection of money from the first pillar of the CAP, under a mechanism termed 'compulsory dynamic modulation'. The scale of switch proposed (of up to €6 billion per year after 7 years), and the scope for its use under an expanded RDR, could in principle provide a significant contribution towards enhanced management of Natura 2000 via the RDR, subject to the condition that this funding could be appropriately simplified and made more flexible, and its environmental role strengthened and promoted, as discussed above. Another helpful aspect of the Commission's proposals for Mid-Term Review is that the co-financing rate for agri-environment measures under the RDR be increased from the current 50% and 75% in Objective 1, to 60% and 85% respectively.

These aspects of the Mid Term Review proposals would appear to offer a unique opportunity to make progress with implementation of the network, if they can be agreed by the Member States in the Council over the coming months.

6.2 Recommendations for the Short Term

Even in the short term, a significantly increased budget will be necessary to meet the €3.4 to €5.7 billion annual costs associated with implementation of the Natura 2000 network. The Article 8 Working Group therefore recommends the following strategy for the immediate future:

- A clear reference to nature and environment should be inserted into the Rural Development Regulation, ERDF, FIFG and ESF at the point of the mid-term review/evaluations of these programmes in 2003/4. In relation to the RDR, the Group recommends introducing a new obligation to co-finance management of the Natura 2000 network in the RDR, in recognition that it provides the only short-term means to provide for the ongoing management costs of sites in the Natura 2000 network. Such an amendment could be agreed as part of the Mid Term Review (MTR) of the CAP in 2003.
- If the Commission's proposal for the MTR of the CAP includes the use of 'compulsory dynamic modulation' to shift funds from the CAP pillar 1 budget to the CAP pillar 2 budget, this should be supported by the Member States as a way of co-financing Natura 2000. Pillar 2 should be increased in any case.
- A significant increase should be made in the funding available to LIFE-Nature and the operation of this instrument should be simplified and made more readily applicable to financing the capital investment needs of a wide variety of Natura 2000 sites to enable them to achieve favourable conservation status.

In addition, there is an important need during this period to further develop the analysis that this group has begun, to achieve a more robust assessment of the benefits and costs of the Natura 2000 network, to inform the development of future funding measures post 2006.

6.3 Long Term Recommendations (2006 onwards)

Beyond the current funding period, it will be possible to reconsider the allocation of EU resources to its various funding programmes and priorities, including nature protection and the management of the Natura 2000 network.

In this context, the Article 8 Working Group recommends:

- introducing a specific requirement in all major EU funding instruments including EAGGF, ERDF and ESF for them to support the achievement of EU environmental legislation and in particular, the proper management of the Natura 2000 network. In addition, the RDR should be simplified as described above, enlarged, and specifically promoted as an important mechanism to secure the ongoing management of Natura 2000 sites in rural areas. A similar promotional effort is also required in relation to the use of FIFG to support the management of marine Natura 2000 sites wherever possible.

- introducing an enhanced 'LIFE+' funding system offering substantial EU co-financing of capital investments and ongoing management costs in the Natura 2000 network. The current LIFE-Nature funding for the Natura 2000 network is largely insufficient and the application process quite bureaucratic. The LIFE-Nature Fund should be substantially enlarged and a new element created within it, offering a simplified funding mechanism with a programme approach, via which all Member States should prepare Natura 2000 programmes to be implemented with the support of co-financing from the LIFE+ fund as well as mainstream EAGGF, ERDF, FIFG and ESF funds wherever appropriate. The creation of the modified LIFE instrument would both provide a driver for the drawing up of these programmes within the Member States, and enable the LIFE+ instrument to 'fill the gaps' left by the coverage of the modified mainstream funds as well as promoting best practice in the application of EU funding to support the Natura 2000 network.

- further integrating environment and nature protection concerns into the Common Agricultural Policy. Shifting CAP funding from pillar 1 (WTO brown and yellow box measures) to pillar 2 (WTO green box measures) would be compatible with WTO rules, as well as increasing the amount of CAP funding available for Natura 2000. Thus a significant expansion of pillar 2 of the CAP should be secured, over the next decade, which would provide a vital mechanism to pay for the provision of public goods, in this case the ongoing management of Natura 2000 sites. In addition, the RDR should be simplified and made more readily accessible to all Natura 2000 sites, whether or not they occur on farmland.

- reducing any incentives and/or subsidies from the CAP pillar 1 market regimes that lead to environmentally unsustainable production and a decrease in biodiversity. Some further decoupling of pillar 1 support might help to achieve this. It should also be a specific requirement of all remaining aid under pillar 1, through the attachment of environmental conditions to all the market regimes, that they uphold the requirements of the Habitats Directive and the proper implementation of the Natura 2000 network (so-called ‘cross-compliance’).

- that the Commission should consider allowing Member States to further target CAP market regime funds and mechanisms in ways that promote nature management. For example, set-aside could be targeted to high priority nature protection areas, and any so-called ‘national envelopes’ within particular market regimes could be specifically tied to the goal of protecting extensive farming systems of prime importance for Natura 2000 sites.

To aid the development of these EU funding measures as well as promoting the provision of adequate funding by the Member States themselves, nature planners and land managers from across the EU and Candidate Countries should work together to prepare draft guidelines to improve the coherence and cohesion of the Natura 2000 network, and promote the development of multi-annual management programmes to enable the proper planning and delivery of funding for site management. This work needs to be supported by further research to improve knowledge about site condition and management requirements, which is crucial for setting appropriate levels of management of sites, across the EU.

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