



USE OF EU FUNDS FOR ECOSYSTEMS SERVICES
AND
POTENTIAL PUBLIC FUNDING FOR PES SCHEMES

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Foreword by the team

The project **Promoting Payments for Ecosystem Services and Related Sustainable Financing Schemes in the Danube Basin** aims at promoting and demonstrating payments for ecosystem services and sustainable financing in the Danube basin. The project covers the territories of Bulgaria, Romania, Serbia and Ukraine.

This project comes into effect at a moment when EU policies and objectives are subject to review and evaluation, in order to draw conclusions for drafting the new budget for the years 2014 to 2020. On the other hand, this project comes at a time of growing awareness of climate changes, requiring urgent and adequate reactions of all countries.

By feeding knowledge and experience into the process of European policy review, a critical contribution can be made for ensuring payments for ecosystem services in the future.

The *Report* focuses on EU policy implementation in **Bulgaria** and **Romania**, the two project countries where **three public-funded PES services** schemes are planned to be tested by the end of 2013. The *Report* puts into the centre three environmental issues: water, biodiversity and climate change. It presents the main EU goals for each issue selectively with a view on the potential for Danube PES scheme development. This is followed by a review of the national commitments to achieve these goals in four operational programmes per country: National Rural Development Programme (RDP), OP Environment, OP Fisheries and OP Regional Development. The *Report* gives recommendations on how public EU money could be invested in safeguarding natural capital, as well as provides a framework of a PES scheme.



This project promotes and supports land managers who help us sustain the benefits that we all get from nature.

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Part 1 Use of EU Funds for Ecosystem Services at National Level

Section 1 Overview of EU environmental goals and respective national commitments

The current policy study focuses on three environmental issues agreed with the project manager: water; biodiversity and climate change. The main EU environmental goals are presented for each issue selectively with a view on the potential for Danube PES scheme development. This is followed by a review of the national commitments to achieve these goals in four operational programmes per country: National Rural Development Programme (RDP), OP Environment, OP Fisheries and OP Regional Development.

1.1. Water

The main EU goals identified in relation to water management are:

- To enhance the status and prevent further deterioration of aquatic ecosystems and associated wetlands, promote the sustainable use of water and reduce water pollution (WFD 2000/60/EC).
- To achieve good ecological status of all water bodies by 2015 (WFD 2000/60/EC).
- To promote the sustainable use of water and to mitigate the effects of droughts (WFD 2000/60/EC)
- To reduce the pollution of water caused or induced by the application and storage of inorganic fertiliser and manure on farmland and prevent further such pollution to safeguard drinking water supplies and to prevent wider ecological damage through the eutrophication of freshwater and marine waters. (Nitrates Directive 91/676/EC).
- To reduce the probability of flooding and its potential consequences (Floods Directive 2007/60/EC).
- To introduce policy options to address and mitigate the challenges posed by water scarcity and drought within the Union (Addressing the challenge of water scarcity and droughts in the European Union COM/2007/0414)

In principle both the Romanian and the Bulgarian programmes outline water quality as an issue although the degree varies greatly between the programmes within the countries as well as between the countries. For example, the Romanian OP Fisheries describes Danube water quality “at an acceptable level” while the Bulgarian OP Fisheries describes it as “scoring rather badly on most of the main determinants but improving”. Having in mind that this is mostly the same stretch of the river, the scales of the assessments require probably further investigation. It is important to understand the reasoning behind the different assessments of the water quality if/when a potential PES scheme is designed to tackle water quality issues. Having an accurate picture of the actual status and the main pressures will enable better positioning of the PES scheme, including requesting financing for it from the respective OP or RDP.

Floods and their increasing occurrence are also issues defined in almost all of the programmes in both countries. However, it seems that for Romania this is a serious concern more for the rural areas, while the Bulgarian programmes focus on the negative impacts of urban ones.

Furthermore, again almost all programmes have some sort of reference to the Water Framework Directive and its requirements. However, they remain quite vague even in the most water-related programmes as OPs Environment and OPs Fisheries for both countries. It may prove necessary for all OPs to have some form of guidance on how to take the goals of the WFD in the practical projects implementation. Meanwhile, all OPs and RDP should be revised in view of the already developed river basin management plans in order to identify and make available support for the implementation of the respective programmes of measures which should be operational by 2012. This issue is further discussed in Section 3 “Review of Danube Programmes of Measures”.

1.1.1. Contribution to water goals in the Bulgarian programmes

All Bulgarian operational programmes contain a description of the water conditions in the country (OP Fisheries describes it indirectly). The focus of the description of the water quality and quantity and the issues related to them varies depending on the focus and the strategic goals of the programs. All of the programmes recognize the existing but poor status of the water supply systems in Bulgaria (except OF Fisheries). The programmes recognize the increasing threats of floods and the need of prevention actions, but they do not have specific strategic goals related to it.

Most of the programmes recognize water related issues as a horizontal priority and thus have a contribution to the WFD goals. Specific strategic goals exist only in Rural Development Programme and OP Environment.

Table 1. Reflection of water issues in the Bulgarian programmes

Programmes	RDP	OP Environment	OP Fisheries	OP Regional Development
Context description	Makes an assessment of the water availability and water quality as well as the existing problems in rural areas. Assesses the irrigation system and necessity for introduction of new water saving technologies.	Identifies flood prevention as poor despite increasing risk patterns. Recognizes water supply systems are obsolete; this adds to seasonal water shortage problems. Identifies the need to improve the water balance, increase water accessibility and improve the infrastructure.	States that its implementation will consider the WFD requirements. Recognizes that from the water chemistry point of view, the water of the Danube River seems to score rather badly on most of the main determinants but is improving	Describes water supply system and improved drinking water supply in general. Recognizes that water supply systems are old and obsolete. Identifies heavy rainfalls, floods and other calamities as serious threats.

Goals/objectives	Reinforcement of water management addressing water shortages and waste of water Conserve soil and water resources including in areas at risk of high nutrient losses	Protection and improvement of water resources. Improvement and development of water and wastewater infrastructure in settlements.	In general environmental protection is stated as a horizontal priority thus no specific objectives are set.	In general environmental protection is stated as a horizontal priority thus no specific objectives are set.
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1.1.2. Contribution to water goals in the Romanian programmes

All Romanian operational programmes contain a description of the water conditions in the country. There is a varying level of details in them as well as differences mainly in the assessment of the water quality. For example, the OP Regional Development states that the water pollution is a major problem, while the OP Fisheries assesses water quality as improving, and Danube water quality at an “acceptable” level.

One issue that is common for all programmes is the flood protection problem and the need to address it actively, although only OP Environment has a specific objective related to it.

The water related objectives are kept at a very general level without pointing out contribution to specific EU legislation goals. However, this does not mean that the programmes are not designed to actually contribute to them. For example, OP Fisheries states that it will implement all measure taking into account the requirements of the WFD. How will this be realized in practice is not too clear, especially having in mind the lack of previous experience in it.

Table 2. Reflection of water issues in the Romanian programmes

Programmes	RDP	OP Environment	OP Fisheries	OP Regional Development
Context description	Makes an assessment of the water availability and water quality in the country. Anticipates an increase in chemical fertiliser and pesticide use; Recognizes drought and floods as a serious issues for rural areas and agriculture.	Describes the conditions of surface and ground water, and related infrastructures. Identifies two main problems for flood protection: - decreased retention capacity of landscape; and - lack of adequate action plans for risk prevention.	States that its implementation will consider the WFD requirements. Assesses water quality as improving, and Danube water quality as ‘acceptable’; recognizes flood prevention needs improvement.	States that water pollution represents a major problem for Romania. There are many water pollution “hot-spots” and a high number of registered curbing industrial releases into the rivers.

Goals/objectives	Protection and sustainable management of natural resources, notably water and soil	Improve the standards of municipal water and wastewater services Reduce the incidence of natural disasters	In general environmental protection is stated as a horizontal priority thus no specific objectives are set.	In general environmental protection is stated as a horizontal priority thus no specific objectives are set.
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1.2. Biodiversity

The EU level goals identified in relation to biodiversity conservation are:

- To halt the loss of biodiversity and contribute to a significant reduction in the worldwide rate of biodiversity loss by 2010 (EU Sustainable Development Strategy, Council Decision 10117/2006)
- To maintain populations of a specified list of rare or threatened birds and migratory birds at certain levels through measures including the creation of protected areas; to maintain the appropriate management of habitats within protected areas; to re-establish destroyed habitats and to create habitats (Birds Directive - 79/409/EEC).
- To set up of a network of Special Areas of Conservation sufficient to ensure the favourable conservation status of a specified set of habitats and species throughout their natural range and to put in place of all necessary measures to ensure the protection and management of these sites to achieve these objectives (Habitats Directive - 92/43/EEC).
- To conserve species and habitats, with special concern to prevent habitat fragmentation (Sixth European Environmental Action Plan 1600/2002/EC)
- To protect/restore nature and biodiversity from damaging pollution (Sixth European Environmental Action Plan 1600/2002/EC).

1.2.1. Contribution to biodiversity goals in the Bulgarian programmes

All Bulgarian programmes consider that the country is among the richest countries in Europe in terms of biodiversity. Three of the programmes state that conservation efforts are needed and should be incorporated in the programs objectives and goals. Regional development operational programme focuses mainly on urban development so clear links to biodiversity conservation issues are not shown there. Management and conservation plans are considered an important issue in both OP Environment and OP Fisheries. Descriptions of the status of Natura 2000 network and related issues exist in 3 of the programmes (without Regional Development OP).

Rural Development Programme and OP Environment have clearly identified strategic goals related to the halt of biodiversity loss. OP Fisheries vision for future development also identifies conservation measures as important. All three programmes envisage actions and measures for support of different stakeholders for actions related to biodiversity conservation.

Table 3. Reflection of biodiversity issues in the Bulgarian programmes

Programmes	RDP	OP Environment	OP Fisheries	OP Regional Development
Context description	<p>Describes the existing situation re: biodiversity and Natura 2000. Clearly identifies problems for biodiversity conservation in agricultural and forest management practices. Considers the rich biodiversity and the improved status of ecosystems and species due to reduced use of chemicals in agriculture during the last decade as a comparative advantage.</p>	<p>Describes the status of the wild flora and fauna and existing network of protected areas. Identifies Bulgaria as one of the richest countries in terms of biological diversity in Europe. Assesses PA and Natura 2000 designation process as slow due to lack of computerized boundaries and lack of GIS of PAs. PAs are not fully connected with the national land cadastre. High potential for extensive and high quality NATURA 2000 sites.</p>	<p>Describes the main fish species. Considers support to conservation measures for the main fisheries stocks in the Black Sea and Danube river, i.e. elaboration of Conservation Plans. Identifies Danube pollution as a serious threat for the biodiversity, sustainable development of species and fishing opportunities along the river.</p>	<p>No specific description of biodiversity issues; but states that all projects will comply with the Birds and Habitats Directives via screening criteria, as well as Guidance and trainings for beneficiaries etc. based on the best Community practices. Co-financing of projects having negative impact on potential Natura 2000 sites will not be permitted</p>
Goals/objectives	<p>Protection of natural resources and environment of rural areas through:</p> <ul style="list-style-type: none"> - conservation and restoration of important habitats and natural systems in accordance with national objectives and the EU's goal for halting biodiversity loss by 2010; - sustainable management of forests and forest lands; 	<p>Preservation and restoration of biodiversity and support for the management of species and natural habitats within the National Environmental Network comprising protected areas and protected zones under NATURA 2000.</p> <p>The main goal is to reduce and halt the loss of biodiversity in the country .</p>	<p>Contribute to the preservation of the environment, the protection of biodiversity in water eco-systems of Bulgaria, to the replenishment and maintenance of optimal stocks of valuable fish species in 29 natural water basins, and to the sustainable development of fresh and marine water.</p>	<p>In general, environmental protection is stated as a horizontal priority thus no specific objectives are set.</p>

1.2.2. Contribution to biodiversity goals in the Romanian programmes

All programmes acknowledge the rich biodiversity of Romania, both in terms of flora and fauna species and landscapes. Landscape modification and habitat fragmentation as the first sign of environmental deterioration is considered an issue in three of the programmes – RDP, OP Environment and OP Regional Development. Additionally, OP Environment states as one of the main problems is the lack of adequate management plans for protected areas as well as the lack of the necessary infrastructure for efficient management.

Biodiversity and nature conservation objectives are set in only two of the programmes: The RDP focuses on the biodiversity conservation on agricultural and forest lands, particularly aiming at compensating land owners in HNMF and Natura 2000 areas. The OP Environment objectives are directed towards improving the management systems and infrastructure of protected areas, including Natura 2000 areas. The other two OPs – Fisheries and Regional Development consider environment as a horizontal priority but have no particular nature conservation objectives.

Table 4. Reflection of biodiversity issues in the Romanian programmes

Programmes	RDP	OP Environment	OP Fisheries	OP Regional Development
Context description	Describes Romania's high biological diversity and presents the causes of its deterioration.	Detailed description of the biodiversity richness and protected areas system and related main problems	Short description of the biodiversity and Natura 2000, pointing out that some Natura 2000 sites overlap with fishing areas especially in the Danube Delta.	Describes the biodiversity richness, points the issue of transport infrastructure and urban sprawl developments for habitats fragmentation.
Goals/objectives	Preservation and improvement of the status of natural resources and habitats on agricultural and forestry lands	Protection and improvement of biodiversity and natural heritage by supporting the protected area management, including Natura 2000 implementation	In general, environmental protection is stated as a horizontal priority thus no specific objectives are set.	In general environmental protection is stated as a horizontal priority, thus, no specific objectives are set.

1.3. Climate change

The EU level goals related to climate change are:

- Carbon storage: To protect and ensure the sustainable use of soil (Thematic Strategy for Soil Protection COM (2006) 231 Final).
- GHG Emissions: To fulfil the commitment of an 8% reduction in emissions by the end of the first commitment period 2008-2012, compared to 1990 levels for the European Community as a whole, in accordance with the commitment of each Member State set out in the Council Conclusions of 16 and 17 June 1998 (Sixth Environmental Action Programme 1600/2002/EC)

1.3.1. Contribution to climate change goals in the Bulgarian programmes

Two of the documents describe the commitments of Bulgaria, as a signatory of the Kyoto protocol, and also recognize the relatively low level of greenhouse gas emissions generated within the country.

Reduction of greenhouse emissions is not set as a strategic priority. However, almost all programmes have measures and actions that will contribute to reduction of greenhouse emissions and combating climate change.

Table 5. Reflection of climate change issues in the Bulgarian programmes

Programmes	RDP	OP Environment	OP Fisheries	OP Regional Development
Context description	Refers to the National Action Plan for combating climate change (adopted in 2000). Recognizes the need to address manure storage and spreading in order to reduce N emission, as well as at introducing afforestation measures to reduce CO ₂ emissions.	States that Bulgaria ratified UNFCCC and the Kyoto Protocol in March 1995. Recognizes the relatively low GHG emissions generated within the country. The forecast for GHG emissions in Bulgaria by 2020, shows considerably lower values than Kyoto threshold level thus ensuring a reserve for compliance.	No specific context description in the programme	No specific context description in the programme
Goals/objectives	In general, environmental protection is stated as a horizontal priority; thus, no specific objectives are set.	In general, environmental protection is stated as a horizontal priority thus no specific objectives are set.	In general, environmental protection is stated as a horizontal priority; thus, no specific objectives are set.	In general, environmental protection is stated as a horizontal priority; thus, no specific objectives are set.

1.3.2. Contribution to climate change goals in the Romanian programmes

All programme documents underline that Romania is the first European country to sign the Kyoto Protocol and committed to the reduction of greenhouse gas emissions by 8% by 2012.

Additionally, two of the programmes (RDP and OP Environment) define as the main sources of air pollution and greenhouse gas emissions in Romania the energy production, transport, and to a lesser extent, agriculture. Furthermore, the OP Environment narrows down the air quality problems mostly to urban industrial areas and the big number of non-compliant thermal plants.

Specific mitigation objectives are set in RDP and OP Environment, while the other two programmes have no specific objectives at this level.

Table 6. Reflection of climate change issues in the Romanian programmes

Programmes	RDP	OP Environment	OP Fisheries	OP Regional Development
Context description	Underlines that Romania is the first European country to sign the Kyoto Protocol. Recognizes agriculture as one of the contributors to GHG, and identifies sustainable forestry as a solution.	Underlines Romania is the first European country to sign the Kyoto Protocol. Identifies the main problems to air quality.	Underlines Romania is the first European country to sign the Kyoto Protocol.	Underlines Romania is the first European country to sign the Kyoto Protocol.
Goals/objectives	Mitigation of greenhouse gas emissions and climate changes. Climate change was incorporated with the EERP support for the new challenges.	Reduction of negative environmental impact and mitigation of climate change caused by urban heating plants in most polluted localities by 2015	In general environmental protection is stated as a horizontal priority thus no specific objectives are set.	In general environmental protection is stated as a horizontal priority thus no specific objectives are set.

Section 2 Overview of national EU funds implementation programmes and the scope for financing PES schemes

The current analysis of the existing funding priorities and measures in the national operational programmes is based on the following understanding of Payments for Ecosystem Services:

- 1) The main requirement for any PES is that payments (cash or service) are given against a clearly defined and delivered environmental service.
- 2) The payments for ecosystem services could have various forms - cash (annual payments or investments) or by other service (in-kind payments or technical assistance) or combinations of them. This means that the reward for the ecosystem service provision is not necessarily limited to cash payments only, although cash payments are normally expected to be the leading component of the payment form. Indeed, it is most likely that a successful PES scheme in the region will require a combination of at least cash and technical assistance type of support.
- 3) However, the setting of the PES scheme may require some investments (financial, human, etc) important to stabilize the system which will not have a direct impact on the environmental issue. For example, it may be necessary to facilitate the access to co-financing or guarantees for credits, so that the PES participants can apply for EU Funds supported investment for environment-related technology (efficient manure spreading machine to reduce water pollution or bird protection nets over fishponds to reduce human-wildlife conflicts). The direct effect will be the improved access to co-finance and the indirect effect will be pollution reduction or biodiversity conservation.

Box 1. Type of payments in PES schemes implemented across the world

The majority of PES schemes under implementation are located in Latin America and Asia. A few prominent examples exist in France such as Vittel and Evian mineral water companies.

The types of payments they provide can be summarized as:

- ❖ Direct payment to producers
- ❖ Direct payment to producer associations
- ❖ Technical support for the legalization of land-ownership titles
- ❖ Provision of social services and infrastructure
- ❖ Investment financing to improve property or farm management
- ❖ Product marketing: certificates and special product labels
- ❖ Technical assistance, training and marketing support
- ❖ Support to rural tourism and ecotourism community strategies
- ❖ Expansion of access or use rights to natural resources

Source: WWF DCP, 2007, Review of PES experience, Project report, Annex 7

2.1. Rural Development Programmes

A detailed review of the relevant RDP measures and their PES relevance is presented in separate tables for Bulgaria and Romania in Annex 1. In the presentation below we try to summarize the type of potential payments in view of PES development. The summary is in no way exclusive rather it presents the measures which can most easily be used for the identified purposes.

Both the Bulgarian and the Romanian RDPs contain measures which can contribute to the development and implementation of agriculture and forest land related PES schemes. Potentially payments are available for investments, annual area-based payments, information and awareness, consultancy and advices and training.

Table 7 RDP measures in Bulgaria and Romania that can support PES schemes

Type of payments	Bulgaria	Romania
Cash payments: Investments	m 121 Modernisation of Agricultural Holdings m123 Adding value to agriculture and forestry products m141 Supporting Semi-Subsistence Farms Undergoing Restructuring m223 First afforestation of non-agricultural land Measure 226 –Restoring forestry potential and introducing prevention actions m 311 Diversification into Non-Agricultural Activities m 312 Support for the Creation and Development of Micro-Enterprises	m 121 Modernisation of Agricultural Holdings m122 Improvement of the economic value of forests m123 Adding value to agriculture and forestry products m 125 Improving and developing the infrastructure related to the development and adaptation of agriculture and forestry m223 First afforestation of non-agricultural land m312 Support for the Creation and Development of Micro-Enterprises m 313 Encouragement of tourism activities
Cash payments: Annual payments per hectar	m214 “Agri-environmental payments” m “Natura 2000 payments and payments linked to Directive 2000/60/EC (WFD) – agricultural land” [not started yet] m “Natura 2000 payments for forests” [not started yet]	m214 “Agri-environmental payments” m“Natura 2000 payments and payments linked to Directive 2000/60/EC (WFD) – agricultural land” [not started yet] m“Natura 2000 payments for forests” [not started yet]
Technical Assistance: Information and awareness	m111 “Training, Information and Diffusion of Knowledge”	m 111 “Training, Information and Diffusion of Knowledge”
Technical Assistance: Consultancy/Advisory	m143 “Provision of Farm Advisory and Extension Services in Bulgaria and Romania (2007-2009)” m114 “Use of Advisory Services by Farmers and Forest Holders” [starting post 2010]	m 143 “Provision of Farm Advisory and Extension Services in Bulgaria and Romania (2007-2009)” m114 “Use of Advisory Services by Farmers and Forest Holders” [starting post 2010]
Technical Assistance: Training	m 111 “Training, Information and Diffusion of Knowledge”	m 111 “Training, Information and Diffusion of Knowledge”

2.1.1. Investments

From the perspective of developing a well-targeted PES scheme the investment type of measures are the most flexible ones. They define only a broad and general direction to which the investments have to contribute. Thus they can easily be tailored to the needs of a PES scheme.

For example, a PES scheme focused on reducing water pollution from farmlands would require reduction of chemical inputs such as fertilizers, herbicides and pesticides, on-farm manure collection and spreading. This means that the farm may need additional machinery to mechanically remove unwanted vegetation and/or construct a manure storage facility and/or additional manure spreading equipment. All this requires investments.

