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United Nations Development Programme
Country: Croatia

PROJECT DOCUMENT

Project Title: Strengthening the Institutional and Financial Sustainability of the National Protected Area System (Croatia)

Country Programme Outcome¹: Component: Environmental Governance.
The biodiversity outcome: *The goal of this programme is (...) to ensure the financial sustainability of the protected areas.*

UNDP Strategic Plan Environment and Sustainable Development Biodiversity Outcome:
Output Supporting financial sustainability of Croatian protected areas.

Executing Entity/Implementing Partner: Ministry of Environmental and Nature Protection (MENP)

Programme Period:	2014 - 2018	Total budget	USD 22,964,116
Atlas Award ID:	00077440	GEF	USD 4,953,000
Project ID:	00088212	MENP	USD 16,700,000
PIMS #	4731	UNDP	USD 500,000
Start date:	2014	Public Institutions	USD 811,116
End Date	2018		
Management Arrangements	National Implementation Modality (NIM)		
Project Appraisal Committee (PAC) Meeting Date	12-09-2013		

Agreed by:
Ministry of Environmental and Nature Protection:
Mihael Žitaclović, MINISRE _____ Date/Month/Year

Agreed by
United Nations Development Programme:
LOUISA VINTON, UN RESIDENT COORDINATOR AND UNDP RESIDENT REPRESENTATIVE _____ Date/Month/Year
7/2/2014

¹ Croatia is a non-UNDAF country



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Brief Description

Croatia currently has a well-developed system of 420 protected areas, comprising: 2 Strict Reserves; 8 National Parks; 79 Special Reserves; 11 Nature Parks; 2 Regional Parks; 85 Nature Monuments; 84 Significant Landscapes/ Seascapes; 28 Forest Parks and 121 Horticultural Monuments. Collectively these protected areas cover a total area of 717,921 ha, encompassing 11.61% of the terrestrial and inland water ecosystems of Croatia and 1.97% of the country's marine territorial waters. The largest portion (>60%) of the protected area system in Croatia comprises the 'national protected areas' (Nature Parks and National Parks), covering an area of 515,084 ha. These national protected areas form the spatial focus for GEF project investment.

The project has been organised into *two components*:

The first component of the project is focused on improving the current institutional framework for national protected areas in order to address its key systemic and institutional weaknesses (weak coordination, limited performance accountability, duplication, cost-inefficiencies and inequitable distribution of funds). Under this component GEF funding will be used to develop a national planning framework for protected areas – comprising an overarching long-term strategic plan, a medium-term financial plan and a set of operational policies and guidelines – as a mechanism to better coordinate the efforts, and align the performance accountability, of the national protected area agencies (i.e. MENP, SINP and the 19 national protected area Public Institutions [PIs]). GEF resources will also be used in this component to strengthen the financial management capacities of the national protected area agencies in order to reduce cost-inefficiencies, improve revenues and develop mechanisms for revenue-sharing between parks. Further, GEF funds will be used to support the establishment of a 'shared service centre' - that will function as a centralised support service to individual parks - as a means of delivering value-added system-based services to, reducing duplication of effort across, and improving the cost-effectiveness of, the national protected areas. Finally, GEF funds will be used in this component to assess the efficacy of – over the longer term – establishing a single, rationalised 'park agency' as a more enduring solution to the systemic and institutional weaknesses of the current institutional framework.

The second component of the project is focused on improving the financial sustainability of the national protected areas to ensure that they have adequate financial resources to cover the full costs of their management. In this component, GEF funds will be used to reduce the transaction costs of user pay systems in national protected areas by developing and testing alternative automated entry/user fee collection systems and piloting mooring fees as a means of collecting revenues for boat-based access to marine national protected areas. GEF resources will also be used under this component to support the expansion and inter-linking of a number of isolated attractions/destinations in national protected areas into a more integrated tourism and recreational product in order to improve the visitor and/or user experience. Finally, GEF funding will be allocated under this component to improving the productive efficiencies in national protected areas by: (i) identifying the mechanisms required to strengthen service standards, and improve economic efficiencies in the high-income generating national parks; and (ii) encouraging the adoption of more energy efficient technologies in national protected area in order to reduce the high recurrent costs of power supply.

The project will be implemented over a period of four years. The total cost of investment in the project is estimated at US\$22,964,116, of which US\$4,953,000 constitutes grant funding from GEF and US\$18,011,116 comprises co-financing (MENP US\$ 16,700,000; UNDP US\$500,000; and National Protected area Public Institutions US\$811,116).