The RDPs of both countries support this type of investments. In Romania, the public aid for them varies from 100% for non-profit investments in public interest to 25% for big, profit-generating projects. In the Bulgarian RDP there is no such big differentiation in the public support for the investments. There is certainly no priority given to SMEs by a higher rate of public support. Whatever the situation though the financing of the entire investment has to be pre-secured which is often an obstacle for smaller scale investments.

2.1.2. Annual area-based payments

The annual area-based payments are currently the best targeted environmental payments. However, they are the least flexible payments as the actions and level of payment are predefined and one can only attach to them. If a newly developed PES scheme requires other actions or level of payment, the procedure is quite long, involving the national Managing Authority and the EC offices.

The Bulgarian agri-environmental measure has a lot more 'packages' in it which makes it potentially more relevant to a number of PES schemes. The Romanian agri-environmental measure has less 'packages' however targeted to three main issues: High Nature Value (HNV) grasslands, grasslands in IBAs and soil and water protection from erosion. From a policy perspective but also from PES scheme design perspective it will be important to analyze the implementation of the two types of agri-environmental approaches.

There are some important measures which are foreseen to be implemented but are not yet developed like the Natura 2000 payments in agriculture and forest lands in both countries, the AE riparian habitats restoration measure in Bulgaria. The fact that they are not yet developed allows influencing them in a direction contributing to a future PES scheme.

Further on, regarding the EU goals related to water management, none of the countries has pointed out whether it will implement only Natura 2000 payment schemes or also will try to provide compensations for the implementation of the water bodies management plans. This issue could be targeted also within a pilot PES scheme.

Another possibility is the development and implementation of the measures related to non-productive investments (especially the ones for restoration of the Riparian habitats and their future maintenance).

2.1.3. Technical assistance – information, consultancy and training

The information and training provision measures are semi-flexible. They have a requirement of a minimum number of hours and topics to be covered especially focusing on environmental protection at farm level. The training has to be carried out by qualified/approved organizations therefore it is important to create partnerships for the development of PES-focused training.

The consultancy measure delivered by the National agriculture advisory services in both countries is paid for only for certain measures and thus the possibility to cover PES related topics are rather limited. However, there is a new measure (m.114) which has to become available as of 2010 supporting the provision of private consultancies to RDP beneficiaries. Its potential for PES scheme consultancies has to be assessed and changes lobbied for, if needed.

2.2. Operational Programmes for Environment

The Bulgarian OP Environment provides for a wide array of activities to be funded strictly within the scope of Natura 2000 sites. This is positive for the sites themselves but limits the opportunities for development of PES schemes implemented in broader regions.

The Romanian OP Environment has the same provisions for Natura 2000 sites and thus the same limitations for the development of broader PES schemes.

The Romanian OP Environment also provides for activities ensuring protection against floods. The demarcation with the RDP is that OP Environment intervenes at the level of national watercourses, managed by National Administration of Romanian Waters, while the RDP finance the interventions at the level of local small water streams presenting flood risk.

A more detailed presentation of the funding lines and PES potential is presented in Annex 2.

Table 8 *Potential PES in OPs Environment in Bulgaria and Romania*

Type of potential PES payments	Bulgaria	Romania
Cash payments: Investments	Only in Natura 2000 areas	Natura 2000 sites Flood prevention
Cash payments: Annual payments per hectare	no	no
Technical Assistance: Information and awareness	Only in Natura 2000 areas	Natura 2000 sites Flood prevention
Technical Assistance: Consultancy/Advisory	Only in Natura 2000 areas	Natura 2000 sites Flood prevention
Technical Assistance: Training	Only in Natura 2000 areas	Natura 2000 sites Flood prevention

2.3. Operational Programmes Fisheries

The potential for payments to fisheries-focused PES by the OPs Fisheries seems to be very high in both countries. The types of support that are available cover many different needs and thus present an opportunity. The flexibility for designing actions/projects in some measures is quite high, while in others it is very limited. A detailed presentation and assessment of PES potential for the measures is presented in Annex 3.

However, 3 years after the official start of the programmes only a few measures are implemented thus in reality it is very unlikely that these funds will be efficiently utilized.

Table 9 *OP Fisheries measures in Bulgaria and Romania that can support PES schemes*

Type of potential PES payments	Bulgaria	Romania
Cash payments: Investments (eg. bird protective nets in Natura 2000 fishponds)	m2.1. Productive investment in aquaculture m2.5. Inland fishing m2.6. Investments in processing and marketing m3.2 Measures intended to protect and develop aquatic fauna and flora m4.2. Support for undertaking cooperation action	m2.1. Productive investment in aquaculture m2.6. Investments in processing and marketing m4.2. Support for undertaking cooperation action m 4.1.Selection of Local groups m3.2 Measures intended to protect and develop aquatic fauna and flora
Cash payments: Annual payments per hectar	m2.2 Aqua-environmental measures	m2.2 Aqua-environmental measures
Technical Assistance: Information and awareness	m3.1.Collective actions m3.4.Development of new markets and promotional campaigns m4.1.Development of the fisheries areas	m3.1 Collective actions m3.4.Development of new markets and promotional campaigns m4.1.Development of the fisheries areas
Technical Assistance: Consultancy/Advisory	m3.1 Collective actions m4.1.Development of the fisheries areas	m3.1 Collective actions m4.1.Selection of Local groups
Technical Assistance: Training	m3.1 Collective actions m4.1.Development of the fisheries areas	m3.1 Collective actions m4.2. Support for undertaking cooperation action
Pilot projects	m3.5 Pilot projects	m3.5 Pilot projects

2.4. Operational Programmes Regional Development

Romanian OP Regional Development supports mostly urban areas and projects. There are no intervention areas which can directly contribute to the development and implementation of PES schemes. One possible exception is the investments in tourism supported PES scheme, but these investments have to be more than 1,500,000 euro.

The Bulgarian OP Regional Development supports tourism projects in municipalities with more than 10,000 inhabitants. It also provides a number of opportunities to invest in energy efficiency and flood protection projects. One serious issue to consider is that the concept for good flood management differs significantly from what a sustainable flood management could be.

A detailed description of the potential intervention areas is provided in Annex 4.

Table 10 *OP Environment measures in Bulgaria and Romania that can support PES schemes*

Type of potential PES payments	Bulgaria	Romania
Cash payments: Investments	Energy efficiency in selected municipalities (mostly urban) Flood protection Tourism related	Business support structures Tourism related
Cash payments: Annual payments per hectar	No	No
Technical Assistance: Information and awareness	Tourism related	Tourism related
Technical Assistance: Consultancy/Advisory	No	No
Technical Assistance: Training	No	No

2.5. Cross-border and trans-national programmes

A short summary of EU cross-border and trans-national programmes is presented due to their potential for significant contribution towards the set up of an eco-regional riverbasin-wide PES scheme. The following programmes are presented:

- Transnational Co-operation Programme South East Europe
- Romania – Bulgaria Cross-Border Cooperation Programme 2007-2013
- Bulgaria - Serbia IPA Crossborder Programme

2.5.1. Transnational Co-operation Programme South East Europe

The programme covers 16 countries - Albania, Austria, Bosnia-Herzegovina, Bulgaria, Croatia, The Former Yugoslav Republic of Macedonia, Greece, Hungary, Italy (only certain regions), the Republic of Moldova, Montenegro, Romania, Serbia, Slovakia, Slovenia and Ukraine (only certain regions).

The second priority axis "Protection and improvement of the environment" aims at contributing to the improvement of the environmental conditions and to a better management of protected and other natural/semi natural areas.

The objective is to override the constraints imposed by national barriers, to foresee future environmental threats and opportunities and to develop common transnational action for the protection of nature and humans. 26% of the overall budget of the programme is allocated to this priority axis (63.223.327 EUR). The areas of intervention are:

- Improve integrated water management and flood risk.
- Improve prevention of environmental risk;
- Promote co-operation in management of natural assets and protected areas;
- Promote energy and resource efficiency.

Project partnerships have to be formed by partners from at least three participating states, of which at least one shall be a EU member state. The designated Managing Authority is the National Development Agency (Hungary) located in Budapest.

2.5.2. Romania – Bulgaria Cross-Border Cooperation Programme 2007-2013

The Programme promotes sustainable integrated cooperation across the cross-border area which involves and benefits local communities. 15 administrative units (NUTS III level) which belong to 6 Danube regions (NUTS II level) in both countries are covered.

One of the programmes' objectives is "Sustainability of the intrinsic value of the area's natural resources by prudent exploitation and effective protection of the environment". The second Priority axis is focused on environment "Sustainable use and protection of natural resources and environment and promotion of efficient risk management in the cross-border area" with 35% of the overall budget allocated to it (89,884,333 EUR).

The Managing authority is the Ministry of development, public works and housing, Bucharest, Romania.

Some examples from each of the key areas of intervention under which potential PES schemes could be developed comprise:

- a. Joint action-based solutions for safeguarding biodiversity;
- b. Joint development and promotion of tools and techniques to promote sustainable resource use;
- a. Joint public awareness campaigns for environmental protection and nature-friendly behaviour: joint conferences, workshops, exhibitions, bi/multi-lingual promotional literature;
- b. Joint bilingual training programmes on biodiversity conservation and environment protection;
- c. Training for business and other service providers in how they can contribute to enhancing the natural endowments of the areas through the exercise of greater care in development and waste generation and disposal on a cross-border basis.

- d. Cooperation of existing institutional frameworks to harmonise activities in the field of Danube River flood prevention, as well as of air, water and soil quality protection;
- e. Implementing joint works for flood prevention on Danube; sanitation and reforestation of the river banks.

2.5.3. Bulgaria - Serbia IPA Crossborder Programme

The programme covers the following districts in Bulgaria - Vidin, Montana, Sofia-town, Pernik, Kustendil; and in Serbia - Bor, Zajecar, Nisava, Piror, Jablanica, Pcinja.

Within the programme there is no axis that is directly focused on environment. However, within axis 1 "Development of small scale infrastructure", the sub-action "Infrastructure concerning environmental issues" is dedicated to environmental issues. It can support the following PES related actions:

- a. investments for reduction of negative effects of economy on the environment;
- b. supporting environmentally-friendly economic activities;
- c. improvement/construction of small-scale infrastructural projects addressing natural sites;
- d. improvement and/or construction of infrastructure in protected areas (places for visitors);
- e. creation and/or development of joint eco-itineraries.

The budget for axis 1 is 55 % of the overall budget (7 474 360 EUR) for the period 2007-2009. The Managing authority is the Directorate General "Programming of Regional Development" at Ministry of Regional Development and Public Works of the Republic of Bulgaria.

Section 3 Review of the Programmes of Measures in the Danube river basin management plans in Bulgaria and Romania

The review of the Programme of Measures is based on the following documents: the Danube River Basin District Management Plan and Annex 16 by ICPDR (version 14 December 2009), Bulgarian Danube RBMP and specifically its PoM, the Romanian DRBMP Programme of Measures (Annexes 9.1-9.10), Guidance Document No.1 Economics and the Environment by Wateco (2003).

The review is only made from the perspective of assessing the existing scope for developing and implementing Payments for Ecosystem Services. However, recommendations for policy actions at national level in Bulgaria and Romania are provided at the end of the section.

The Danube River Basin District Programme of Measures

The entire DRBM Plan provides mostly inspiration and vision to the national RBM plans as well as specific management objectives to guide the Danube countries towards agreed aims of basin-wide importance by 2015 and also assist the achievement of the overall WFD environmental objectives.

The DRBM Plan operational objectives are less detailed than the national ones but still describe measures that have to be taken to reduce/eliminate existing significant pressures as well as help overcoming the gap between the measures on the national level.

Economic assessments play a crucial role in contributing to key decisions over the objectives and measures that are put in place for the WFD and the Danube RBMP. From this perspective any PES scheme developed at a national river-basin or sub-river basin level can contribute significantly to the achievement of the operational objectives at entire river-basin district level or indeed to contribute to the overcoming of important gaps between the national RBM plans (if the PES scheme is designed as cross-border or trans-national one).

The tool that allows the introduction of the concept for Payments for ecosystem services is the cost recovery principle stipulated in the WFD. It requires the internalization of the environment and resource costs of water services. However, this is still not happening in most of the Danube countries and certainly not in Bulgaria and Romania. Thus the environmental costs of the water services in both countries remain uncovered. This is likely to change with the accumulation of more data and the development of appropriate methodologies. Unfortunately this may take too long if structured necessary steps are not taken already in this programming period (up to 2015).

At the moment, it seems that if a basin-wide Danube PES is aimed, then a good option is to contribute to the development of a methodology for internalization of the environment and resource costs of Danube water services. This is still quite a theoretical approach which may be best addressed by academic institutions.

The other option is to tackle specific environmental issues at national basin or sub-basin level by introducing the concept of payments for ecosystem services (testing it actually on the ground). Then analyze if this makes sense at a larger scale and if so, what modifications are needed.

Box 2 Cost Recovery in the Danube RBM Plan

The WFD calls for accounting related to the recovery of costs of water services and information on who pays, how much and what for. Cost recovery for specific water services is defined as the ratio between the revenues paid for a specific service and the costs of providing the service.

Costs include management costs, depreciation, interests, taxes and fees, and the environment and resources costs. Environmental and resource costs are not taken directly into account in most countries as part of the economic analysis, due to both a lack of methodology and information.

Source: Danube River Basin District Management Plan, 2009, ICPDR

The national Danube RBM Plans Programmes of Measures

The national programmes of measures have to be made operational by December 2012 with the aim to bring the expected improvements in water status by 2015. It is clear that this period is quite ambitious and it is very likely that not all measures will be implemented.

The PES concept can contribute to the implementation and financing of many of these measures – whether basic or supplementary. It seems to be easier for measures directly related to land and water management such as erosion control and reduction of unused water leakage, implementation of good farming practices aiming to reduce nitrate pollution, implementation of production standards for environmental management, implementation of reforestation projects in riparian habitats, restoration of the water regime of wetlands with specific conservation needs, reconnecting old river-beds and meanders, etc.

One other set of measures is particularly interesting as a basis for the implementation of PES concept and potential schemes. An indicative list of these measures comprises:

- Developing fiscal preferences for the introduction of water efficient practices;
- Changing the tariffs for water use and water extraction;
- Contractual agreements for environmental management (aimed at synchronizing the measures for good status);
- Use of economic tools to ensure water saving in water draught regions; etc.

Unfortunately, the details behind these broad headlines are not clear neither is the level of flexibility for proposing and adopting new approaches. In any case, it is recommended to investigate it deeper for identification of possible synergies.

There are also measures aimed at informing and training farmers and other sector producers in good environmental conservation and management practices.

Financing of the Programmes of Measures implementation

Broadly speaking, the indicated financing for the measures comes from EU funds, national budget as well as some municipal and private funding. Since the aim of this study is to assess the use of EU funds we only focus on them.

Structural and Cohesion Funds

The largest financial resources are coming from the Cohesion and Structural Funds via the Operational Programmes for Environment, as well as Phare and Ispa (mostly projects contracted prior to accession). The type of measures funded are mostly water supply, water sewage and waste water treatment. There are national commitments and related deadlines of transition periods for both countries thus it is understandable why these types of investments are prioritized.

The assessment of the available and the needed funding in the Bulgarian DRBM Plan says that due to these national commitments and expiry of transition periods the only measures which implementation can be delayed (i.e. management costs derogated) are the ones related to wetlands management. However, due to the fact that their overall amount is less than 4 million Euro, quite insignificant amount compared to the water infrastructure costs, it is recommended to undertake all possible efforts to ensure their funding and hence implementation by 2015.

It is quite frustrating to see that the much needed biodiversity and wetlands conservation funding is the only one which can be derogated! Luckily, it is around 0.5% of the overall amount (730 412 726 Euro) of the Bulgarian Danube Programme of Measures, so the responsible authorities should be able to secure it. Reviewing the implementation of OP Environment, we notice that there are 3 projects of the Danube PA directorates mentioned in the PoM that are already contracted. Their total value is almost 2,4 million Euro which is not too far from the needed 4 million Euro. However, we cannot say at the moment if these projects cover the activities listed in the Danube PoM.

Disillusioning as it may be, this is also probably a good entry point for the proposal of a national/regional wetlands related PES scheme.

Rural Development Funds

Both Bulgarian and Romanian PoMs consider funding for the implementation and training and information about the Good Farming Practices from the national RDPs. This is very positive and supports the link between farming and water management. However, this is very insufficient.

It is disappointing that none of the two PoMs considers funding from the EAFRD Axis 2 measure 213 designed to support the implementation of Natura 2000 and WFD or measure 216 supporting non-productive investments for environmental management. It is particularly important since both countries consider the opening of measure 213 post 2010 or MTE but only in its relation to Natura 2000. The Bulgarian RDP is currently assessing the needs for measure 216. In both cases it is important that the responsible environmental authorities submit official requests to the RDP Managing Authorities in the Ministries of Agriculture.

Table 11 **Examples of potential financing for Danube PoM via Axis 2 measures**

Danube PoM	RDP Axis 2 measure	Explanation/Examples
Establishment of buffer zones along rivers and potentially impacted water bodies	m.213 Implementation of WFD	Compensation payments for arable conversion to grasslands;
	m.216 Non-productive investments	Reforestation with local tree species
Reforestation of riparian habitats and erosion control	m.216 Non-productive investments	Reforestation with local tree species
	m.213 Implementation of WFD	Annual compensation payments for the maintenance of the habitat (if needed)
Reconnecting riparian wetlands – old river beds, meanders, wet meadows	m.216 Non-productive investments	Investments for reconnecting old riverbeds or meanders
	m.213 Implementation of WFD	Annual compensations for the maintenance of the reconnected areas (if needed)
	m.213 Implementation of WFD	Annual compensations for the reduced/lost yields in wet meadows

It is strongly recommended that WWF initiates this process both at the level of responsible authorities (Ministries of Environment) and among like-minded NGOs. In Bulgaria, one official NGO position about this was submitted in June 2009 in relation to the additional funding from the European Economic Recovery Package. It was rejected by the RDP Managing Authority due to the short period of implementation of the EERP support. It is now a good time to develop the position further and re-submit it.

Section 4 Overview of funds absorption for reaching environmental targets

The absorption of funds is realistically measured when a project is completed and money is paid to the beneficiaries in full (not only the advance payments for larger investment projects and not even contracted projects since they may not be implemented fully). At the same time, the achievement of environmental targets may take even longer after the finalization of a particular project.

Therefore, we could have two main approaches to the assessment of funds absorption contributing to environmental targets especially in the early years of implementation:

- 1) Say from the very beginning it is too early to assess progress as too little projects are paid, which would have been valid for all programmes in both countries; or
- 2) Review the submitted, contracted and paid projects as well as the rejected projects per environmental priority or measure; and make a best-available-information assessment. This approach was preferred for the study because it would have provided a good picture of what was to be expected in the current and coming years.

Having approached the issue for data collection from different angles we come to the following main issues:

- 1) Given the 2009 is the first year of close-to-normal-implementation for both countries¹ but actually the third year for which the large amounts of EU funds are available, the responsible authorities are overstressed for underperformance (approximately 10% of all 2007-2009 in Romania and 4% in Bulgaria are paid).

The situation however varies between the different funds and measures – some priorities prove more interesting either for the administration or the beneficiaries. It seems that there is an unwritten rule that easier measures are opened first in order to absorb larger share of the available budgets. This is normally motivated by the enforcement of ‘n+3’ rule whereby if money available for year ‘n’ are not committed within 3 years they are being lost altogether.

Frequently, nature conservation measures are being seen as tedious and time-consuming and hence their implementation is delayed. Examples of this are the aqua-environmental measures in the OPs Fisheries which are still not opened (although to be fair there are also other unopened measures in them) or the Biodiversity Priority in the BG OP Environment (which was the last to open). At the same time, once the Biodiversity Call was launched in Bulgaria, 68 proposals were submitted, out of which 24 were contracted and 44 were rejected. These 24 projects contracted in 2009 are a bit less than 30% of the entire 2007-2013 budget. The beneficiaries of the contracted projects are well balanced (not clear if that was among the assessment aims..). Further 30% of the budget was directly

¹ Hereby meaning that the whole project cycle is happening from the beginning (eg. launching calls for proposals) to the end (when some projects are completed and paid).

contracted to the National Nature Conservation Service in the Ministry of Environment for 3 projects – mapping, setting up information system and communication strategy for Natura 2000 network.

In Romania, 85 projects were submitted in two calls under the nature conservation priority, of which 35 were approved². The beneficiaries of contracted projects are also well balanced. The project budgets however vary a lot starting from as low as 151.000 lei for a National Park going to as high as 23.500.000 lei for the Administration of Danube Delta Biosphere Reserve.

Table 12 Beneficiaries of contracted projects, BG and RO OP Env Biodiversity Call (till end 2009)

Type of beneficiary	Number of projects	
	Bulgaria	Romania
Nature park	7	5
National park	3	7
Regional Inspectorates/Agencies for Environment	5	4
NGOs	6	8
Municipalities / County Councils	3	4
Min.of Env. Nature Conservation Dir.	3	-
Universities and Research Institutes	-	7
Total	27	35

Source: OP Environment websites

The conclusions or better say the assumptions we can draw from this available information on the Biodiversity Priority refer to:

- The interest for this type of support is very high. Given that, in Bulgaria the 35% of contracted projects cover approximately 30 % of the entire budget by the beneficiaries and other 30% are used by the Ministry itself, it will not be exaggerated to say that the next call (even if it is today) will probably contract all available budget.
- If the above holds true, the money allocated to this priority will not be sufficient to respond to the immediate needs for biodiversity conservation in the country.
- The expected payments of support largely depend on the quality of the implementation and the experience of the organizations, and in this particular case we assume the rate of paid projects will be above average.

Despite the relatively positive development in the Biodiversity priority in OP Environment in Bulgaria, the official reporting on the environmental targets and respective indicators is as expected: zero progress is made by end 2009. The situation in Romania is not different, given that the first contracts were signed in spring 2009.

² WWF DCP RO-Dan, R., 2010, SURF Nature project Fact-sheet: OP Environment 2007-2013, Romania and OP Environment webpage

Table 13 Indicators of the Bulgarian OP Environment, 2009

Indicator	Base value	Target (2010)	Target (2013)	Achieved result 2009
Percentage of NATURA 2000 sites that are to be mapped/ managed	0	2.6	8	0
Number of mapped protected areas of the NATURA 2000 network	0	14	44	0
Number of drafted plans on PA management of NATURA 2000 network	0	14	44	0

Source: BG Government Strategic Report, 2009

Table 14 Indicators of the Romanian OP Environment, 2009

Indicator	Base value	2015 Target
Number of Protected areas & Natura 2000 areas with management plans in force	3	240
Percentage of Surface of PAs and Natura 2000 areas benefiting from nature conservation measures	0	60

Source: WWF DCP RO-Raluca Dan, SURF Nature project

There are a couple of issues related to the monitoring and the related indicators and they are discussed below.

- 2) Monitoring systems are either not sufficiently developed or not used effectively.

In the Bulgarian OP Env Biodiversity priority presented above, the table refers to the output indicators only. It is observed that the specified output indicators refer only to maps and management plans prepared. On the one hand this omits the achievements of the projects related to support direct nature conservation efforts, which are the majority of the 24 projects. On the other hand, the staff in the MA has no direct motivation to open calls for such projects since there is no special reporting line for them! This has to be checked further, especially if it is reflected in the result and impact indicators

In Romania, current report by OP Technical Assistance reveals that the preparation of a Guide on indicators and its dissemination among the actors involved in the management of Structural Instruments is under implementation at the moment (funded by the Technical Assistance OP). It is expected that its first version will be ready in 2010 but its actual use in practice will only happen post MTE.

On the other hand, the Common Monitoring and Evaluation Framework developed for the RDPs requires national Managing Authorities to report bi-annually on the selected baseline indicators. This is submitted electronically to the Commission and it seems that the information is not freely provided even to the members of the Monitoring Committee.

Therefore, the MTE will be the first realistic exercise when assessments of the results and impacts of the programmes will be made.

It is strongly recommended that at least the information on the output indicators is requested by the stakeholders – members of the Monitoring Committees at each meeting; and the information on the results and impacts indicators is presented together with the MTE of the programmes. This will help the Managing Authorities to establish an open and transparent reporting habit that can be maintained irrespective of the staff turnover.

Section 5 Overview of EU Funds implementation and implications experienced by applicants for different EU support related to ecosystem services

For both countries it can be stated that 2007, despite being the first year of implementation, was actually the year of finalization of the OPs and setting up the management systems. 2008 was then the first year of launching the first call for proposals with almost no contracts being made. The projects processing, approval and contracting started in reality in 2009. Therefore, we are now only in the second year of somewhat normal implementation of the OPs.

It is difficult to provide a short and comprehensive indicator of performance in this domain, and it will not be very useful anyway, especially because of the diverse structure of assistance available. The absorption and impact issues vary a lot from one program to another, depending on the nature and size of these programs, on the institutions which manage them or the types of beneficiaries.

However, there are issues which are common for all programmes and both countries albeit the details behind may be different:

❖ The Managing Authorities and the respective Implementing Bodies are overwhelmed by ensuring the absorption of the available EU funds

The amount of money made available to the two countries exceeds their capacity to develop, process, implement and pay projects according to the stringent rules of the EU Regulations. This creates (among all other things) significant stress in the institutions and unfortunately, it too often results in preferring large and easy projects, which help them utilize the money.

Implementation discussions are only focused on the quantity of money used, which at the moment³ are stated to be around 10% of the entire 2007-2013 budget for Romania and 4% of the entire 2007-2013 budget for Bulgaria.

The quality of projects and their contribution to the set priorities and objectives is still not considered. Where more detailed information is available, it becomes evident that money is spent on conventional non-imaginative and non-innovative projects. For example, in Bulgaria, the RDP measure for modernization of agricultural holdings already spent its entire 2007-2013 non-reserved budget on agricultural machinery. The deadweight effect of this remains to be assessed but whatever the situation the money for more innovative type of investments are gone. Another example, from the Romanian Regional OP shows that the tourism investment area of intervention is close to spending all its money but only a few projects are aimed at valorizing natural resources with tourism potential while the majority are for rehabilitation, modernization and equipping of accommodation structures.

³ May 2010

❖ **The administrative capacity in the Managing Authorities, Implementing Bodies and Paying Agencies is facing serious challenges**

The issue with the administrative capacity is one that has been discussed for too long now. It was perfectly clear already with the pre-accession funds that the public authorities have to attract and maintain well qualified and motivated people in order to be able to programme, negotiate, implement, monitor and report the impacts of the Programmes.

Fortunately, payment levels for civil servant working on EU funds were increased in both countries, and there were periods when significant staff capacity was developed in most of the MAs. Unfortunately, the culture of replacing civil servants with the change of governments still shows off in both countries. Thus, 2009 was a cornerstone when the MAs had high staff turnover resulting in loss of capacity and experience. In the Romanian RDP for example this led to decreased public participation process⁴ especially in the working groups of the Monitoring Committee.

❖ **Issues with the attitude towards beneficiaries**

In Romania, it is often assessed as being passive⁵ or in a defensive mood while in Bulgaria potential beneficiaries are treated as if they have proven frauds. This creates a very unhealthy environment which does not support creativeness and innovation among the ordinary target beneficiaries.

❖ **Too often changes in the implementation legislation**

Given that it is the first period of implementation of EU funds it is understandable that many adaptations and changes in the implementation legislation have to be made. However, most of the times they are so badly communicated that it is not easy to follow through and know which actually the latest version of a given document is. Thus, instead of enabling implementation it brings distrust and/or non-compliance with the administrative requirements or eligibility criteria.

❖ **Low level of monitoring of the implementation**

On the one hand the EU funds management is concerned mainly with the absorption of the money and does not monitor the performance indicators related to the goals and priorities. On the other hand (and possibly as a result of the previous) the monitoring systems are still not completely developed (as in the case of Romanian OPs) or are not being actively used (as in the case of the Bulgarian RDP).

Overall, this leads to a very low level of transparency of the implementation of the EU funds programmes because summarized figures and percentages are not at all descriptive about the actual change in the Romanian or Bulgarian living conditions or the respective environmental status.

⁴ WWF DCP RO, 2009, Report for FERN

⁵ SAR, 2006, Absorption of EU funds

❖ **The financial crisis**

This issue is not specific to any of the two countries but its impact is quite strong in both of them. It affects both the public institutions and the private sector and there are already many cases of approved projects withdrawn by the beneficiaries due to lack of co-financing.

It is also likely that it will affect the willingness and possibility of local public institutions to co-finance more innovative types of projects instead of more secure ones.

The issue of supporting the co-financing of the PES scheme participants is an important one and is developed in more details in Part 2.

Implementation issues specific to the different programmes and countries are presented below:

5.1. Rural Development Programmes

The analysis of the existing problems faced by the applicants for measure 214 Agri-environmental payments (AE measure) is based on:

- 1) Annual progress reports for 2007 and 2008 for Rural Development Programmes both for Romania and Bulgaria
- 2) Expert opinion
- 3) On-going evaluation reports for Bulgaria

The data provided in the 2008 Annual progress reports show different uptake of the AE measure in the two countries:

- Romania data show that for 2008 there are 204 872 applications for 1 103 669.13 ha, while
- Bulgaria data show only 1584 applications were submitted for 2008 (1021 authorized for payments) for approximately, 42 339 ha.

Thus we can assume that the problems in the 2 countries for the beneficiaries are different. Annual report for 2008 for Romania almost does not present any problems so it could be recommended to exchange experience for simplification of the procedures in Bulgaria.

Common problems in both countries

The rural development programmes for Bulgaria and Romania were approved in the end of 2007, beginning of 2008 by the Rural Development Committee, causing 1 year delay in the implementation of Agri-environmental measure. The farmers in the 2 countries have to be registered in IACS (parcels identified in LPIS (Land parcel identification system)) – registration which at the beginning proved to be quite difficult and unclear, at least in Bulgaria.

In Romania, the beneficiaries clearly outnumbered the target set in the programme. The land under agri-environmental commitments represents only a third of the target but of course, this was only the first year of implementation. At the moment, this discrepancy only signals that the planning assumptions were for larger areas/farms (average size of 17.5ha) to participate in the measure from the actually participating ones (average 5.4ha). Given the lack of previous experience this is understandable. However, since agri-environmental measures will only achieve their objectives if land is under sustainable management, the increase of the participating land should be the main operational objective of the Romanian authorities.

In Bulgaria, on the contrary, the number of the participating farms is outrageously low but the average size of the farms is much larger (average 26.7ha) than the planned/targeted one (average 4ha). Again, the previous lack of experience in implementing AE measure can explain the difference. However, it also signals that the AE measure is not attractive (for one reason or another) to farmers but surely not attractive for small farmers which are the real target. Some of the problems are presented below in more details.

Table 15 Implementation of Agri-environmental measures in 2008

Country	Target*		Implementation**		Share (%)	
	Beneficiaries	Area (ha)	Applications	Area (ha)	Beneficiaries	Area
Bulgaria	40 000	160 000	1584	42 339	3.96	26.5
Romania	170 867	2 998 000	204 872	1 103 669	119	36.8

* Target levels are extracted from the latest versions of the BG and RO RDPs from 2009

** Implementation levels are extracted from the 2008 Annual Implementation Reports of BG&RO MAs, 2009

Farmers of both Romania and Bulgaria have almost no experience in implementation of agri-environmental measures. Both countries did not develop and implement in time SAPARD agri-environmental measures. The late implementation of SAPARD AE measures and different requirement in EU Regulations for SAPARD and EAFRD even caused additional confusion not only for the farmers, but also for the Managing authorities. Results are that most of the SAPARD beneficiaries in Bulgaria and Romania canceled their SAPARD commitments in order to apply for the new measure 214 “Agri-environmental payments” of the RDP (100% in Romania and almost 60% in Bulgaria).

5.1.1. Problems in Bulgaria

The following issues are causing major constraints for the farmers in Bulgaria regarding the AE measure (both application and implementation):

Problems related to the requirements in the AE measure

One of the biggest problems for the farmers is the 5 year commitment for the area under agri-environmental support. The 5-year contracts to demonstrate land ownership/rental agreement are not requested from beneficiaries during the AE application process (farmers have to declare only that they will use the land for 5 years), but such contracts have to be presented during on the spot checks and parcels used each year will be checked administratively in LPIS as part of administrative checks. Farmers complain they have difficulty to provide necessary documentation during the on the spot checks as they may have numerous small parcels, land titles are based on out-dated cadastre, some are covered by verbal land use agreements etc. Also, an amendment of the national legislation to provide for 5-year contracts for state-owned land was necessary. In 2010 the Ordinance for implementation of AE measure was changed and 5-year contracts are not requested anymore which leaves the risk of non-compliance to farmers.

Problems related to the implementation procedures, including lack of capacity

Procedures for implementation of the AE measure were developed late and are changing constantly (due to lack of sufficient experience in the administration). The application forms depend on the application forms for direct payment support – therefore all amendments and changes influence the application process for agri-environmental measures

Approval of the submitted applications (as in the Ordinance for the implementation of AE measure) should occur within 3 months after the last amendment in the application submitted (e.g. not later than September 9th). However during campaigns 2008 and 2009 this period was not observed – even more - for 2010 campaign farmers still do not know whether their applications for 2009 are approved or rejected.

During 2008 campaign Technical inspectorate experts of the Paying agency consider the requirements for the agri- environmental measures similar to the ones for the direct payment schemes. Also many of the sheep breeders complain from the delay in undertaking on-the-spot-checks by Paying Agency which was stressful for the animals.

As for SAPS, over-declaration of area (due to inclusion by farmers of significant areas of ineligible land) and animals was estimated as a major problem (generalised IACS related problem for BG, follow-up to DG AGRI/J.3 audit). Many farmers were penalized, thus, decreasing their motivation in implementing any kind of additional measures.

Veterinary Register was not complete and fully functional during 2008 and 2009 and as a result the cross checks in IACS for animals were not always correct and farmers were not compensated for the number of animals they requested support for;

Problems related to the lack of information

Training (not approved projects yet for measures 111) and consultancy measures start late. Information campaigns were not specifically tailored for the needs of the agri-environmental measures, therefore many farmers consider agri-environmental payments just as an additional income support opportunity and do not understand the environmental objectives related to the measure.

Most of the farmers do not understand AE measure or have almost no information at all. Feedback from the Paying Agency and the other controlling and inspecting units is lacking or ambiguous therefore, farmers cannot improve their practices.

5.1.2. Problems in Romania

No major problems for the implementation of the AE measure in Romania are presented in the Annual report for 2008 given the outnumbering of the target number of beneficiaries by almost 34 000. The issue of including more land in order to achieve the objectives and the target is still relevant. However, this issue should be further investigated and data should be collected.

However, the European Commission⁶ has identified weaknesses in the Integrated Administration and Control System (IACS) for the implementation of direct payments which also administers the AE payments. This regards particularly the Land parcel identification system (LPIS) and on-the-spot checks, which were subject to on-going conformity clearance procedures. To remedy the existing shortcomings and improve the implementation system for agricultural funds, the Commission proposed an action plan in June 2009 which Romania agreed to implement over the next three years. Within this action plan, Romania has committed itself to improve the quality and timing of on-the-spot checks and to correct the error level in the lodging of claims by farmers with the help of specific guidance in particular as regards the determination of eligible area.

The effect on the AE measure remains to be seen. Given the high interest in the first two AE sub-measures it is clear that they are seen as easy measures without demanding too much from the beneficiaries. At the moment we can only hope that the compliance with the environmental commitments is properly tracked during on-the-spot checks. However, given the outlined deficiencies in the system, this has to be confirmed by the authorities. It should also be a particular issue to be addressed during the MTE of the Romanian RDP.

Other issues⁷ related to the Romanian RDP comprise:

- Insufficient human resources in the bodies involved in RDP implementation leading to delays in processing the applications and huge workload on the staff;
- Lack of a national EU funds coordination/monitoring body to ensure the demarcation between programs;

⁶ EC, 2009, Status of Implementation of EU Funds in Romania on 31 July 2009

⁷ 2008 Annual Ongoing Evaluation Report, Romanian Ministry of Agriculture; there is no independent ongoing evaluation, so these are the assessment of the MoA itself.

- Lack of national legislation covering all infrastructure investments in water / wastewater;
- Problems in the efficient operation of systems developed for the two paying agencies and the interface between these two systems;
- Specificity of certain measures / actions in the RDP representing a novelty for Romania;
- Program beneficiaries face difficulties in obtaining credit for ensuring co-financing of the projects.

Another major issue for the implementation of the Romanian RDP is the lack of an open dialogue with non-governmental organizations including in the field of nature conservation⁸. This leads on the one hand to waste of experience and capacity aiming to contribute to environmental management. On the other hand, it goes clearly against the principle of public participation stipulated in the RDP Regulation.

There is also a very serious concern about the potential for supporting Natura 2000 areas by Axis 2 measure 213. This is largely arising from the issues related to the administration and operational management of protected areas, including Natura 2000 areas. It is therefore recommended to develop measure 213 or other relevant compensation payments for land managers in the Natura 2000 sites without waiting for the official approval of management measures and detailed maps.

5.2. OP Fisheries

Bulgaria

This programme started with two measures and by May 2010 there were 35 projects submitted. So far only one of them is finalized – a trout farm in the region of Rhodopi mountain. At the beginning of 2010, 5 measures are open but only 2-3% of the budget is contracted so far. The main issues identified are related to the administrative capacity and the implementation procedures. Currently the Aquaculture Agency is finalizing the new delineation of the support under OP Fisheries and the others. It is expected that the OP Fisheries will open other 10 measures among which the Aqua-environment measures in the course of 2010.

Romania

The implementation of the programme was significantly delayed and only a few measures were open in early 2009 excluding the aqua-environmental measure. In 2009, the European Commission⁹ identified weaknesses in the administrative capacity of the new managing authority of OP Fisheries within the Ministry of Agriculture. The Commission recommended Romania the adoption of an action plan to improve the institutional framework and enhance administrative capacity. It was approved in July 2009 and is currently under implementation.

The compliance assessment for the Operational Programme has not been approved by the Commission and Romania was invited to submit a revised version. In addition, the Commission

⁸ WWF DCP RO Report for FERN, 2009

⁹ EC, 2009, Status of Implementation of EU Funds in Romania on 31 July 2009

advised the Romanian authorities not to proceed with projects implementation until the new structures in the Ministry of Agriculture become operational.

5.3. Structural and Cohesion Funds

Bulgaria

As of end of September 2009, OP Environment supports one project related to the development of river-basin management plans, 3 projects for “Development of the NATURA 2000 Network” and 16 contracts for granting financial aid within the procedure “Preservation and restoration of the biological diversity”, to an aggregate amount of EUR 23.3 million. Overall, this makes 20 projects, while there are 190 technical assistance projects for drafting investment projects and further 30 actual investment projects for new sewage networks and wastewater treatments plants.

Romania

The overall number of submitted projects for the two OPs exceeds 3200 projects till end 2009. The majority of them are in OP Regional Development (3110), but the most of the major projects are in OP Environment (13 out of all 19 major projects in the country). The share of approved projects is still quite low – around 23% for OP Regional Development and 45% for OP Environment while the share of financing contracts is even lower, 18,5% and 30% respectively. Since information about the rejected projects and the projects under processing is not presented, the reasons for these low levels are not straightforward. Whatever the status however, it is clear that there is an issue with the administrative capacity to handle projects from submission to contracting and final payments; as well as lack of experience and knowledge on project proposal development on the side of beneficiaries.

Table 16 Implementation of OP Regional Development and OP Environment in Romania at 31 December 2009 (million lei)

Operational Programme	Projects submitted		Projects approved		Financing contracts		Payments to beneficiaries
	No.	Total amount	No.	Total amount	No.	Eligible amount	Total payments
Regional	3110	31,037.27	715	7,259.73	578	5,190.81	790.05
Environment	141	16,600.55	64	5,797.01	42	4,517.20	777.71

It is interesting to note that for all seven OPs in Romania (including Transport, Competitiveness, Human Resources, Administrative Capacity and Technical Assistance) the beneficiaries (of already contracted projects) are dominated by regional public authorities/services, followed by national ministries and central institutions and only then private companies and NGOs. As explained already in the previous sections many of the support schemes are directed to local and regional authorities so this comes as no surprise. However, we cannot make any statements on their capacity to develop and implement projects as we lack more detailed data. It will be also quite interesting to see what is the regional distribution of the approved projects – are there any regional concentrations or the projects are evenly distributed.

Table 17 Type of projects beneficiaries of all Romanian OPs, end 2009.

Type of beneficiary	Share
Local authorities	30%
Regional Water Companies	24%
Ministries and central public institutions	16%
Private companies	12%
NGOs	5%
Other	13%
Total	100%

Overall for the Structural and Cohesion Funds implementation in Romania, the European Commission identified weaknesses in the application of public procurement rules such as frequent recourse to the negotiated procedure and weaknesses in application procedures, selection criteria and the system of remedies. The Commission recommended a revision of the national legal framework for public procurement in order to ensure compliance with Community rules and encouraged Romania to issue guidelines on tender evaluations and to promote the use of standardised documentation. Consequently, Romania passed several laws to address the Commission's concerns on weaknesses in public procurement aiming in particular at simplifying and accelerating procedures.

Section 6 *Recommendations for Needed Improvements in EU Funds Implementation*

Specific recommendations for changes and adaptations are presented in each of the previous sections. To avoid repetition, the recommendations presented in this section focus mainly on changes and actions that should be applied across all programmes. When a certain programme or country is concerned this is explicitly said.

Administrations Related Recommendations

- **Speed up processing and contracting of project proposals.**

From a capacity issue this became an issue of political will. At the beginning, the administrations were overly considerate of mistakes they can make on the selection or payments to projects which might prove wrong. This prevented them from processing project proposals claiming they were protecting the Europeans (ours including) interests. The majority of projects were waiting for months (including processed projects) while others were still quickly contracted. Corruption examples were given again. This only made civil servants even more considerate.

At some point in time, it was easier to claim that the delays were due to lack of administrative capacity to handle project applications. This made the piles of submitted projects that big that it is really now a matter of political will to back the civil servants to contract all projects as quickly as possible. Mistakes will happen – but this is normal in a learning process. And this is a learning process both for the administration and the beneficiaries. The much needed experience will be gained only by contracting and implementing projects therefore administrations should be requested to speed up implementation

- **Improve transparency of implementation data**

Transparency of implementation is of key importance for the operations of the EU Funds in both countries. As a minimum, the Managing Authorities and Paying Agencies should be publishing evaluation reports on their websites – ex-ante, MTR, annual ongoing reports, implementation data per measures and priorities, etc. Currently the information availability is very random and not structured and this does not allow for proper assessment of the implementation. Additionally, information on wrong/bad practices should be made public to provide for a learning mechanism to beneficiaries and their consultants. The current practice reveals that this is not done systematically even for one of the same programme.

- **Maintain stakeholder participation high**

Some programmes (eg. both RDPs) had a high level of stakeholder involvement during the programme development stages which is being lost either by the need to hurry up with the implementation or by the changes in the civil servants responsible for them. NGOs and other

partners should give voice to such situations because the implementation is what really matters not the words in the documents.

Nature Conservation and Environmental Services Related Recommendations

- **Better use of Technical Assistance budgets and measures in all OPs and RDPs to develop knowledge and measures that are lacking currently:**
- The implementation of the Natura 2000 directives and the Water Framework Directive need to be integrated better in the implementation of the RDPs and OPs.

Almost all programmes were claiming they would do so in their programme documents but there are little examples of this happening. To make this easier to the beneficiaries, the Managing Authorities should use their Technical assistance budgets to develop guidelines for practical implementation of the directives by each OP or RDP.

- The output indicators of OPs Environment, OPs Fisheries and RDPs have to reviewed and assessed if they reflect well the expected environmental benefits. The issue of indicators definitions was mostly underestimated during the programmes development phases.
- The High Nature Value Indicator in the RDPs, for example, considers both farmland and forest lands. Both RDPs at the moment report only the farmland ignoring the High Nature Value forests. This indicator is both a baseline and an impact indicator for all RDPs. It must be requested that the MA develops this indicator both in their farmland and forest parts based on the EU Guidance¹⁰ document.
- The first reporting on the monitoring the results and impacts on the environment from all programmes will be during their MTEs. The set up of their monitoring systems however does not provide information on the actual environmental status. In the best case, it provides proxies about it – eg. number of Natura 2000 management plans in force.

It should be requested that environmental impact monitoring systems are put in place as parts of the official monitoring systems for the OPs and RDPs.

- **The issue of delayed implementation of nature conservation measures and projects should be constantly raised in order to overcome its negligence by the Managing Authorities and the Paying Agencies:**
- Lobby national Ministries of Environment to increase the budgets of the nature conservation priority in OPs Environment during the MTE process. It is already clear that it is unlikely the huge budgets under the Water and Wastewater infrastructure priorities will not be fully committed and spent by the end of the programming period, therefore it is a worthwhile effort to require increase of nature conservation budgets where experience shows that interest and capability of implementation are high. Furthermore, doubling a budget of 4% to 8% is a lot for direct

¹⁰ EC, 2009, Guidance Document: The Application of the High Nature Value Impact Indicator Programming Period 2007-2013, authors Beaufoy, G., T. Cooper for the European Evaluation Network for Rural Development

conservation activities on the ground, and at the same time it is insignificant reduction for example from 40% to 36%.

- Lobby national Ministries of Environment and Agriculture to introduce the concept for Payments for Environmental Services at least in OPs Environment, OPs Fisheries and RDPs by developing model/pilot projects to test wider scale implementation in the future periods. Again the MTE process is a good point in time to introduce it. Unspent budgets allow plenty of opportunities in the specific measures and priorities. Technical assistance budgets can finance their development if the MAs consider they are not capable of doing it themselves.
- Initiate and stimulate a more constructive and productive dialogues between the Ministries of Environment and Agriculture to make a full use of the existing opportunities to finance the implementation of the WFD on agriculture and forest lands in rural areas via RDP measures 213 in its WFD aspect and measure 216 for non-productive investments.

The same should be done for financing the Danube RBMP and the nature conservation actions of their PoMs by special calls of the OPs Environment.

If this is not done, it will be not only a lost opportunity but a real failure to make best use of EU money for EU environmental priorities. This will have effect not only in the current programming period but impact the future as well. There is plenty of evidence now that only the well-known measures are attracting interests of the administration and beneficiaries alike.

Agri-environmental measures:

- As mentioned in the previous section the problems related to the implementation of AE schemes in Bulgaria and Romania differ. One thing that could be done in common is exchange of experience especially regarding the implementation and control procedures since for both countries the experience in this field is new and limited.
- Regarding the information: specific promotion campaigns and training for farmers should be developed and especially tailored to this measure. It is strongly recommended that the promotion and information campaigns should be organized before the period of application in order to give enough time for farmers to prepare the documents needed for their participation in the schemes.
- Advisory services: Measure 114 of R 1698/2005 that will enable private consultancy companies to offer to farmers' advice on the environmental issues and especially the ones related to their agricultural activities should be developed and implemented.

Part 2 Development and implementation of PES schemes with EU funds

Comment: Summarizing the main points of PES relevance from the previous analysis and extracting recommendations for a public funded PES scheme brought issues to the table. Some are very practically oriented others are more general. However, this is the level of detail which seems to be possible without having a clearer picture of the environmental and regional focus of the PES schemes which the PES project team is developing.

1. Background

The traditional top-down approaches of regulatory measures (command and control), ecosystem restoration and technical assistance usually do not provide sufficient incentives to induce land managers themselves to make production decisions that increase the delivery of ecosystem services. With a payment for ecosystem services (PES) land managers should find it individually beneficial to make decisions about their land that are also socially demanded. Thus, PES schemes should be regarded as a complement rather than a substitute to these other instruments.

Development and implementation of PES schemes with EU funds is neither a straightforward nor a linear process. EU funds provide a multitude of options for funding environmental and nature conservation projects. In theory, they should be a good source for funding the implementation of PES schemes as well. The practical realization of this, however, represents quite a challenge since the different funding possibilities are distributed in different EU funds. Streamlining all these different EU Funds to support one national (or indeed a couple local) comprehensive PES scheme that involves different actors/beneficiaries at different scales faces a serious implementation effort. As a beginning it involves:

- ❖ excellent knowledge of the available EU funds and their specific requirements and timetables in each of the countries involved;
- ❖ proven project development and project writing skills to meet the above mentioned requirements;
- ❖ outstanding communication and facilitation skills to involve partners and keep them interested and motivated during the whole process of project appraisal and contracting (before actual implementation begins) due to the still slow pace of administering these stages;
- ❖ advocacy and lobbying experience to complement identified funding gaps either with change in the EU funds programmes or with private funding.
- ❖ strong motivation and willingness to make things work out.

2. PES Implementation Characteristics

The international experience in funding for Payments for Environmental Services reveals that there are two main sources of financing PES schemes (1) governmental or public funds; and (2) private environmental service user funds. Both types have strengths and weaknesses related to the scope, effectiveness and impacts of the supported PES schemes.

Table 18 Strengths and Weaknesses of Public and Private Funded PES schemes

Source	Strengths	Weaknesses
Government / Public funded	Operate at larger scales; Often the only mechanism for financing environmental outcomes whose values are diffusely spread across large numbers of people (e.g., biodiversity conservation, endangered species). Can be cost-effective due to administrative economies of scale.	Usually less targeted; Uniform payments across large areas irrespective of the actual costs and benefits; Often poorly monitored and controlled; Often hijacked by other political agendas; Overall less efficient in achieving environmental targets.
User / Private funded	More focused in their interventions including target zones and differential PES rates; More conditional, and thus ultimately more efficient in delivering ES.	Typically smaller scales (e.g. at the watershed scale); Usually not possible to scale up.

One way to secure longer-term and continuous financing is to construct a mixed system funded by both public and private sources. If carefully designed it can overcome their particular weaknesses and build on the strengths of each funding type. In reality, many EU funded projects also have mixed funding since most of them require a certain level of private co-financing.

Mixed funding is especially appropriate where multiple environmental services are clearly identified. Conservation actions normally provide several simultaneous environmental services from the same site. Securing payments for each of these environmental services (ES) can help make conservation economically viable for the providers of the services.

Conceptually, there are three main types of joint financing for multiple environmental services¹¹:

- (i) *bundling* - the same single user buys multiple environmental services from the same plot;

¹¹ Wunder, S., S.Wertz-Kanounnikoff

- (ii) *layering* - multiple buyers of separate environmental services jointly finance start-up and recurrent costs of ES provision from the same plot;
- (iii) *piggy-backing* - biodiversity investors co-finance PES start-up, but rely for subsequent recurrent payment costs on payment vehicles based on other ES.

Box 3 Example of a layered PES scheme

One example of a layered PES scheme (REDD/biodiversity) is the Andasibe-Mantadia Biodiversity Corridor Project in Madagascar, where carbon emission reductions are purchased by the BioCarbon Fund whereas biodiversity interests are financed by the Third Environment Program of Madagascar, with the support from Conservation International.

Source: Wunder, S., S.Wertz-Kanounnikoff

Layering and piggy-backing options are typically more relevant for user-financed PES programs while bundling is the case of most government-financed PES.

Practically speaking, the development and implementation of a PES scheme with EU financing would benefit most from layering the environmental services from the project sites and 'offering' them to the appropriate EU Fund/ Operational Programme and/or their private users.

For example, if the project site has biodiversity importance as confirmed by its Natura 2000 status, the production service displayed by the food (including farming, fish and non-timber forest products) or timber products can be rewarded by a premium payment for certified production (organic or FSC); while the biodiversity conservation actions can be rewarded by a public payment from the RDPs – Agri-environment or Forest environment or Natura 2000 measures.

3. Key observations from the analysis in part 1 and resulting recommendations

Danube Programme of Measures (PoM)

- PES entry point is provided by the WFD principle for cost recovery of water services, including its environment and resource costs;
- However, at the moment there is very little experience among the Danube countries to account the environment and resources costs of the water services;
- The national PoM list a good number of measures which can be implemented by some forms of PES; furthermore, it seems that the wetlands and biodiversity conservation related measures are the ones that can be delayed since they are not linked to any derogation or transition period expiring by 2015.

EU funds implementation

- Overall, the EU Funds implementation plans and programmes show a good coverage of the main needs in the countries for the moment when they were designed.
- The experience (as limited as it is at the moment) shows that the nature conservation measures are lagging behind in practical prioritization by the Managing Authorities. This is because they are either seen as not easy (e.g. the BG AE measure) or their reporting as measured by the annual output indicators is not encouraging it (eg. the BG direct conservation activities in the Biodiversity Priority of OP Env)
- Yet, the implementation of the RO AE measure HNMF grasslands package is seriously outnumbering the target values. Thus, the elaboration of the PES schemes should use the Romanian AE experience for development and implementation of area-based payment schemes. This means **simple and clear requirements for land management**. However, the expected impacts on environment protection and nature conservation should be carefully considered in the design of the simple schemes;
- An important opportunity for contributing to the PoMs implementation is introducing measure 213 Support for Natura 2000 and WFD and 216 Support for non-productive investments especially if relevant to the environmental issues in the PES project model areas. A note worth mentioning here is striking the balance between simple implementation and reaching environmental targets.
- Schemes involving larger investments for infrastructural improvements would best be financed in projects implemented in partnerships with local public authorities as all EU funded programmes provide usually 100% public aid for such projects.

- The requirements, legislation and experience in **public private partnerships** (PPP) have to be carefully reviewed and applied. This is potentially a very strong approach in ensuring the PES scheme sustainability after the end of the project.

There are several points for particular consideration (More considerations on this issue are presented in Section 4 “Specific Recommendations for PES Scheme Set-up”):

- The lack of experience in managing PPP in the long term requires specific attention and will involve a lot of ‘learning by doing’.
- Local public authorities are very influenced by political parties’ interests especially now when so much EU funding is directed to them, so this has to be handled with care.
- **Private investments** for PES schemes are also potentially well funded by EU funds programmes. However, this will require targeted action by the PES scheme team in:
 - Securing the **co-financing especially for smaller investment** projects. One option is to enable access to the National Credit Guarantee Funds (More considerations on this issue are presented in Section 4 “Specific Recommendations for PES Scheme Set-up”).
- **Technical assistance** to beneficiaries of EU funds is strongly recommended given the high share of rejected projects simply due to non-compliance with written requirements. Here we do not examine the style and complexity of these written requirements. The important aspect is that they are available prior to application and are not met or misunderstood by the potential beneficiaries. Options include (More considerations on this issue are presented in Section 4 “Specific Recommendations for PES Scheme Set-up”):
 - **Developing guidance document** for project proposals development. Currently, most of the environmental sustainability options are not used simply because the EU funds project consultants are coming from conventional type of investments.
 - One option is developing **model PES type project proposals** for the targeted size of investments which are then made available to EU funds applicants.
 - Another option is the PES project to **provide technical assistance** in developing specific project proposals for participants in the PES schemes.
- Nearly all measures or areas for intervention are open only in a certain period of the year and some may not be opened each year. Timing is an important aspect to consider in the development of PES scheme. Unfortunately, the dates/period of opening are not stipulated firmly anywhere (this is not required by the Implementing Regulations). They are being decided by the Implementing Bodies together with the Managing Authorities on a regular or ad-hoc basis.
- It is strongly recommended that representatives of the MAs are members of the Steering Committee or other form of Advisory Committee for the project. The project is supported by both Min of Agri and Min of Env in its preparation phase hence this should be used to the maximum.

- In the ideal situation a complete PES scheme could best be funded if initiated and developed by a local action group (LAG) funded either by the RDPs or OP Fisheries for the fisheries development areas. At the same time, there is a limitation that RDP LAGs cannot provide area-based payments.
 - Leader LAGs (RDP funded) despite being significantly delayed are in a much advanced phase already and hence it will be potentially possible to do it in the LAGs in which WWF DCPO is already involved in one form or another or by joining LAGs in the selected model areas if such are being developed.
 - OP Fisheries LAGs measures are still not opened in the two countries. Thus it is recommended to follow and influence the process no matter how early it is – measure developed, implementation act under development, etc. – and check the options for supporting a PES scheme (when related to fisheries of course).
- The use of EU funds for funding potential PES schemes is conditional not only to the sectoral scope of the scheme but also on its geographic scope. Developing a PES scheme for the Danube, the most international river-basin in the world, implicitly requires scaling-up to a sufficiently large scale. This requires exploring the opportunities under the Cross-Border Cooperation and SEE Transnational Programme.

4. Specific Recommendations for PES Scheme Set-up

As outlined in the previous section there are a number of actions that the PES project team can undertake to maximize the EU funds potential for financing PES schemes:

- 1) Set up a Public-Private Partnership to leverage private funds and pool them with public resources;
- 2) Facilitate the private co-financing of environmental investments in the PES scheme;
- 3) Provide technical assistance to environmental service providers and possibly users to develop project application for EU funding compatible with the PES scheme.

Ideally, these actions should be implemented together to benefit from their synergetic effect. In reality, the PES project team should make a considerate assessment and selection of the feasibility of each of them.

4.1. Set up a Public Private Partnership for PES scheme

The 2002 World Summit on Sustainable Development suggested that Public-Private Partnerships (PPPs) can be the answer to the global environmental problems. Since then the PPPs in global environmental governance have been approached in three ways¹²:

- as an idealised tri-sectoral network between the state, NGOs, civil society and private actors;
- as a power struggle between state and the private sector usually at the expense of the state; and
- as regimes/institutions.

International institutions and donor organizations, including the GEF and the European Union are very active in exploring this innovative approach. The PPP implies a common understanding of shared goals, a willingness to split responsibilities for their achievement, a continuing public-private dialogue on what needs to be done to promote their realization, and a supportive policy and institutional framework.

Box 4 GEF Public Private Partnership Programme

The PPP programme is designed to:

- generate and leverage financial resources;
- design programs based on innovation and entrepreneurship; and
- provide incentives for the private sector to enter new areas and approaches.

Source: GEF, 2007, Investing in the Environmental Forefront: Public Private Partnership

¹² Allouche, J. & M.Finger, 2007, Public-Private Partnerships (PPPs) and global environmental governance: The water sector as a paradigmatic case and empirical field of study. Paper presented at the 48th Annual Convention of the International Studies Association, Chicago, USA, 28 February – 3 March 2007, Panel WC 33 “Global Environmental Governance and Public-Private Partnerships”

The European Commission, on the other hand has a particular interest in PPPs within the framework of the grants that it provides, both within the context of Cohesion and Structural Funds as well as in the context of the economic crisis recovery efforts¹³. The Commission has identified four principal roles¹⁴ for the private sector in PPP schemes:

- to provide additional capital;
- to provide alternative management and implementation skills;
- to provide value added to the consumer and the public at large;
- to provide better identification of needs and optimal use of resources.

However, while PPPs can present a number of advantages, it must be remembered that these schemes are also complex to design, implement and manage. They are by no means the only or the preferred option and should only be considered if it can be demonstrated that they will achieve additional value compared with other approaches, if there is an effective implementation structure and if the objectives of all parties can be met within the partnership.

The main constraints in setting up effective PPPs are the scarce administrative capacity to draw up, negotiate and monitor contracts in an impartial and non-corrupt manner, to structure partnerships and to ensure that they operate in the public interest, while maintaining independence and avoiding conflicts of interest.

Reasoning for setting up a Public Private Partnership to implement Danube PES scheme

Given that environmental services are positive externalities arising from land use decisions that are costly to supply in most cases, and given that some free-riding is to be expected by the beneficiaries, PES schemes do not spontaneously appear and do not naturally survive¹⁵. On the contrary, **they need to be designed and nurtured by an agent that acts as mediator between suppliers and beneficiaries and, most importantly, acts as administrator of the scheme or market, thereby ensuring that “the services” are truly delivered.**

The PPP of the Danube PES scheme could have **three main objectives**:

- to leverage private funds and pool them with public funds to ensure the continuous delivery water and biodiversity ecosystem services;
- to serve as an intermediary who promotes and manages the Danube PES scheme including after the end of the project;
- to communicate to the wider public the objectives and results of the PPP and PES in order to maintain high transparency and support for them.

Overall, the PPP should lead to improved governance of environmental services including increased availability of public information, transparency and accountability in decision-making, fair treatment

¹³ EC, COM/2009/ 615 – final

¹⁴ EC, 2003, Guidelines for PPP

¹⁵ Alpízar, F. & R. Madrigal, 2008, Constructing Payment Systems for Ecological Services at the Local Level: Methodological Approach and Some Lessons Learned, A paper presented at Economics and Conservation in the Tropics: A Strategic Dialogue; January 31 – February 1, 2008

of societal concerns, equitable sharing of the costs and benefits of ES provision and actual effectiveness of management.

Geographical scope aspect

A critical question is the level at which the partnership will be formed. The different levels have different advantages and disadvantages. Considering the project approach of developing PES schemes first at model sites, it is recommended the starting point for setting up the PPP to be the same regional level in order to explore all opportunities and synergies between ES providers and users.

One very strong advantage of setting it up at regional/local level is to avoid the trap of constructing a PPP which later becomes a 'ghost' partnerships due to lack of sufficient focus and capacity to address specific regional issues.

Earlier it was mentioned that securing payments for each (or as many as possible) of the simultaneous environmental services provided by the site should make a good economic case for the providers of the service. This requires explicit identification of the environmental services and their prospective buyers. Layering environmental services makes payments feasible to the buyer as well, since theoretically (at least) they pay only for the service they use. Layering the ES might differ depending on the selected geographical scale as well due to the different users-buyers.

Whatever the case, representatives of the providers and the buyers from all levels should join the PPP to ensure best value for efforts and money.

Essential Conditions

The following four essential conditions are defined by the Conservation Finance Alliance¹⁶ for the successful operations of Conservation Trust Funds. They are cited here because on the one hand Conservation Trust Funds are often characterized as public-private partnerships, and on the other hand, they present very clearly which minimum conditions have to be in place before such endeavour is started:

1. The issue to be addressed requires a commitment of at least ten to 15 years;
2. There is active government support for a public-private sector mechanism outside direct government control;
3. A critical mass of people from diverse sectors of society that can work together to achieve biodiversity conservation and sustainable development; and
4. There is a basic fabric of legal and financial practices and supporting institutions (including banking, auditing and contracting) in which people have confidence.

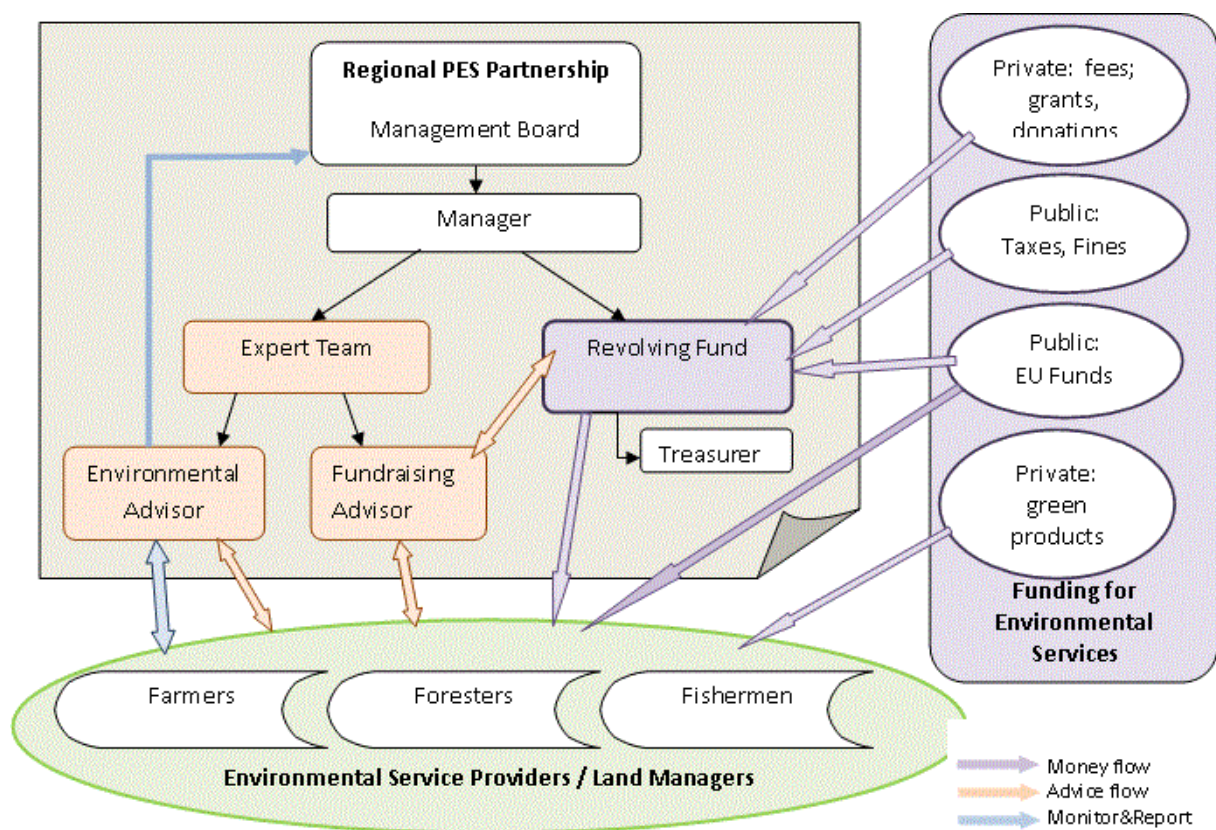
Other key factors include clear and measurable goals and objectives; a strong manager; government support (from local to national); high levels of stakeholder involvement and financial and administrative discipline.

¹⁶ Conservation Finance Alliance (CFA). 2008. *Rapid Review of Conservation Trust Funds*. Prepared for the CFA Working Group on Environmental Funds by Barry Spergel and Philippe Taïeb.

Proposed structure of the PPPs

This is only a model structure of the proposed PPPs outlining the main actors and factors that should be involved. The final structure and status of the PPP (if this approach is adopted) should be decided jointly with the main stakeholders implementing a truly participative planning and decision taking. Therefore, this proposed structure is developed and should be treated only as a guiding starting model.

Graph 1 Structure of Proposed Regional PES Public-Private Partnership



The Regional PES Public Private Partnership should be an independent legal entity comprised by a management board, manager and two specialized units:

- (1) Expert Team provides support to PES participants with access to expert advice on environmental services and EU Funds fundraising issues;
- (2) Revolving Fund which will collect and then distribute the funding for environmental services.

It can be a newly created organization or a recombination of existing institutional arrangements (for example, local development or local business centers created by previous projects in the region) to reflect the requirements of the Regional PES Partnership. The reorganization should be guided by a shared vision and can involve connecting and coordinating ongoing activities.

In the long run, the Regional PES Partnership can play a significant role as a facilitator and coordinator in local collaboration processes that involve international associations, national, regional, and local authorities, researchers, NGOs, and land managers to maintain and restore the natural values of the area.

The Regional PES Partnership will also be designing projects, resolving conflicts, coordinating conservation and restoration efforts and administering payments for them, as well as developing policy (when necessary), producing monitoring and evaluation reports.

By default, the activities in the different units will be project based; framed by the availability of a regular funding stream as well as the availability of a suitable person to manage the issue.

The advantages of such set up are that it provides flexibility and opportunity to test ideas and projects guided by the overall goal to ensure continued and sustainable flow of environmental services.

The disadvantages are related to the constant pressure to identify funding opportunities and develop proposals for them.

Box 5 **Example of processes and strategies to ensure the sustainability of a regional wetland landscape partnership in Sweden**

Developing motivation and values for ecosystem management

- Envisioning the future together with actors
- Developing, communicating and building support for the mission
- Identifying and clarifying objectives
- Developing personal ties
- Establishing a close relationship and trust with key individuals
- Fostering dialogue with actors
- Providing arenas for trust building among actors
- Building trust in times of stability to facilitate conflict resolution
- Developing norms to avoid loss of trust among actors
- Continuously communicating success and progress of projects

Directing the local context through adaptive co-management

- Encouraging and supporting actors to perform monitoring, including inventories
- Encouraging and supporting actors to manage ecosystem processes for biodiversity and ecosystem services
- Initiating and sustaining social networks of key individuals
- Mobilizing individuals of social networks in problem-driven projects
- Making sense of and guiding the management process
- Synthesizing and mobilizing knowledge for ecosystem management
- Providing coordination of project and arenas for collaboration
- Encouraging and inspiring actors to voluntary participation
- Initiating projects and selecting problems that can be turned into possibilities
- Creating public opinion and involving local media

Navigating the larger environment

- Influencing decision makers at higher levels to maintain governance structures that allow for adaptive co-management of the area
- Mobilizing new funding when needed
- Mobilizing external knowledge when needed

- Exchanging information and collaboration with local steward associations in Sweden and internationally
- Collaborating with national and international scientists
- Collaborating with national and international non-governmental organizations
- Participating in international institutional frameworks
- Supporting diffusion of the values of the area through social networks
- Providing a buffer for external drivers
- Communicating with national media

Source: Olsson et al¹⁷, 2004

Indicative roles and functions

1. Management Board

Research studies¹⁸ indicate that public private partnerships are considered to be successful when they are led by several strong partners and the partners are willing to work together effectively in a collaborative manner. Additionally, the social network of these partners can help mobilize funding at critical times. Therefore, the set up of the management board is critically important for the long-term success of the Regional PES Partnership.

The Management Board members ideally should be selected on the basis of their personal competences through a participatory process involving the ES providers and users, local NGOs, community groups, the private sector, the local/regional councils and the national government.

It is best if the Management Board is a mix of governmental/public, private business and local NGOs/community groups. The balance of the different groups' interests should be set from the beginning and reflected in agreed written roles and responsibilities of each Board member. This shall hopefully reduce influence by short-term political consideration and will provide for greater success in attracting additional funding.

The support of the government and local councils is highly needed for comprehensive use of EU funds, but they should not control it.

The needs and concerns of the NGOs and community groups should be addressed, but they should not pull the PES Partnership in too many directions.

Representation of the private sector is also useful, increasing efficiency and often bringing a level of financial expertise not usually found in either government or the NGOs.

¹⁷ Olsson, P., C. Folke, and T. Hahn. 2004. Social-ecological transformation for ecosystem management: the development of adaptive co-management of a wetland landscape in southern Sweden. *Ecology and Society* 9(4): 2. [online] URL: <http://www.ecologyandsociety.org/vol9/iss4/art2>

¹⁸ Labich, W.G., 2000, The Historical and Theoretical Foundation for the Formation of Public/Private Landscape Planning Partnerships in Massachusetts

2. Manager

As already stated, the appointment of a strong manager is a key factor for success of the Regional PES Partnership. This person will be dealing with the day-to-day management of the PES Partnership including coordinating information and ongoing activities, building knowledge and understanding of ecosystem dynamics, providing leadership in the form of visions and goals, attracting new funding and developing a social network for ecosystem management based on trust and dialogue.

The manager will be also the ultimate responsible for ensuring the money flow in the Revolving Funds and its effective and efficient use for Payments for Ecosystem Services. The manager will be approaching both the public and the private users of the environmental services from the area in order to convince them to participate and support the developed PES scheme. This most probably will require an individual approach to each of them with presentations given to whichever aspect of the PES scheme would be appealing to them and their specific interests. For example, the municipal council may be interested in strengthening the local image and economic development, while the national government will be more interested in effective (and currently “quick”) spending of the EU Funds.

The Manager will oversee and guide the work of the expert advisors and the ‘treasurer’/finance manager of the Revolving Fund.

3. Expert Team

The Expert Team is comprised by one Environmental Advisor and one Fundraising Advisor who provide assistance to PES participants with access to expert advice.

Support from the Expert Team should only be provided to PES participants who have written/contractual agreements between themselves and the PES Partnership for the management and improvement of the environmental services on their land. These agreements should include among other things specific goals and indicators for environmental services management on the PES participant land as well as arrangements for baseline information collection and timeline for reporting on results.

3a. Environmental Advisor

The position of the Environmental Advisor is critically important in an organization aiming to ensuring the sustainable management of environmental services. The review and analysis in Part 1 clearly revealed that this type of expertise and advice is the most lacking one in the use of EU Funds. In reality, this is only a reflection of the national situations: The lack of understandable and applied environmental expertise and advice is the norm, and its lack in the EU Funds utilization is not an exclusion of this norm.

Therefore, the role of the Environmental Advisor is to interact with the land managers providing environmental services and help them improve or change their practices in an ES beneficial way.

Additionally, the Environmental Advisor will monitor and evaluate the effect of the land management practices on the environmental services and report them to the Management Board.

The Environmental Advisor can also be involved in environmental training of PES participants (providers and users) and environmental awareness raising of the local communities. In some circumstances (eg. emergency cases), the environmental advisor can initiate and lead environmental restoration actions.

3b. Fundraising Advisor

The role of the Fundraising Advisor is to ensure the flow of EU Funds for the PES scheme in two main directions:

- (1) Funding for public environmental investments enabling the operations of the PES scheme, that can go in the Revolving Fund or can be implemented separately;
- (2) Environmental funding for ES providers –private beneficiaries of EU funds, especially area-based payments measures from Axis 2 of the RDPs.

Depending on the scope of the PES scheme it may be advisable to limit the advice to private beneficiaries of EU funds only for those measures which do not have a consultancy allowance in the financial support package.

However, if the PES scheme is to have a finite number of ES providers, it may be feasible for the Fundraising Advisor to claim these consultancy allowances thus contributing to the self-financing of the PES Partnership.

A serious drawback to this approach is that it may divert the advisor's efforts only to these measures, thus abandoning the area-based payments measures (such as agri-environment, Natura 2000, etc.) which do not provide for consultancy allowance.

4. PES Revolving Fund

In principle, revolving funds receive new resources on a regular basis from taxes, fees, fines or levies that are specially earmarked for conservation work. They will only work if the source of funds is regular and predictable.

The PES Revolving Fund¹⁹ can be funded by both public and private sources. The public sources can cover EU Funds and other taxes and fines if such are introduced at local/regional level. The private sources can be fees, grants or donations as well as premium payments for certified products.

The discussion here extends only to EU funds since they are the focus of the report.

¹⁹ This is only a working title.

A) Direct negotiation of co-funding PES Revolving Fund

Pooling EU funds in the PES Revolving Fund will require lobbying and negotiations both at European and national levels. The European Commission is encouraging the use of Structural and Cohesion Funds for more innovative PPP approaches to deliver services, including in the environmental sector. For this, it requires involvement from a very early moment in the negotiation between the PPP and the national government. If an agreement is reached, it is most possible that the funding is channeled via the national OPs Environment. It is also possible (although a very limited possibility) that the Commission has some funding for pilot testing such approaches.

Therefore, it is highly recommended that the Commission services (country desk officers as well as officers dealing with the thematic issues of both PES and PPP) and the respective national EU Funds Managing Authorities are contacted as soon as the PES scheme(s) is defined and the appropriate EU Funds and funding lines are chosen. At this point, the PES scheme proposal has to be sufficiently detailed but still flexible to negotiate. The result of these negotiations and agreements will impact the legal registration format of the entire Regional PES Partnership. It is advisable that there are at least two alternative PES scheme scenarios developed.

The policy lobbying activities should be streamlined and coordinated for both the national and European levels. Key milestones should be set in view of the ongoing policy processes of the 2007-2013 funding period and the developments of the forthcoming 2014-2020 funding period.

There are a handful of selling points for each of these periods to each of the target policy makers and they should be carefully adapted to use this particular window of opportunity:

“Decentralization of EU Funds management – from national to regional level”

“EU Funds have to be used for funding EU environmental priorities – WFD and Natura 2000”

“The PES Revolving Fund will spend/distribute EU funds efficiently and effectively for environmental priorities”

“Testing the future policy focused on “Public payments for public goods””

Direct negotiation for co-funding the PES Revolving Fund is the best option because it will gain support at the highest possible level and has good chances for mainstreaming this type of support post 2013. The downsides are related to the likely longer period for reaching an agreement and implementing it.

B) Lobbying national governments to open a PES call for proposals from OP Environment

Another option is to lobby the national Ministries of Environment to open a focused call for proposals or direct contracting procedure for pilot testing PES schemes. There are good chances for success in such approach given that in both countries the budgets for the waste water sector priority are seriously lagging behind in spending. Therefore, a redirection of some of the budgets seems possible once the Mid-Term Evaluations are done.

C) Developing project proposals within the existing OPs and priorities

This approach is the least dependent on lobbying activities and changes in the OPs. It will also provide a good test of the real possibilities for using current EU Funds programmes for financing PES schemes. However, it is very possible that it will provide for the least of the needed financing in the project developed PES schemes.

4.2. Facilitate the private co-financing of environmental investments in the PES scheme

The rural economic situation in both Bulgaria and Romania is characterized by a very large number of small entrepreneurs such as small and family businesses (whether farms, fish ponds, village accommodation or shops) and much less, but much larger, companies. Conservation and care for environment is more typical for the smaller businesses because on the one hand, they are highly dependent on it for their livelihoods and on the other hand, they cannot easily move to other area if something goes wrong. Therefore, it is assumed/expected that they will represent the biggest number of PES scheme participants.

Some of the biggest problems of small entrepreneurs are related to the limited access to financing, technology (for environmentally-sensitive technology this is even more relevant) and specialized advice/assistance. It is generally accepted that technology provides growth in output and tangible improvements in efficiency and productivity and if the proposed PES scheme would involve change in land management systems, investments in new technology will be a must.

One of the reasons for the limited access of small entrepreneurs to capital from the formal financial sector is the higher administrative cost and higher default risk as perceived by the financial institutions. Commercial financial institutions cannot easily provide a large flow of credit in small loans to firms with no track record, no guarantee and no security.

This is one of the bottlenecks which the project team may decide to influence in order to make it easier for PES participants to access the needed technology and indeed to motivate more small entrepreneurs to join the scheme.

Both in Bulgaria²⁰ and in Romania²¹, there are national credit guarantee funds operating for almost a decade now. Their main purpose is to improve the access to finance for SMEs and are considered especially important for enabling the co-financing of EU Funds use. Still, their services are not widely used in rural areas. It is advisable to establish common points of interest and facilitate the use of their guarantees for the investments in environmental services related technologies. In this way, PES participants will be able to access credit from any of the banks that have agreements with the national credit guarantee funds.

²⁰ <http://www.nasbank.bg/en/goals.html>

²¹ www.fngcimm.ro ; www.garantare.ro

Another approach to improve access to credit for small entrepreneurs is to negotiate a package for environmental investments with a bank operating in the region of the PES scheme. This approach, however, does not solve the issue with the collateral and guarantee.

A mix of the two approaches is also possible. However, it will depend really on the developed PES scheme and the needed investments for environmental technologies. If they are not crucial to the success of the PES scheme, then it is clearly not worth the effort. But if such investments are essential, then every effort should be made.

4.3. Provide technical assistance to environmental service providers

As stated previously in the report, access to specialized advice is one of the biggest problems for small entrepreneurs. The most effective approach is to provide direct and individual consultations on the spot to the PES beneficiaries. But this is also the most cost-demanding approach.

In a PES scheme where a certain level of homogenization of the land use and land management is present, an alternative cost-efficient way of assistance is the availability of 'model investment project proposal for ES-needed investments'. This could be for example, the need for a manure spreading machine in order to reduce water pollution or a bird protective net for fish-ponds.

This approach is also good for enabling the transfer of project experience to other regions or in scaling up the PES scheme to larger regions of the country.

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Abbreviations

AE	Agri-environment
BG	Bulgaria
DRBMP	Danube Riverbasin Management Plan
EAFRD	European Agriculture Fund for Rural Development
EC	European Commission
EERP	European Economic Recovery Plan
ES	Environmental Service
EU	European Union
HNVF	High Nature Value Farmlands
HNV	High Nature Value
IACS	Integrated Administration and Control System
IBA	Important Birds Area
ICPDR	International Commission for the Protection of Danube River
GEF	Global Environmental Facility
LAG	Local Action Group
LPIS	Land Parcel Identification System
MA	Managing Authority
MTE	Mid-Term Evaluation
MoA	Ministry of Agriculture
MoE	Ministry of Environment
NGO	Non-Governmental Organization
OP	Operational Programme
PA	Protected Area
PES	Payment for Environmental Service
PoM	Programme of Measures
PPP	Public Private Partnership
RBMP	River Basin Management Plan
RDP	Rural Development Programme
RO	Romania
SAPARD	Special Pre-Accession Programme for Agriculture and Rural Development
SAPS	Single Area-Based Scheme
SEE	South Eastern Europe
SME	Small and Medium size Enterprises
WFD	Water Framework Directive



ANNEXES

Annex 1a Review of Rural Development Programme in Bulgaria

Rural Development Programme	Bulgaria				
Environmental priorities	Biodiversity, Water, Climate change				
Environmental objectives	Increasing knowledge of the farmers and landowners on environmental protection and biodiversity conservation issues				
Measures	Objectives	Scope	Actions	Targets	PES relevance
Measure 111 “Training, Information and Diffusion of Knowledge” 100% public support	To ensure knowledge in sustainable management of natural resources including requirements for cross compliance, renewable energy sources and organic production	Whole territory – agricultural producers and forest owners	Free of charge - training courses for farmers and forest owners - Information actions - between 6 to 18 hours (18 hours for beneficiaries under Measure 214 <i>Agri-environmental Payments</i> for whom training is required) . Information activities may be complemented with the preparation and dissemination of brochures -Seminars, information sessions and working meetings; All training courses should include in the curricula Basic training on general environmental problems in agricultural/forestry sector – minimum 6 hours; in GAEC, according to Art.4 in Dir. 91/676/EEC– minimum 2 hours.	Number of participants trained on topics related to environment preservation – 18000 Number of trained beneficiaries supported under Measure 214 <i>Agri-environmental Payments</i> – 10000 Share of courses and information actions with their main topic: on Basic training on general environmental problems in the agricultural/forestry sector and/or on Sustainable management of natural resources in compliance with the EU legislation- 10%	Training courses could be organized within a PES scheme or as a PES scheme

Measure 143 “Provision of Farm Advisory and Extension Services in Bulgaria and Romania (2007-2009)”	<p>To assist farmers to access the support possibilities under the 2nd Pillar of CAP to help them to adhere to GAEC, agricultural production hygiene and quality standards, veterinary and phyto-sanitary requirements, environmental protection and animal welfare standards.</p>		<p>Free of charge advice for the farmers for :</p> <ul style="list-style-type: none"> - preparation of the full set of applications and required attachments <i>for m.214 Agri-environmental payments;</i> - advice on implementation of the Bulgarian Good Agricultural and Environmental Conditions (GAEC), for m. 141 <i>Semi-Subsistence Farms</i> or m.112 <i>Young Farmers</i> and m. 142 <i>Setting up Producer Groups;</i> - advice on addressing environmental protection problems (water pollution, soil erosion, bio-diversity, climate change) for m. 141 <i>Semi-Subsistence Farms.</i> 	<p>Number of assisted semi-subsistence farmers –20000 Number of assisted farmers for measure 214 “Agrienvironment payments” - 3000</p>	<p>PES related consultancy packages can be designed in partnership with the NAAS which can help ensure the ongoing availability of PES consultancy even after the project end. N.B For Bulgaria the measure continues only for semi-subsistence farms after 2010</p>
Measure 141 Supporting Semi-Subsistence Farms Undergoing Restructuring	<p>Indirect objective – Although not clearly stated in the objectives semi-subsistence farmers have a key role for managing HNV farmlands in extensive way. Support for them will help them continue their farming activities thus preventing land abandonment and negative impacts associated with it.</p> <p>Additionally by definition semi-subsistence farms should maintain crop rotations thus preserving mosaic landscape and biodiversity</p>	<p>Semi-subsistence farms (between 1-4 ESU) on the whole territory of the country</p>	<p>Actions related to the environment include: compliance with Community animal welfare, environmental protection, hygiene and occupational health and safety and a commitment to undertake and complete the relevant training courses/information actions offered under M111 Training, information and diffusion of knowledge on general environmental problems in the agricultural sector by the end of the third year of the period of support (if the applicant hasn't completed secondary and/or higher education in the field of the ecology and/or he/she hasn't received advice on addressing environmental protection problems under measure 143).</p>	<p>21000 semi-subsistence farms continuing doing their activities and received relevant environmental conservation information</p>	<p>Semi-subsistence farms can be the majority of land managers in PES project sites; their motivation for participation will be crucial to the success of farm-based PES schemes.</p>

<p>Measure 223 First afforestation of non-agricultural land</p>	<p>Enhance the forest cover in order to contribute to climate change mitigation and to support natural biodiversity.</p> <p>Diminish soil erosion and avoid land marginalization.</p> <p>Improve the water balance in the supported afforested and neighbouring areas</p>	<p>Non-agricultural land in:</p> <ul style="list-style-type: none"> - areas belonging to municipalities with average forest cover less than 60%; - areas with high and medium risk of soil erosion²². <p>Non-agricultural lands include:</p> <ul style="list-style-type: none"> - Abandoned agricultural land – not in use for at least three years. - Not afforested forest fund lands excluding environmentally valuable areas. 	<p>Establishment actions include:</p> <ul style="list-style-type: none"> - Definition of a technological plan for afforestation; - Site preparation for afforestation; - Seeding and planting; - Actions for guided natural succession; - Fencing. <p>Maintenance costs for:</p> <ul style="list-style-type: none"> - Repair seeding or repair planting; - Tending in young afforested land up to 5 years after afforestation. 	<p>Area (ha) under successful land management contributing to:</p> <ul style="list-style-type: none"> - biodiversity and high nature value farming/forestry 6000 ha - water quality – 3000 ha - mitigating climate change – 8000 ha - soil quality 3000 ha - avoidance of marginalisation and land abandonment – 10000 ha <p>Contribution to combating climate change – 72 ktons</p>	<p>Investment and maintenance costs for forest-based PES schemes requiring afforestation</p>
Environmental priorities	To halt the loss of biodiversity and contribute to a significant reduction in the worldwide rate of biodiversity loss by 2010				
Environmental objectives	Conservation of biodiversity and HNV farmland				
Measures	Objectives	Scope	Actions	Targets	PES relevance
Measure 214 “Agrienvironmental	- To avoid the further loss of high nature value grasslands	Permanent grasslands	Mowing/ grazing in certain periods in	200 000 ha improved HNV	Area based payments to land managers of

²² about 80,6% of the whole territory of the country

<p>payments”</p> <p>HNV1 & 2 Restoration and management of HNV grasslands</p>	<p>and associated species through abandonment, conversion to arable land and other crops, or over-grazing;</p> <p>- To conserve and maintain high nature value grasslands and associated species through the continuation or re-introduction of traditional management practices on semi-natural grasslands;</p>	<p>category in HNV</p>	<p>traditional extensive way</p> <p>No use Plant protection materials and mineral fertilizers</p> <p>No drainage or ploughing</p>	<p>grassland</p>	<p>HNV grasslands</p>
<p>Measure 214</p> <p>“Agrienvironmental payments”</p> <p>OF 2 Organic apiculture</p>	<p>Organic apiculture will improve the pollination of wild plants and contribute to the protection of the biodiversity. It will also improve the pollination of fruit-growing crops and their production without using additional quantities of nitrogen containing fertilizers which will lead to preservation of soils.</p>	<p>Whole county</p>	<p>To keep all the bee families in the farm in compliance with organic farming methods.</p>	<p>Not specified</p>	<p>Annual payments to bee keepers; not directly relevant to PES but potentially contributing to regional product schemes, if envisaged by PES scheme</p>
<p>Measure 214 AE HNV3</p> <p>Maintenance of waterfowl habitats</p>	<p>Announced, but not yet developed</p>				<p>Can be developed and tested as a part of PES scheme in important habitats</p>
<p>Measure 214</p> <p>“Agrienvironmental payments”</p> <p>HNV4 Maintenance of habitats of protected species in arable lands of Important Bird Areas</p>	<p>To protect biodiversity and to ensure the protection, maintenance and/or recovery of the favourable condition of habitats and bird populations during the breeding season, on</p>	<p>All arable UAA classed as HNV</p>	<p>No use of plant protection materials and mineral fertilizers</p> <p>Retain winter stubbles</p> <p>No ploughing or cultivation in certain plots of the farmers block</p>	<p>Stabilization or increase of farmland bird populations in SPAs and IBAs</p>	<p>Areas based payments to land managers targeted to IBAs</p>

(IBAs)	migration or during winter				
Measure 214 AE HNV 5 Restoration of Riparian habitats	Announced, but not yet developed				Could be developed and tested as a part of PES scheme
Measure 214 “Agrienvironmental payments” Landscape features 3: Traditional orchards		Traditional orchards on the whole territory of Bulgaria that correspond to the definition of a traditional orchard	Retain all living fruit trees; Ensure regular pruning at least once per year Maintain grass growing on the floor of the orchard through grazing and/or mowing No use of plant protection materials and mineral fertilizers	At least 11 000 ha of traditional orchards or nut plantations are maintained leading to the preservation of at least 50% of varieties on the Official variety list of fruits;	Not directly relevant to ecosystem services, but may be contributing to an overall PES scheme
Measure 214 AE Landscape features 1&2: Lowland mosaic landscape & Creation, Restoration and maintenance of field boundaries	Announced, but not yet developed				Could be developed and tested as a part of PES scheme
Measure 214 “Agrienvironmental payments” LB 2: Traditional Shepherd Systems (Mountain Pastoralism)	To support traditional patterns of seasonal grazing of high nature value natural and semi-natural pastures in specified mountain regions using national breeds and methods; To apply the grazing as a tool for conservation and maintenance of habitats and species in the high mountain;	National Parks Pirin and Central Balkan	The farmer/shepherd must graze their livestock on the designated mountain pastures for at least 3 months of the year (e.g. May– October). Use of pure breed shepherd dogs is also supported	Increased utilisation of high mountain pastures leading to maintenance of a) the high nature value of the mountainous grassland communities and b) the traditional ‘open’ mountain landscapes;	Could be extended to Nature parks

Environmental objectives	To conserve species and habitats, with special concern to prevent habitat fragmentation				
Measures	Objectives	Scope	Actions	Targets	PES relevance
Measure “Natura 2000 payments and payments linked to Directive 2000/60/EC (WFD) – agricultural land”	Announced, but not yet developed				If developed well could become a good national PES scheme for biodiversity
Measure “Natura 2000 payments for forests”	Announced, but not yet developed				If developed well could become a good national PES scheme for biodiversity
Measure 214 “Agrienvironmental payments” HNV4 Maintenance of habitats of protected species in arable lands of Important Bird Areas (IBAs)	To protect biodiversity and to ensure the protection, maintenance and/or recovery of the favourable condition of habitats and bird populations during the breeding season, on migration or during winter	All arable UAA classed as HNV In IBAs and SPAs	No use of plant protection materials and mineral fertilizers Retain winter stubbles No ploughing or cultivation in certain plots of the farmers block	Stabilization or increase of farmland bird populations in SPAs and IBAs	Areas based payments to land managers targeted to IBAs
Environmental Priority	Water				
Environmental objectives	To achieve good ecological status of all water bodies by 2015 (Water Framework Directive 2000/60/EC). To reduce the pollution of water caused or induced by the application and storage of inorganic fertiliser and manure on farmland and prevent further such pollution to safeguard drinking water supplies and to prevent wider ecological damage through the eutrophication of freshwater and marine waters. (Nitrates Directive 91/676/EC).				

Measures	Objectives	Scope	Actions	Targets	PES relevance
Measure 121 Modernisation of Agricultural Holdings	To improve the protection of the environment;	Whole territory of the country Nitrate vulneranble zones	Investments for implementation of Council Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources including investments it to improve efficiency of nitrogen fertiliser use (e.g. reduced use, equipment, precision agriculture),and improvement of manure storage; - Investments for organic farming - Investments in biogas production using organic waste from the agricultural activities of the holding; - Investments in on-farm level irrigation facilities if clearly linked to improved water management <i>i.e.</i> in <i>water savings technologies (e.g. efficient irrigation systems improving the water efficient use), water saving equipment and water storage</i> facilities linked to improved water management;	- 2000 farm holdings supported for implementing of Council Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources - 15% of investment directly related to implementing of Council Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources - 5% of investment directly related to facilities and corresponding equipment for organic agricultural production	Investments in farms participating in PES schemes; to make the investments relevant and targeted will certainly require additional technical support/advice.
Measure 214 Agrienvironmental payments OF1 Organic farming	- To encourage more “balanced” organic farming systems based upon crop rotations and the integration of crop and livestock production; - To maintain local and regional balances and protect soil and water using the natural resources and energy;	Whole territory of the country	To follow the requirements of Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No. 2092/91 on the whole farmers block	8% of the whole utilized agriculture land to be under organic management by 2013;	Area based payment, potentially contributing to water quality PES schemes

Measure 214 Agrienvironmental payments SW 1: Crop rotations for soil and water protection	Support the nutrient management planning (including the storage and application of livestock manure) ; Support the increased use of crop rotations which are designed according to specific criteria for a) the control of soil erosion (slight to moderate) and b) the reduction of nutrient losses (especially nitrate leaching)	All regions of Bulgaria where arable crops are grown and crop rotations can be implemented – priority will be given to applicants from within the designated Nitrate Vulnerable Zones	<ul style="list-style-type: none"> - Take soil samples for analysis of N, P, K (with support of an advisor) - Prepare and implement a 5 year Nutrient Management Plan (NMP) with support of an advisor or qualified agronomist) - Maintain at least 50% of the total crop rotation area of the farmers block covered with winter crops. - Apply a 4-stage crop rotation Not to cultivate the soil before 1st of April 		Area based payment, potentially contributing to water quality PES schemes
Environmental Priority	Climate change				
Environmental objectives	Carbon storage - To protect and ensure the sustainable use of soil GHG – emissions - To fulfil the commitment of an 8 % reduction in emissions by 2008-12 compared to 1990 levels for the European Community as a whole, in accordance with the commitment of each Member State set out in the Council Conclusions of 16 and 17 June 1998 (Sixth Environmental Action Programme 1600/2002/EC)				
Measures	Objectives	Scope	Actions	Targets	PES relevance
Measure 226 –Restoring forestry potential and introducing prevention actions	Indirect - Restoring forests damaged by forest fires, and other natural disasters;	State, municipal, and private owned forest as follows: -Restoring actions are eligible on the whole territory of Bulgaria -Prevention actions are restricted to areas classified as high	Restoring actions: <ul style="list-style-type: none"> - Clearing of forests damaged by fires, wind draw and other natural disasters; - Reforestation of damaged forests using indigenous tree species; - Establishment and improvement of timber depots in case of disasters. Prevention actions: <ul style="list-style-type: none"> - Establishing and improving of fire protection facilities – silvicultural breaks, fire precaution cuttings, 	Contribution to combating climate change - 180 Ktons; Area under successful land management contributing to: <ul style="list-style-type: none"> - mitigating climate change – 170000 ha - soil quality – 170000 ha 	Investment support, but if projects are not properly designed could have also very negative effect on environmental services

		and medium forest fire risk.	mineralised strips etc.;		
			- Diversification of vegetation structure by transforming coniferous plantations into broadleaves or mixed stands.		
Measure 214 Agrienvironmental payments SW2	<ul style="list-style-type: none"> - To decrease soil pollution; - Prevention of degradation processes in agricultural land threatened or affected by erosion; - To contribute to preservation, restoration and improvement of soil fertility and ecosystem functions of the soil cover. 	Whole territory of the Bulgaria. Priority given to municipalities with moderate to severe erosion problems on agricultural land (arable land, pastures, orchards and/or vineyards).	<p>Implement 5 years anti-erosion plan that includes:</p> <ul style="list-style-type: none"> - Creating grassy buffer strips - Planting of forecrops for erosion control; - Creating run-off holding furrows - Planting crop strips - Strips 30 to 100m wide, - Converting of arable land into pasture and manage it in extensive way (not more than 2 LU/ha) - Applying practices for improvement of pastures- - Applying anti-erosion practices in vineyards and orchards 	Significant contribution to reducing the risk of moderate to severe soil erosion from agricultural land (arable land, pastures, orchards and/or vineyards).	Area based payments
Measure 311 Diversification into Non-Agricultural Activities and Measure 312 Support for the Creation and Development of Micro-Enterprises	<p>To promote diversification into non-agricultural activities by the farming sector;</p> <p>To promote integrated rural tourism development.</p>	The measure will be implemented in 231 rural municipalities.	<p>Rural tourism development</p> <p>Production and sale of renewable energy:</p> <ul style="list-style-type: none"> - solar, wind, water, geothermal energy, etc. except bio-fuel production; - bio-energy in case of processing of raw materials coming from the own agricultural holding. 		Investment support in tourism related PES schemes and renewable energy.

Annex 1b Review of Rural Development Programme in Romania

Rural Development Programme	Romania				
Environmental priorities	Biodiversity, Water, Climate change				
Measures	Objectives	Scope	Actions	Targets	PES relevance
Measure 111 “Training, Information and Diffusion of Knowledge” 100% public aid	- To acquire relevant information and knowledge ensuring the sustainable management of both agricultural and forestry land and operations, and of the social conversions thus contributing to the improvement of living conditions and decrease of unemployment in rural areas. - To improve and develop the necessary competencies for persons in forestry activities to practice a	The whole country	1. Short term vocational training programmes (initiation, perfecting and specialisation courses) with different training periods, depending on the course theme, target group and the existent level of training of vocational training applicants (final beneficiaries) to improve and perfect the knowledge on managerial and technical competencies in agricultural, forestry and food sectors, for introducing new technologies and innovations, environment protection and organic farming, knowledge and observance of the cross-compliance conditions etc. 2. Information and diffusion of knowledge actions regarding the support schemes of CAP, the implementation methods of rural development measures. The activities provided within this measure are collective, not individual.	134 679 participants in vocational training Activities, of which - 40 000 agri-environmental farmers - 30 000 beneficiaries attended one training module on environmental protection 272,869 participants in information and diffusion of knowledge activities	PES related training programmes can be designed in partnership with competent authorities/bodies, able to provide training under this measure. This can help ensure the ongoing availability of PES training even after the project end. Information measure can be used to promote the developed PES schemes (when relevant to the RDP focus) in the

	sustainable management of forests .				specific regions or nationally if such measures are applied.
Measure 143 “ Provision of Farm Advisory and Extension Services in Bulgaria and Romania (2007-2009) ” 100% public aid	Improving the general management of agricultural holdings to reach performance, with impact on general improvement of holdings’ outputs, diversification of farms’ activities, identification of requirements necessary to respect the Community standards regarding the occupational safety and environment protection.	The whole country	To facilitate the access to advisory and extension services for the beneficiaries of semi-subsistence measure in order to ensure their conversion to commercial farms. To draw up the business plans, advisory for filling in the application forms to benefit by the rural development measures, in particular for the young farmers, the semi-subsistence farms and the farmers applying for the agro-environment measures, as well as natural persons applying to Measure 221. Consultancy and advisory for complying with the good agricultural and environmental practices and with the statutory management requirements, as laid down in Articles 4 and 5 and Annexes III and IV of Regulation (EC) no. 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and instituting some support schemes for farmers.	132, 937 farmers advised, of which: 50,000 on m.141 Supporting semi-subsistence farmers 10,000 on m.112 Setting up of young farmers 39,937 on m.214 Agri-environment payments 3,000 on m.221 First afforestation of agricultural land	PES related consultancy packages can be designed in partnership with the NAAS which can help ensure the ongoing availability of PES consultancy even after the project end. NB. After 2010 only for semi-subsistence farms!
Measure 121 Modernization of agricultural	- Introduction and development of new technologies and procedures,	The whole country	The technical and environmental objectives of the investment are presented in the feasibility study, and when necessary, in the Justification Report, while the economic-financial objectives are presented in the	44,458 agricultural holdings supported for investments, of which	Investments in farms participating in PES schemes; to make the investments relevant

<p>holdings</p> <p>50% public aid</p> <p>+5% for young farmers</p> <p>+10% new challenges</p> <p>+25% Nitrate Dir. investments</p>	<p>production diversification, including the organic production, as well as in obtaining and using energy from renewable sources;</p> <p>- Adaptation of holdings to Community standards;</p>		<p>business plan:</p> <ul style="list-style-type: none"> - reducing harmful greenhouse emissions and a better waste management that result from the production activity; - reducing the emissions of ammoniac (and other gases) especially in animal breeding holdings by observing sanitaryveterinary, animal hygiene and welfare standards; - ensuring the compliance with plant-health, organic etc. requirements; - increasing the degree of utilisation for renewable energy sources and improving the efficiency of its use. 	<p>22,982 holdings generating /introducing new products and/or new technologies</p> <p>445 holdings generating and using renewable energy</p>	<p>and targeted will certainly require additional technical support/advice</p>
<p>Measure 221 First afforestation of agricultural land</p> <p>Up to 70% for the planting</p> <p>+10% in LFAs and Natura 2000</p> <p>100% of maintenance premiums</p>	<p>Increase the area of forests playing the role of protection of waters, soils, of forests having a role of protection against natural and anthropic disturbances, as well as recreational functions, on the basis of its multifunctional role.</p>	<p>Agricultural lands across the entire country, with the exception of permanent natural grasslands, which are not affected by land degradation processes</p> <p>Priority shall be given to afforestation works in plains, then in hilly areas and last in the</p>	<p>Expand the national forest area through support for afforestation work and plantations maintenance.</p> <p>Forests established through this measure are meant to protect environmental components based on their multifunctional role.</p> <p>The following categories of beneficiaries are eligible for support through this measure:</p> <ul style="list-style-type: none"> a) private holders of agricultural land, for the establishment of forest plantations and for maintenance works for 5 years, as well as the compensatory grant for the loss of income as a result of afforestation, calculated per year and ha, for 15 years; b) public authorities holding agricultural land, only for the establishment of forest plantations. If the agricultural land designated for afforestation is leased by a private natural persons or legal entity, the grants provisioned in the previous paragraph can also be granted. 	<p>49,348 hectares of afforested land</p>	<p>Investment and maintenance costs for forest-based PES schemes requiring afforestation</p>

		mountains			
Measure 313 Encouragement of tourism activities 100% public aid for non-profit public interest investments Max 200,000 euro 70% for profit max 70,000 euro 50% for profit max 200,000 euro	The development of tourist activities in the rural area will contribute to increasing the number of jobs and alternative incomes as well as to increasing the attractiveness of the rural area.	Rural areas	a) Investments for the infrastructure related to accommodation facilities; b) Investments for leisure activities; c) Investments for small scale infrastructure as information centres, tourism signs posting etc; d) Development and/or marketing of the tourism services related to the rural tourism Communes and NGOs are also eligible beneficiaries	5,369 leisure and tourist accommodation infrastructure 1,794 small-scale infrastructure, such as tourist informing centres, signing/touristic roads 502 development/marketing of rural tourism services	Investments in tourism supported PES schemes.
Environmental priorities	To halt the loss of biodiversity and contribute to a significant reduction in the worldwide rate of biodiversity loss by 2010				
Environmental objectives	Conservation of biodiversity and HNV farmland				
Measures	Objectives	Scope	Actions	Targets	PES relevance
Measure 214 “Agrienvironmental payments”	To maintain high nature value grassland	HNV grasslands identified at administrative	- Use of chemical fertilizers is forbidden. - Traditional use of organic fertilizers is allowed up to maximum 30 kg. N s.a./ha - Use of pesticides products is forbidden	1,450,000 hectares under commitment	Area based payments to land managers of HNV grasslands

<p>HNV Restoration and management of HNV grasslands</p> <p>124 euro/ha</p>		territorial unit	<ul style="list-style-type: none"> - Mowing may start only after 1 July - Mowed grass has to be removed from the parcel within maximum 2 weeks; - Grazing will be performed with maximum 1 LU/ha - Flooded grasslands will not be grazed sooner than 2 weeks from the waters retreat; - Ploughing and rolling on the parcels under ommitment is forbidden. - No type of seeding to take place. Derogation applies when some portions of grassland are degenerating or are accidentally damaged, in this case only native species will be used for seeding. 		
<p>Measure 214 AE</p> <p>Traditional farming</p> <p>58 euro/ha</p>	To maintain wildlife by applying traditional farming practices	HNV grasslands identified at administrative territorial unit	<p>Can be applied only as an add-on of package 1 plus</p> <p>No mechanized works allowed on semi-natural grasslands under commitment, with the exception of animal drawn machinery</p>	375,000 hectares under commitment	Area based payments to land managers of HNV grasslands
<p>Measure 214 AE</p> <p>Grassland supporting important birds – pilot package</p> <p>(1) 209 euro/ha</p> <p>(2) 101 euro/ha</p>	To ensure an adequate management on grasslands having importance for bird conservation	Grasslands in a certain number of IBA identified at administrative territorial unit	<ul style="list-style-type: none"> - Use of fertilizers is forbidden - Use of pesticides is forbidden - Mowing time spificied - Mowing will be done from inside the parcel to the outskirts - Un grazed/unmowed 3 meters wide grass strip will be maintained on the borders of each parcel. This strip may be cut or grazed after 1st of September. - Mowed grass has to be removed from the parcel within maximum 2 weeks - Grazing will be performed with maximum 0.7 LU per hectare - Flooded grasslands will not be grazed sooner than 2 weeks from the waters retreat - Ploughing and rolling on the parcels under commitment is forbidden 	<p>173,000 hectares under commitment:</p> <p>(1) „Crex crex management”: 38,000 ha</p> <p>(2) „Lanius minor and Falco vespertinus management”: 135,000 ha</p>	Area based payments to land managers of grasslands in IBAs

			<ul style="list-style-type: none"> - No type of seeding to take place. Derogation applies when some portions of grassland are degenerating or are accidentally damaged, in this case only native species will be used for seeding - No mechanized machinery allowed on the parcels under commitment, with the exception of animal drawn machinery 		
<p>Measure 122</p> <p>Improvement of the economic value of forests</p> <p>50% public support</p> <p>+10% in LFAs and Natura 2000 sites</p> <p>Max 1,000,000 euro</p>	<p>Improve the economic value of forests in accordance with the principles of multifunctional use and sustainable management</p>	<p>The whole country in forests that comply with the forestry regime and for which the obligatory management plans have been elaborated in accordance with the national legislation</p>	<ul style="list-style-type: none"> - Improve the forest structure or renew of low productive, degraded forests, support the programs of replacement of low productive forests or forests which are not consistent with the fundamental natural type, such as coniferous forests located outside the natural area, by tree species suitable to the site conditions and less affected by natural damages (e.g. windfall, insect attacks etc.); - Purchasing of cutting equipments and machineries for undertaking the technical measures required until the forest's harvesting age (e.g. thinning, pruning, combating pests and diseases, etc.) and the technical support necessary for these works (labour force, services) - Purchasing the equipments and machineries needed for harvesting works with low impact on the environment with the exception of machineries used for both harvesting and primary processing of wood –e.g. harvesters - which are eligible under measure 123. - Production of forestry seedlings of high quality, for own purpose, through the establishment of forest nurseries, when there is a need of afforestation works within the forest property. 	<p>2,404 forest holdings receiving support, of which</p> <p>1,200 holdings introducing new products and/or techniques</p> <p>6,000 hectares with improved forest structure</p>	<p>Investments in forests-related PES schemes</p>

Environmental Priority	Water				
Environmental objectives	To achieve good ecological status of all water bodies by 2015 (Water Framework Directive 2000/60/EC). Floods/drought				
Measures	Objectives	Scope	Actions	Targets	PES relevance
Measure 125 Improving and developing the infrastructure related to the development and adaptation of agriculture and forestry 100% in public projects; Max 1,500,000 euro 75% in private utility projects; Max 750,000 euro	<ul style="list-style-type: none"> - To reduce the risk and uncertainty in agriculture and forestry by decreasing the natural phenomena incidence (drought, floods, soil erosion etc.); - To improve the environment quality and to diminish the pollution sources. 	In forestry priority shall be given to the projects referring to the mountain areas, then hilly area, then plains	<ul style="list-style-type: none"> - improve accessibility in agricultural holdings and forests; - construct and modernize access roads that ensure the public access to the agricultural holdings and forests; - modernising and/or rehabilitation of irrigation technologies; - modernising and/or rehabilitation of drain and drainage systems; torrential correction located within agricultural fund and forests. 	1,625 projects supported: 395,000 ha Irrigations 120,000 ha Drainage 60,000 ha Soil erosion mitigation 40,000 ha Protection against floods	In cooperation with public authorities in project areas appropriated flood protection measures can be designed and implemented
Measure 214 AE Green cover crops	To ensure water and soil protection	Arable land across Romania	<ul style="list-style-type: none"> - Planting of the green cover crops (pea, vetch, rape, mustard, lupin, melilot) should be done until the end of September. - Only organic fertilizers may be used before the planting of the green crops. Use of chemical fertilizers is 	700,000 hectares under commitment	Area based payments to arable land managers in

130 euro/ha			forbidden -Vegetation should be incorporated into the soil until the end of March. Agricultural activity necessary for the following crop may start only after performing the action mentioned above. - Ploughing the grassland within the farm is not permitted; - The applicants may annually change the areas for which they are applying this package with other areas located within the same farm, but respecting the condition of maintaining the value of the surface that was engaged for this package in the first year of the commitment		water-quality PES schemes
Environmental Priority	Climate change				
Environmental objectives	GHG – emissions - To fulfil the commitment of an 8 % reduction in emissions by 2008-12 compared to 1990 levels				
Measures	Objectives	Scope	Actions	Targets	PES relevance
Measure 123 Adding value to agriculture and forestry products SMEs: 50% public support, Others: 25% public	Support the investments aiming at the improvement the processing and marketing of agricultural and forest products.	The whole country	a) Developing new products, processes and technologies; b) Promoting investments for the production and use of renewable energy, including wood energy from forest biomass; c) Adjusting to the market requirements, according to the local resources, as well as creating new market opportunities ; d) Promoting investments for generating bio-fuels; e) Promoting investments for meeting Community standards; f) Growth in labour productivity in the agri-food sector;	3,205holdings supported, of which: 2,560 microenterprises 580 SMEs 65 others	Depending on the food products, e.g green beef processing and marketing; or forest biomass relevance for

support Max 2,000,000 euro			g) Applying environment protection measures, including energy efficiency measures; h) Increasing the number of workplaces and occupational safety.		PES
Measure 312 Support for the Creation and Development of Micro-Enterprises 70% support	Sustainable development of rural economy by encouraging non – agricultural activities, with the purpose of increasing jobs and additional incomes		<ul style="list-style-type: none"> - Investments in productive non-agricultural activities, - Investments for development of handicraft activities and other non-agricultural traditional activities with traditional local feature as well as for their marketing - Services for the rural population. - Investments in renewable energy production The acquisition of equipments for producing the energy from other renewable sources than bio-fuels.	10,091 micro-enterprises supported, of which 196 investments in producing renewable energy	Investments for renewable energy production potentially relevant for wetlands biomass use.

Annex 2a. Overview of Bulgarian OP Environment

and its contribution to selected environmental priorities with a focus on PES relevance

OP Environment	Bulgaria	
Environmental priorities	Water	
Environmental objectives	Preservation and improvement of the environmental condition of the water in the country	
Priority Axis 1 Improvement and development of water and wastewater infrastructure in settlements with over 2000 PE and in settlements below 2000 PE within urban agglomeration areas.	<p>Scope: to be selected according to the relevant strategies on national and regional level. The first projects are the ones developed with Phare project support.</p> <p>Target:</p> <ul style="list-style-type: none"> - 65 new and rehabilitated Waste treatment plants - 1,85 served by waste treatment projects 	<p>River basin directorates are one of the beneficiaries – they could be involved in the development of the PES scheme.</p> <p>Other beneficiaries are municipalities and Water supply and sewage companies</p>
Environmental priorities	Biodiversity	
Environmental objectives	The main objective of the priority axis is to reduce and halt the loss of biodiversity in the country . The objective shall be pursued by developing the national NATURA 2000 network, and by ensuring sustainable management, preservation, and restoration.	
Priority Axis 3 Preservation and restoration of biodiversity	<p>Scope : whole territory</p> <p>Target:</p> <ul style="list-style-type: none"> - 8% of Natura 2000 protected zones and areas mapped and managed - 44 mapped protected areas and zones of NATURA 2000 network - 44 elaborated management plans for Natura 2000 protected areas and zones. 	<p>Beneficiaries are:</p> <p>Municipal authorities (and their associations), management bodies of national and natural parks and NATURA 2000 sites; including NGOs.</p>
Key Area of Intervention	<p>Actions:</p> <p>The following indicative types of activities are envisaged for funding under this priority axis:</p> <p>(1) Development and update of the management plans for protected areas and zones of NATURA 2000 network. The supportive</p>	<p>PES schemes could be elaborated and proposed in the management plan for Natura 2000 sites.</p> <p>Cooperation for</p>

	<p>meetings, workshops, hiring research personnel and assembly of databases are also envisaged as well as research programmes to define the effectiveness of the plans developed. Consultation with the relevant stakeholders and organization of the necessary meetings for discussions and workshops would also be possible for financing.</p> <p>(2) Increasing the awareness of municipalities and the public on NATURA 2000 network (e.g. preparation and initiation of information campaigns and the necessary publicity materials (handbooks, brochures, maps), seminars, workshops, communication materials for training, capacity building activities, conduction of surveys for the level of awareness on related topics when needs are identified as reasonable/justifiable).</p> <p>(3) Establishment of the management bodies for designated NATURA 2000 sites and their further support with a view to strengthen the administrative capacity and the efficiency of the public administration. This would include start-up funding, feasibility studies, management and institutional studies, establishment of communication networks, setting up and maintenance of web-pages, exchange of best practices. Acquisition of equipment is also envisaged when required for the establishment and running of the management bodies (e.g. office and IT equipment, monitoring materials, diving equipment, cameras etc.)</p> <p>(4) Implementation of activities (including investment projects and equipment purchases) in line with the identified needs (measures) in approved management plans of (1) protected zones of NATURA 2000 network (2) protected areas related to preservation and restoration of habitats and regulated use of species (i.e. included in the approved management plans). These activities can be:</p> <ul style="list-style-type: none"> - directly related and necessary for the management of protected zones and protected areas as well as for the attainment of favorable preservation status for habitats and species (for example, the restoration of wetlands, maintenance of high-mountain grasslands, 	<p>elaboration of PES with a.m. beneficiaries</p>
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	<p>assistance for nest success of endangered bird species, etc. including also infrastructure projects);</p> <p>- related to the sustainable use of resources in protected areas and protected zones (for example, the establishment of eco-pathways, establishment/reconstruction of information/visitors centers, signage, trails observations platforms, providing easy access of disability people to natural assets/monuments within the boundaries of these sites, purchase of land²⁸ installation of signs and notice boards, etc.).</p> <p>(5) Financing actions related to protection and restoration of the biodiversity in the country such as development of action plans for all endangered species of global/European significance, and implementation of the activities included in the plans; implementation of activities for restoration of destroyed and anthropogenically influenced habitats, studying the impact of invasive species and implementation of activities for limitation of their negative impact.</p> <p>(6) Implementation of activities reducing the climate change impact on biodiversity. This would include for example financing research project aiming at testing new management method that would support the protection of the biodiversity and the environment in a broader sense (e.g. comparison of different grassland management regimes to determine which gives better benefits to native butterflies and moths across the country; comparison across Europe is also possible).</p> <p>(7) Development of future projects for subsequent financing within priority 3 of OP “Environment 2007–2013” (e.g. terms of references, feasibility, technical, institutional and other studies, design preparation etc.)</p>	
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Annex 2b. Overview of Romanian OP Environment

and its contribution to selected environmental priorities with a focus on PES relevance

OP Environment	Romania	
Environmental priorities	Biodiversity	
Environmental objectives	<ul style="list-style-type: none"> • Conserve biological diversity, natural habitats, wild species of fauna and flora • Ensure efficient management of protected areas, including Natura 2000 	
Priority Axis 4 “Implementation of adequate management systems for nature protection”; [ERDF funded] 214,985,867 euro 80% cofinancing	Scope: All protected areas and Natura 200 areas Target: - 240 PAs and N2K sites with management plans in force - 60% of all PAs surface benefiting from nature conservation measures	
Key Area of Intervention <i>Development of infrastructure and management plans to protect biodiversity and Natura 2000</i>	Actions: - Assistance in the preparation of management plans, scientific studies, inventories, mapping; - Training and institutional capacity building of the Natura 2000 sites and protected areas management bodies; - Ecological restoration of habitats and the reinforcement of species population; - Construction and improvement of infrastructure of national protected areas and Natura 2000 sites (building of visitors’ and informational centres and information panels, risk management – fire prevention and control, etc.); - Biodiversity support: reducing impact of infrastructure improvements on species affected by fragmentation of landscape (realisation of measures designed to overcome barriers on rivers and motorways); - Setting up of the monitoring systems for the Natura 2000 sites and protected areas, including infrastructure and equipment for monitoring of the natural habitats and flora and fauna species conservation status; - Preparation of information and publicity materials, awareness raising for the protected areas and Natura 2000;	closely linked with the compensation measures for the land owners within the protected areas. Actions will be coordinated between SOP ENV and NRDP and Operational Programme for Fisheries The activities in the field of fishing and fish farming will be focused on: preservation, management and exploitation of live stocks, the development of fish farming, processing and trade in fish and fish products.

	- Acquisition of high biodiversity value land in order to become state public property.	
Environmental priorities	Water To reduce the probability of flooding and its potential consequences (Floods Directive 2007/60/EC).	
Environmental objectives	<ul style="list-style-type: none"> • Contribute to a sustainable flood management in most vulnerable areas • Ensure protection and rehabilitation of Black Sea shore 	
Priority Axis 5 “Implementation of adequate infrastructure of natural risk prevention in most vulnerable areas” [CH funded] 329,145,954 euro 82.04% cofinancing	Scope: to be selected according to the relevant strategies on national and regional level. The first projects are the ones developed with Phare project support. Target: - 10 projects on flood protection - 1,5 mil people benefiting from flood protection projects - 30% reduction of incidence to floods risks	National Administration of Romanian Waters is the single beneficiary, so any PES related actions have to be in partnerships with it.
Key Areas of Intervention <i>Protection against floods</i>	Actions: - Infrastructure for flood prevention and reduction of the destructive consequences of floods; - Development of hazard and flood risk prevention maps, plans and measures, including public information and training in reducing risks; - Technical assistance for project preparation, management, supervision and publicity.	SOP ENV intervenes at the level of national watercourses, which are managed by National Administration of Romanian Waters, through specific works, the RDP finance the interventions at the level of local small water streams presenting flood risk. The afforestation measures under NRDP will ensure the sustainability of the flood prevention works.

Environmental priorities	Climate change – GHG Emissions	PES project relevance
Environmental objectives	<ul style="list-style-type: none"> • Mitigation of climate change and reducing pollutant emissions from urban heating plants in the identified local environmental hotspots • Ameliorate ground level concentrations of pollutants in the localities concerned • Improve the health condition of the population in the localities concerned 	
<p>Priority Axis 3 “Reduction of pollution and mitigation of climate change by restructuring and renovating urban heating systems towards energy efficiency targets in the identified local environmental hotspots”</p>	<p>Scope: Rehabilitation of urban heating systems in selected priority areas</p> <p>Actions:</p> <ul style="list-style-type: none"> -Introduction of BAT (best available techniques) for SO₂, NO_x and dust reduction (de-SO₂, de-NO_x and reduction of dust emissions); - Rehabilitation of boilers and turbines; - Introduction of improved metering; - Rehabilitation of non-compliant slag and ash landfills; - Rehabilitation of heat distribution networks (including redesign of networks if justified by more cost-efficient reasons). - Technical assistance for project preparation, elaboration of option studies, management, supervision and publicity, including public awareness campaigns. 	<p>Not relevant for the project PES ideas</p>

Annex 3a. Overview of Bulgarian OP “Fisheries sector development 2007-2013”

and its contribution to selected environmental priorities with a focus on PES relevance

OP “Fisheries sector development 2007-2013”	BULGARIA	
Environmental priorities	Biodiversity/ water /climate change	PES relevance
Environmental objectives	Preservation of sustainable stock of fishing resources (The measures for the adaptation of the Bulgarian Fishing Fleet will be implemented in the framework of fishing effort adjustment plan (s) following the adoption of conservation measures for the fisheries stocks in the Black Sea (sprat, turbot, etc.)	
Priority Axis 1: Measures for the adaptation of the Bulgarian fishing fleet		
Measure 1.1. Public aid for permanent cessation of fishing activities 100% public funding Measure 1.2. Public aid for temporary cessation of fishing activity 100% public aid	Scope: Black sea region Target: <ul style="list-style-type: none"> • permanent cessation of the activities of at least 14 vessels • Reduction of fishing effort by 0% This figure can be revised according to conservation measures to be adopted and possible FEAP • Reduction of capacity (tonnage and vessels): according to conservation measures to be adopted Actions: <ul style="list-style-type: none"> • Cessation of activities of vessels older than 10 years for scrapping or the reassignment of the fishing vessel for activities outside fishing, for example for educational purpose • Temporary cessation of activities of vessels older than 2 years 	Not directly relevant to PES schemes
Measure 1.3 On board investment and selectivity Intensity of financial contribution from public funds could extend from 20% to 60%	Scope: Industrial and small-scale boats Actions: <ul style="list-style-type: none"> • Replacement of engines with reduced fuel consumption and a lower impact on the environment • Equipments that reduce impact on habitats and 	Not directly relevant to PES schemes

	<p>non-marketed species</p> <ul style="list-style-type: none"> • Equipments that reduce fishing impact on ecosystems and sea-bottom • Equipments for improving working conditions, safety on board and storage facilities • Investments for improvement of energy efficiency <p>Targets: Modernisation of 50 % -70% of the fishing vessels of an overall length of more than 12 metres and 30 % -50% of the small scale one</p>	
<p>Priority Axis 2: Aquaculture, inland fishing, processing and marketing of fishery and aquaculture products</p>	<p>Objective: The main objective of Priority Axis 2 is the modernisation of the aquaculture sector in Bulgaria in order to find a balance between the traditional aquaculture and intensive aquaculture production. This will be achieved via support for market demand and enhancement of the production of new and market oriented species.</p>	
<p>Measure 2.1. Productive investment in aquaculture</p> <p>60% investment support</p>	<p>Objectives:</p> <ul style="list-style-type: none"> • To increase and diversify the production of aquaculture with new species with good market prospect • To enhance the quality and the support for traditional aquaculture concerning social and environmental aspects • To apply the good production practices system for the monitoring of quality and the sanitary and hygiene requirement <p>Scope: Whole territory of Bulgaria</p> <p>Actions:</p> <ul style="list-style-type: none"> • It is envisaged to establish farms with new technologies for high value species such as Trout, Sturgeons, Turbot, Crayfish, European catfish, American catfish, Sander and Black mussels), fish farms for organic aquaculture, as well as farms for raising freshwater prawns. • Carp species investments may also be 	<p>Any investment in aquaculture productive installations will be supported by EFF. In case of projects of polyculture, the support for investment will be decided on a case by case basis by the managing authority.</p> <p>A priority on micro and small enterprises will be enforced in the selection process. 50% of funding will be earmarked for viable projects coming from this type of enterprises.</p>

	<p>supported where their technical and economical viability of the project is ensured</p> <p>Targets:</p> <ul style="list-style-type: none"> • Increase the tonnage produced in aquaculture by 80% • Increase of turnover by 50 % • Increase of the added value by worker by 20 % 	
<p>Measure 2.2 Aqua-environmental measures Premiums will be paid 100% from public aid</p>	<p>Objectives:</p> <ul style="list-style-type: none"> • To support the shift of aquaculture production towards more environmental-friendly practices • To help some producers to obtain the environmental certification that will help them to market better their products • To initiate a production of organic fisheries products in the country • To support the implementation of the Natura 2000 regulation in fisheries areas <p>Scope: Whole territory of Bulgaria – Private companies; Public or semi-public bodies; Organisations or associations of producers. Sole proprietors Support under Natura 2000 will only be eligible inside the designated areas and in their direct surrounding</p> <p>Target: Percentage of the projects with environmental friendly production – up to 20 %</p> <p>Actions:</p> <ul style="list-style-type: none"> • Compensations representing a maximum amount per hectare in aquaculture farms in which aqua-environmental obligations are applied going beyond the regulatory framework • Preparatory works for applying eco-management and audit schemes • Compensation for maximum 2 years for farms that turn into organic production of aquaculture • Compensations for max 2 years subsequent to the date of decision regarding protected areas according to NATURA 2000, only for aquaculture units that developed their activity prior to the decision, calculated on the basis of 	<p>Support for aqua-environmental measures is not intended for the improvement of environment outside these farms.</p> <p>Only small ponds will be taken into consideration</p>

	the loss of revenue incurred or the specific disadvantages or investment costs for units located inside or near NATURA 2000 areas.	
<p>Measure 2.5. Inland fishing</p> <p>Intensity aid varies between 20 % and 60%.</p>	<p>Objective: The aim of this measure is to maintain and modernise the fleet in the Danube River and the relative infrastructure. Ensuring the sustainability of resources in the Danube River should do the modernisation</p> <p>Scope: Danube river</p> <p>Actions:</p> <ul style="list-style-type: none"> • Investments in fishing fleet in the Danube River that improve safety on board, working conditions, hygiene and quality of products aiming to modernise the boats. • Modernization of fishing facilities in the Danube River including investments in landing sites and shelters. Modernisation will cover investments related to the working conditions, storage facilities and warehouses, hygiene and product quality. <p>Targets: Modernisation of 680 boats of inland fishing fleet</p>	<p>The investments in infrastructure supported by the EFF will be for landing sites, facilities and modernisation.</p> <p>Supported boats will continue to operate exclusively in inland waters, as they will receive license only for inland waters fishing /Danube River/.</p>
<p>Measure 2.6. Investments in processing and marketing</p> <p>Intensity of aid - 60 % public contribution to 40 % private contribution</p>	<p>Scope: Whole territory</p> <p>Actions:</p> <ul style="list-style-type: none"> • Increase in processing capacity by construction of new small units mainly for primary aquaculture processing • Extension and modernisation of existing processing units • Treatment of waste - usage of waste of processed aquaculture for by-products production (fish flour and/or others) aiming at avoiding pollution caused by them. • Equipment aiming at improving quality, safety, storage capacity and traceability of products • Equipment for the improvement of working conditions and safety 	<p>A priority on micro and small enterprises will be enforced in the selection process. 50% of funding will be earmarked for viable projects coming from this type of enterprise.</p>

	<ul style="list-style-type: none"> • Marketing <p>Targets:</p> <ul style="list-style-type: none"> • Increase the tonnage produced in processing by 80 %; • Increase the percentage of projects with environmental friendly production by 30 %; • Increase in turnover 20 % 	
Priority Axis 3: Measures of common interest	<p>Objective related to PES:</p> <ul style="list-style-type: none"> • To ensure sustainability regarding the natural resources • To disseminate newly acquired knowledge concerning the fisheries sector • To promote fisheries products 	
<p>Measure 3.1 Collective actions</p> <p>The public contribution will be up to 100% of the total premium</p>	<p>Scope: Whole territory</p> <p>Target : 2 producer organizations created</p> <p>Actions:</p> <ul style="list-style-type: none"> • Creation of producer organisations, according to EC Regulation № 104/2000 and other organisations recognised by the Bulgarian authorities, • Improvement of professional skills, networking and exchange of experience and best practice among organisations – organisation of trainings, seminars, practice exchange programs and conferences • Enhancement of the structure of the sector. • Promotion of partnership between scientists and operators in the fisheries sector • Promotion of selective fishing methods or gears and reduction of by-catches and promotion for improvement of working conditions and safety. • Studies that reflect to the situation and exploitation of the stocks 	Potentially relevant to contribute to PES scheme development
Measure 3.2 Measures intended to protect and develop aquatic fauna and flora	<p>Scope : Whole territory of Bulgaria</p> <p>Targets: 4 artificial reefs</p>	Potentially relevant to contribute to PES scheme development

100% public aid	<p>Actions: The main types of investments will be the construction and installation of facilities intended for protection of marine fauna and flora</p> <p>Beneficiaries: Public bodies; scientific organisations; environmental organisations; local authorities (municipalities); other public bodies; Public-private partnership within the Ministry of Agriculture and Food Supply</p>	
<p>Measure 3.4.</p> <p>Development of new markets and promotional campaigns</p> <p>100% public aid</p>	<p>Scope: Whole territory</p> <p>Targets:</p> <ul style="list-style-type: none"> • Increase of fish consumption up to 7 – 8 kg/year; • Increase the added value of the fish products processed and marketed by 20% <p>Actions:</p> <ul style="list-style-type: none"> • Market promotion for reared fish and development of marketing channels; • Organisation of and participation in trade fairs, study missions and exhibitions on internal and external markets for fisheries and aquaculture products • Organisation of study and sales visits • Sales advice and other services provided to wholesalers and retailers • Seminars and information briefings • Market prospecting programmes and inward buyer programmes and others. 	The operations related to market promotion and improvement of quality of fisheries products will have a priority
<p>Measure 3.5</p> <p>Pilot projects</p> <p>The public contribution will be of 100% of the total investment.</p>	<p>Scope: Whole territory of Bulgaria</p> <p>Actions:</p> <ul style="list-style-type: none"> • Testing innovative technology; • Developing and testing of methods to improve gear selectivity; • Testing of alternative types of fishing management techniques; <p>Beneficiaries: Scientific organisations; environmental organisations; other organisations designated for that purpose; Producers' organisations; Administration;</p>	Pilot projects supported by the EFF must be truly innovative. Small technical improvements of well known technologies in EU are not sufficient to qualify for support under Article 41 of the EFF. Pilot projects should also have limited cost and

	private companies	duration.
<p>Priority Axis 4: Sustainable development of fishing areas</p> <p>100% public aid for all measures</p>	<p>Objective:</p> <ul style="list-style-type: none"> • The main objective of Axis 4 is the sustainable development of fisheries areas. The main target is to improve the quality of life in existing fishing communities, which are affected by the development of Common Fisheries Policy objectives. Support will be offered for: • Support for the implementation of local development strategies, including operation costs for the functioning of the groups • Help for these fisheries groups to undertake cooperation projects <p>Scope: Areas that can be selected will be located along the coastline of the Black Sea, the Danube River and in inland areas with a high concentration of aquaculture activities.</p> <p>Targets :</p> <ul style="list-style-type: none"> • 4 Local action groups established by 2013 (2 by 2010) • Population covered by action groups 50000 by 2013 (25000 by 2010) • Area covered : 1600 km² (800 km² by 2010) • Jobs created or maintained: 700 (300 by 2010) 	Potentially relevant to contribute to PES scheme development
<p>Measure 4.1.</p> <p>Development of the fisheries areas - 4.1.a Support for implementing the integrated local strategies and running costs - 4.1.b. Support for undertaking cooperation actions</p> <p>The running costs of the groups will be funded at 100%, but with a limitation to 10% of the total budget allocated to</p>	<p>Actions:</p> <ul style="list-style-type: none"> • Support for setting up the public-private partnership and drafting the integrated local strategies (technical support, studies, information measures, training, etc) • Support for implementing the integrated local strategies • The fisheries groups might wish to seek support for actions that are undertaken in cooperation with another fisheries group benefiting from funding under the Axis 4 of the EFF. These cooperation projects can be undertaken with one or several other Bulgarian fisheries group(s) or with one or several group(s) from 	Potentially relevant to contribute to PES scheme development

the group	another Member State. Undertaking cooperation projects is not an obligation for the groups. It will be implemented after a certain time when the strategy is already consolidated locally and when the need for cooperation has emerged	
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Annex 3b. Overview of Romanian OP Fisheries

and its contribution to selected environmental priorities with a focus on PES relevance

OP Fisheries	Romania	
Environmental priorities	Horizontal /Water, Biodiversity, Climate change/	PES relevance
Environmental objectives	To maintain a sustainable level of activity in inland fisheries	
Priority Axis 2: Aquaculture, inland fishing, processing and marketing of fishery and aquaculture products		
Measure 2.1. Productive investments in Aquaculture 60% support	Actions: - diversification towards new species (ex. African catfish) and production of species of good market prospects (particularly sturgeon and turbot); - modernization and extending of the existing farms in order to sustain the traditional aquaculture and to increase the production for the largest segment of the market – middle class; - purchase of equipment aiming at protecting the farms from wild predators (cormorants, pelicans); - improvement of working and safety aquaculture workers' conditions.	Productive investments in aquaculture will only be supported by the EFF. Removal of silt from ponds which will not be claimed for aquaculture can be supported by the ERDF, if the pond belongs to a public authority.
Measure 2.2. Aqua-environment 100% public aid	Actions: - Max 2 years' compensation to farms to turn to organic production - Compensations representing max amount per ha in aquaculture farms in which aqua-environmental obligations beyond the regulatory framework are applied - Compensations for maximum 2 years subsequent to the date of the decision regarding protected areas according to Natura 2000, restricted to aquaculture units having been in operation prior to the decision. [beneficiaries can be private and public companies operating in the aquaculture sector]	The EFF will support any action related to implementing environmental measures in commercial aquaculture, regardless of the type of beneficiary. The surrounding agriculture land should be supported by the EARDF.
Measure 2.6. Investments in processing	- Equipment for processing of products and sub-products at the place of production - Equipment aiming at improving the quality, safety, storage capacity and traceability of	EFF supports enterprises of less than 750 employees or with a turnover of less than 200

<p>and marketing</p> <p>60% support</p>	<p>products</p> <ul style="list-style-type: none"> - Equipment for the improvement of working conditions and safety - Infrastructure and equipment that will reduce the negative impact on the environment (especially improving the use of sub-products and waste) - Construction of new processing units and the modernization of existing ones - Facilities for the establishment of a wholesale market and an electronic auction place [beneficiaries can be private companies and public bodies] 	<p>million euro per year. Larger enterprises should seek support from the ERDF.</p>
<p>Priority Axis 3:</p> <p>Measures of Common Interest</p>	<p>Objectives:</p> <ul style="list-style-type: none"> - To reinforce the infrastructure in order to ensure a profitable and competitive fishing industry in the long-term, whilst increasing safety for workers in the fisheries sector - To enhance the organization and professional skills of the sector - To support common actions for sustainable fisheries and aquaculture development <p>Scope: the whole country for all measures.</p> <p>Target:</p> <ul style="list-style-type: none"> -15 group training courses; -The number of producers associations reduced from 90 to 5 -Doubling of average fish consumption (from 4,5 to 9 kg/person/year) -20% increase of the added value of the fish processed and sold 	<p>The EFF supports education and training for fishers and workers of the fisheries sector, provided it is restricted to their field of activity. Professional reorientation training should be supported by the ESF.</p>
<p>Measure 3.1.</p> <p>Collective actions</p> <p>100% public aid</p>	<p>Actions:</p> <ul style="list-style-type: none"> - Research partnerships - Professional training – improvement of professional skills, development of new training methods and instruments (eg. Courses that help workers in the fisheries sector to observe European, national or local regulations referring to minimum size, hygiene, quality control) - Promotion of association of producers to 	<p>Potentially relevant to contribute to PES scheme development</p>

	<p>undertake art.37 actions, in particular to contribute to the management and conservation of resources, to promote selective fishing methods or gears and/or to remove lost fishing gear from the sea bed.</p> <p>[beneficiaries producer organizations recognized by NAFA; public or semi-public bodies]</p>	
<p>Measure 3.2.</p> <p>Protection and development of aquatic fauna and flora</p> <p>100% public aid</p>	<p>Actions:</p> <ul style="list-style-type: none"> - Construction or installation of fixed or mobile facilities designated to protection and development of aquatic flora and fauna - Rehabilitation of inland waters, including reproduction areas and migration routes for migrating species - Environment protection and improvement within the Natura 2000 programme, if linked to fishing activities; they may also cover costs for the consultation of stakeholders during the discussion of management plans, studies for monitoring and surveying species and habitats including mapping and risk management (early warning systems, etc) and the preparation of information and publicity material. <p>[beneficiaries – NAFA recognized producer organizations; public or semi-public bodies]</p>	<p>The restoring of spawning areas and similar actions might also prove necessary for the sustainable management of inland fishing. The EFF may support some common infrastructure for facilitating actions like the rehabilitation of migration routes of sturgeon in the Danube river (especially the creation of fish passes) or habitat Improvement and stocks enhancement for Danube salmon.</p>
<p>Measure 3.4.</p> <p>Development of new markets and promotional campaigns</p> <p>100% public aid</p>	<p>Actions:</p> <ul style="list-style-type: none"> - Promotion of equipment and procedures for the marketing of fish products through the improvement of product quality, safety and traceability; - Promotional campaigns (advertisement campaigns to stimulate fish consumption and to promote fisheries products, cookery books, etc) - Participation in , and organization of, sea food and fishery products exhibitions <p>[beneficiaries – NAFA recognized producer organizations; public or semi-public bodies and private companies]</p>	<p>Potentially relevant to contribute to PES scheme development where fish products are to be part of the scheme</p>
<p>Measure 3.5.</p> <p>Pilot projects</p> <p>100% public aid</p>	<p>Actions:</p> <ul style="list-style-type: none"> - Innovative technologies, the technical or economic viability will be tested under conditions as close as possible to the reality of the sector, for the purpose of obtaining and disseminating technical or economic knowledge of the tested technology; - Tests made within management plans and plans for allotment of the fishing effort, including if necessary, the establishment of 	<p>Projects must be truly innovative; small improvements in well known technology not eligible; pilot projects are of limited cost and duration.</p> <p>Potentially relevant to contribute to PES scheme</p>

	<p>areas where fishing is prohibited, for the purpose of evaluating the biologic and financial consequences and experimental restoration;</p> <ul style="list-style-type: none"> - Development and testing of methods for improvement of tools selectivity, reduced incidental catches, especially on the sea bottom; - Testing of alternative fishing management techniques. <p>[beneficiaries – NAFA recognized producer organizations; public or semi-public bodies and private companies]</p>	development
<p>Priority Axis 4: Sustainable development of fishing areas 100% public aid for all measures</p>	<p>Objectives:</p> <ul style="list-style-type: none"> - To support the setting up of local groups - To support the implementation of local development strategies - To help these local groups to undertake cooperation projects <p>Scope: 3 broad geographical regions predefined:</p> <ul style="list-style-type: none"> - Danube Delta; - Along the Danube river - The coastal area of the Black Sea; <p>Criteria developed also for local areas within the regions.</p> <p>Targets:</p> <ul style="list-style-type: none"> - 15 local groups established (5 by 2010!!) - 21,000 km² covered by the groups - 3000 jobs created or maintained in the fisheries areas 	
<p>Measure 4.1. Selection of Local groups</p>	<p>Actions:</p> <ul style="list-style-type: none"> - Support for setting up the public-private partnership and drafting the integrated local strategies (technical support, studies, information measures, training, etc) - Support for implementing the integrated local strategies 	Potentially relevant to contribute to PES scheme development at local level
<p>Measure 4.2. Support for undertaking cooperation action</p>	<p>Actions:</p> <ul style="list-style-type: none"> - Support actions seeking to create a critical mass for certain action where a single group is not large enough. They have to include the implementation of a joint project and not consist simply of an exchange of experiences. 	Potentially relevant to contribute to PES scheme development at local and/or national level

And its relevance to potential PES schemes

Regional Development programme	Bulgaria	
Environmental priorities	Horizontal (Water, Biodiversity, Climate change)	PES relevance
Priority Axis 4: Local development and co-operation	<p>Scope: 178 municipalities threaten by permanent peripheral status</p> <p>Target: To stimulate regional and local innovations and best practices exchange through inter-regional cooperation within the European territory.</p>	
<p>Operation 4.2.</p> <p>Inter-regional Cooperation</p>	<p>Actions:</p> <ul style="list-style-type: none"> • Data collection, studies and analysis of development trends; • Transfer of know-how and best practices and accompanying action research; • Development of portals/virtual networks for exchange of best practices, Internet-based tools and electronic data-bases for shared exchange of best practices and development trends; • Benchmarking analyses for service provision; • Elaboration of future strategic projects and action plans; • Trainings, seminars, workshops, conferences, study tours, twinnings, joint meetings involving socioeconomic partners as well (universities, NGOs and business organizations, trade unions, etc.); • Innovation and risk prevention strategies; • Information dissemination and awareness raising campaigns; • Elaboration of materials for distance learning and internet discussion forums 	Potentially relevant for Danube-wide PES scheme
Environmental priorities	Climate change – GHG Emissions	PES relevance
Priority Axis 1: Sustainable and Integrated Urban Development	<p>Scope: Geographical scope is defined at municipal level (NUTS IV) in accordance with the list of municipalities</p> <p>Target: Reduction of greenhouse emissions (CO₂ and equivalent) – interim value 2009 – 21kt;</p>	

	target value 2015 – 56 kt)	
Operation 1.1. Social infrastructure	Actions: Energy consumption audits and energy efficiency measures for all projects related to public institutions mentioned above (e.g. thermal insulation, replacement of woodwork, local installations connected to central heating systems, gas supply connecting pipelines or alternative renewable energy sources);	Potentially relevant for biomass focused PES
Operation 1.2. Housing		
Operation 1.3. - Organization of economic activities	Actions: Revitalisation, rehabilitation, reconstruction and refurbishment of existing industrial zones not affected by environmental contaminations.	Not directly relevant for PES schemes
Priority Axis 2: Regional and Local Accessibility	Scope: Municipalities indicatively listed in Annex 11. Target : Reduction greenhouse emissions (CO ₂ and Equivalent) – interim value - 4 kt 2009 ; target value in 2015 – 39 kt	
Operation 2.3. Access to Sustainable and Efficient Energy Resources	Actions: - Construction of installations that use RES and connection to supply of RES; - Technical and feasibility studies and design.	Potentially relevant for RES focused PES
Priority Axis 4: Local development and co-operation	Scope: 178 municipalities threaten by permanent peripheral status Specific assistance directed towards improvement of quality of environment and risk prevention.	
Operation 4.1: Small-scale Local Investments	Actions: Energy consumption audits and energy efficiency measures for all projects related to public institutions (e.g. thermal insulation, replacement of woodwork, local installations connected to central heating systems, gas supply connecting pipelines or alternative renewable energy sources and etc.);	Potentially relevant for RES focused PES
Environmental priorities	Water To reduce the probability of flooding and its potential consequences (Floods Directive 2007/60/EC).	

Priority Axis 1: Sustainable and Integrated Urban Development	Scope: Geographical scope is defined at municipal level (NUTS IV) in accordance with the list of municipalities Target: 200 projects improving the physical environment, attractiveness of the towns and risk prevention by 2015	
Operation 1.4. - Improvement of Physical Environment and Risk Prevention	Actions: Small scale infrastructure measures for prevention against floods and landslides, (i.e. dikes, barrages and other supportive facilities); for preventing banks' erosion, creating small scale retention volumes, weirs, etc.; rehabilitation and construction of drainage facilities and infrastructures	Potential impact on flood management focused PES schemes (possibly quite negative if not implemented well)
Priority Axis 4: Local development and co- operation	Scope: 178 municipalities threaten by permanent peripheral status Specific assistance directed towards Improvement of quality of environment and risk prevention.	
Operation 4.1: Small-scale Local Investments	Actions: Establishment and reinforcement of smallscale infrastructure for prevention against floods and landslides, cleaning of river beds;	Potential impact on flood management focused PES schemes (possibly quite negative if not implemented well)
Environmental priorities	Biodiversity	
Priority axis 3 Sustainable Tourism Development		
Operation 3.1. Enhancement of Tourism Attractions and Related Infrastructure	Scope: all municipalities with population above 10 000 inhabitants (2005 data). Objectives: To improve, renovate and expand natural and cultural heritage sites and/or clusters and associated public owned infrastructure, encouraging the development of specialized tourism products such as cultural, eco- , health (spa) tourism and/or diversifying the offers of traditional mass tourism. Indicative actions: - Development of nature, cultural and historic attractions, e.g. renovation, conservation,	PES scheme promoting eco and alternative tourism activities in Natural parks could be supported

	<p>exhibition, equipment, introduction of interpretation and animation techniques and programmes, etc.;</p> <ul style="list-style-type: none"> -Development of tourism related infrastructure when and if needed for the use of attractions -Reconstruction and renovation/upgrading of publicly owned mountain chalets complementing tourism product development in remote areas, shelters and safety facilities - Complementary small scale non-infrastructural activities, explicitly related to the supported attractions (organization of events in the area of attractions, marketing, promotional and publicity activities, etc.); 	
<p>Operation 3.2. Regional Tourism Product Development and Marketing of Destinations Operation</p>	<p>Scope: whole territory of the country</p> <p>Indicative actions:</p> <ul style="list-style-type: none"> - Development of regional identity and branding activities like voluntary regional certification of facilities, attractions and services, introduction of uniform systems of marking, regional wide and regional specific codes of conduct and standards, development and introduction of environmental standards for tourist services, etc.; - Promotion activities like preparation and distribution of information and promotional materials on theregion and its products, participation in regional, national and international tourism fairs, organisation of regional tourism fairs, test trips, visits by travel agents, tour operators, travel writers, journalists etc.; - Organization of events of regional and national scope and impact, e.g. festivals, outdoor events, sport competitions, folklore events, presentation of local/regional traditions, cuisine, crafts, etc.; 	<p>Regional eco - branding PES scheme could be supported</p>

Annex 4b. Overview of Romanian OP Regional Development

and its contribution to selected environmental priorities with a focus on PES relevance

OP Regional Development	Romania	
Environmental priorities	Horizontal /Water, Biodiversity, Climate change/	PES relevance
Environmental objectives	<p>None specified</p> <p>The ROP will support the promotion of actions, which will improve safety standards, reduce the adverse effects on the environment, mitigate climate change, safeguard transport infrastructures from natural disasters, as well as eliminate dangerous black spots.</p>	
<p>Priority Axis 4: Strengthening the regional and local business environment</p> <p>ERDF funded</p> <p>709,894,817 euro total budget</p> <p>89.23% cofinancing</p>	<p>Scope: This priority axis aims to set up and develop business support structures of regional and local importance, rehabilitate industrial sites and support regional and local entrepreneurial initiatives, in order to facilitate job creation and sustainable economic growth.</p> <p>Target:</p> <p>-15 business support structures assisted</p> <p>- 1500 microenterprises supported with 3 000 new jobs created in them</p>	
<p>Key Areas of Intervention</p> <p>Development of sustainable business support structures of regional and local importance</p>	<p>Actions:</p> <ul style="list-style-type: none"> • Construction/rehabilitation /extension of buildings only for productive and services activities; • Rehabilitation/extension of the internal road system inside the location and also the access roads; • Set up/ rehabilitation/ modernization /extension of the basic utilities (water, sewage, natural gas and electricity networks); • Cabling, internet broadband networks etc.; • Buildings demolition; • Promotion activities; • Extension of the BSS (waste removal, cleaning, etc); • Other related activities needed to set 	<p>Through the financing of the business support structures with a local/regional dimension, the Regional OP is complementary with the Competitiveness OP, which supports business support structures with a national/international dimension</p>

	up/develop business structures	
<p>Key Areas of Intervention</p> <p>Support the development of micro-enterprises</p>	<p>Actions:</p> <ul style="list-style-type: none"> • Procurement of equipments and modern productive technologies, services, constructions; • Procurement of IT systems (software and equipments); • Use of new technologies in the current activities of micro-enterprises; • Relocation of the micro-enterprises in business structure; • Extension/ construction/ rehabilitation/ modernization of the micro-enterprises production spaces; • Specific development activities. 	<p>The financing of SMEs, including high-tech, spin-off microenterprises as well as activities for consultancy which will be supported by Competitiveness OP; the ROP finances micro-enterprises with productive investment, exclusively in the urban areas.</p> <p>RDP supports micro-enterprises located in the rural areas (all fields of activity) as well as those located in the urban areas if they perform primary and secondary agriculture products processing activities.</p>

<p>Priority Axis 5: Sustainable development and promotion of tourism ERDF funded</p> <p>616 766 188 euro</p> <p>90.62% cofinancing</p>	<p>Scope: This priority axis aims mainly to sustainable valorization and promotion of the cultural heritage and natural resources with tourism potential, as well as to improve the quality of accommodation and leisure tourist infrastructure, in order to increase the regions' attractiveness, develop the local economies and create new jobs.</p> <p>Target:</p> <ul style="list-style-type: none"> - 400 Tourism infrastructure / accommodation projects implemented - 350 Companies supported (direct and indirect) in tourism field - 10 Promotional campaigns for advertising the tourism brand at national and international level - 10 National Tourism Information and Promotion Centres supported 	<p>ROP finances all categories of SMEs in tourism field, with the exception of microenterprises implementing projects which don't exceed 1,500,000 euro, located in rural resorts, excepting spa resorts, that are financed under NRDP.</p>
<p>Key Areas of Intervention</p> <p>Restoration and sustainable valorization of cultural heritage and setting up/ modernization of related infrastructure</p>	<p>Actions:</p> <ul style="list-style-type: none"> • Restoring, protecting and conserving world cultural heritage and related infrastructure (Churches of Moldavia, Monastery of Horezu, the villages with fortified churches in Transylvania, the dacian fortresses of the Orastie mountains, historic centre of Sighisoara, the wooden churches of Maramures, Danube Delta, etc.); • Restoring, protecting and conserving national cultural patrimony²³ and related infrastructure, with an important tourist potential (restoring buildings with traditional architectural elements, street network, cultural centres, museums, parking, roads, etc.) in order to introduce them in tourist circuits; • Restoring, protecting and conserving the 	<p>While ROP finances activities regarding restoration / conservation of UNESCO heritage – located both in urban and rural areas, National cultural heritage group A²⁴ - located both in urban and rural areas – and Local cultural heritage group B³⁹ - located in urban areas, NRDP finances local cultural heritage group B³⁹ – located in rural areas.</p>

²³ Group A: Monuments of universal and national value according to the list done by the Ministry of Culture and Religious Affairs

²⁴ According to the List of Historic Monuments, approved by Order of the Minister of Culture and Cults no. 2314/08.07.2004, published in the Official Journal of Romania, Part I, year 172 (XVI), no. 646 bis from 16 July 2004.

	urban cultural patrimony	
<p>Key Areas of Intervention</p> <p>Creation, development, modernization of the tourism infrastructure for sustainable valorization of natural resources and for increasing the quality of tourism services</p>	<p>Actions:</p> <ul style="list-style-type: none"> • Improvement of natural sites with tourism potential (e.g.: canyons, gorges, caves, glacial lakes, etc). • Valorization of mountain tourist potential by construction of the necessary infrastructure: rehabilitation and arrangement of access ways to the main tourist natural objectives, alpine refuges, signposting hiking paths, informative board, camping platforms, mountain rescue posts (Salvamont) etc. • Development of spa tourism - improvement, modernization and endowment of treatment facilities, including therapeutic salinas, development of captivation and/or transport networks for mineral and saline springs etc. • Rehabilitation, modernization and extension of accommodation structures and related utilities (e.g. hotels, motels and camping, chalets and youth hostels, accommodation units on the ships/pontoons); • Creation, rehabilitation, and extension leisure tourist infrastructure and related utilities (e.g. swimming-pools, mini-golf grounds, tennis, paint-ball, railway transport of tourist interest on narrow gauge railway, in hill and mountain areas etc). 	<p>While the ROP finances projects located in urban areas and projects exceeding 1,500,000 euro located in rural resorts, as well as projects located in both rural and urban spa resorts, NRDP finances projects which don't exceed 1,500,000 euro and are located in rural resorts, excepting spa resorts</p>
<p>Key Areas of Intervention</p> <p>Promoting the tourism potential and setting-up the needed infrastructure in order to increase Romania's attractivity as tourism destination</p>	<p>Actions:</p> <ul style="list-style-type: none"> • Creation of a positive image of Romania as a tourism destination by defining and promoting the national tourism brand, attracting business investors and other strategic partners. Introducing new promotion methods and diversifying promotion materials for creating a real and complex tourism image.. • Development and consolidation of domestic tourism by supporting tourism promotion of specific products and specific marketing activities. The aim is to develop the concept of tourism recreation in Romania, to increase the number of holidays in Romania by promoting specific tourism products. • Investments in NTIPCs set up – activities such as building, purchase of equipment, IT and software in order to create a unitary tourism 	<p>Potential contribution to a tourism supported PES scheme.</p>

	<p>information and statistics system with public on-line access; the operation will be complemented by support for local tourism info centres in rural areas under the National Rural Development Programme.</p> <ul style="list-style-type: none">○ Setting up a national tourism information database.○ Setting up an integrated national system, with on-line access, for collecting and distributing tourism information.	
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