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ACRONYMS

AIS	Accounting Information System
APPP	Agency for Public Private Partnerships
APR	Annual Progress Report
APW	Annual Plan of Work
AWP	Annual Work Plan
CBA	Cost Benefit Analysis
CBD	Convention on Biological Diversity/ Caucasus Biodiversity Council
CCTV	Closed Circuit Television
CEA	Croatian Environment Agency
CEPF	Critical Ecosystem Partnership Fund
CFO	Chief Financial Officer
CITES	Convention on International Trade in Endangered Species
CHP	Combined Heat and Power
CNTB	Croatian National Tourist Board
CO	(UNDP) Country Office
COP	Conference of Parties
CPAP	Country Programme Action Plan
CPI	County Public Institution
DIA	Directorate for Inspection Affairs
EBA	Endemic Bird Area
EBRD	European Bank for Reconstruction and Development
EEA	European Environment Agency
EIA	Environmental Impact Assessment
EIONET	European Environment Information and Observation Network
ENTRP	Environment and Sustainable Management of Natural Resources Programme (of the EU)
EPEEF	Environment Protection and Energy Efficiency Fund
EU	European Union
FFEM	<i>Fonds Francais pour 'l Environnement Mondial</i>
FP	Financial Plan
GDP	Gross Domestic Product
GIS	Geographical Information System
GNI	Gross National Income
HDI	Human Development Index
HNV	High Nature Value
IBA	Important Bird Area
ICER	Incremental Cost Effectiveness Ratio

IPA	(EU) Instrument for Pre-Accession Assistance
IRR	Internal Rate of Return
IT	Information Technology
IUCN	International Union for the Conservation of Nature
LED	Light Emitting Diode
LOA	Letter of Agreement
LPI	Local Public Institution
MA	Ministry of Agriculture
MCPP	Ministry of Construction and Physical Planning
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MMATI	Ministry of Maritime Affairs, Transport and Infrastructure
MENP	Ministry of Environmental and Nature Protection
METT	Management Effectiveness Tracking Tool
MF	Ministry of Finance
MRD&EUF	Ministry of Regional Development and EU Funds
MT	Ministry of Tourism
NBSAP	'Strategy and Action Plan for the Protection of Biological and Landscape diversity of the Republic of Croatia'
NGO	Non-Government Organisation
NIM	National Implementation (Modality)
NIP	EU Natura 2000 Integration Project
NP	National Park
NPA	Nature Protection Act
NPD	Nature Protection Directorate
NTDS	Nautical Tourism Development Strategy
NPV	Net Present Value
OG	Official Gazette
PA	Protected Area
PB	Project Board
PD	Project Director
PES	Payment for Ecosystem Services
PI	Public Institution (National, County or Local)
PM	Project Manager
PIR	Project Implementation Report
POI	Point Of Issue
POS	Point Of Sale
PPP	Public-Private -Partnership
PPR	Project Progress Report
PoWPA	(CBD) Programme of Work on Protected Areas
RCU	(UNDP) Regional Coordinating Unit

RTA	(UNDP) Regional Technical Adviser
SAC	Special Area of Conservation
SBAA	Standard Basic Assistance Agreement
SDF	Strategic Development Framework
SINP	State Institute for Nature Protection
SLA	Service Level Agreement
SO	Strategic Objective
SOE	State of Environment
SP	Strategic Programme
SPA	Specially Protected Area
SSC	Shared Service Centre
TBW	Total Budget and Work plan
TDS	Tourism Development Strategy
TTT	Technical Task Team
TWG	Technical Working Group
UNEP	United Nations Environment Programme
UNESCO	United Nations Environment, Scientific and Cultural Organisation
VFM	Value For Money
WB	World Bank
WBS	Work Breakdown Structure
WWF	World Wide Fund for Nature

SECTION I: ELABORATION OF THE NARRATIVE

Executive summary

1. Croatia (with a total surface area of 56,594 km²) is located in south-east Europe (Map 1). Its territorial waters incorporate a 22 km-wide coastal zone (with a marine area of 18,981 km²). Croatia borders Bosnia and Herzegovina and Serbia in the east, Slovenia in the west, Hungary in the north and Montenegro in the south. Part of the extreme south of Croatia is separated from the rest of the mainland by a short coastal strip around Neum (belonging to Bosnia and Herzegovina).

Map 1: Contextual map of Croatia



2. Croatia unilaterally declared its independence from the former Yugoslavia in 1991. This led to the four-year Croatian War of Independence. The war effectively ended in August 1995, with Croatia re-asserting its authority over almost the entire territory. Eastern Slavonia was later also reverted to its rule in January 1998, following a peaceful transition under UN-administration.

3. In February 2005, the Stabilization and Association Agreement with the European Union officially came into force. In June 2011, Croatia concluded its accession negotiations with the EU. It became the 28th member of the EU on 1st July 2013. European integration has been the primary national objective shaping all recent policy making and development efforts in the country.

4. The permanent population of Croatia is approximately 4.3 million (2011 census), with an average density of 77.8 inhabitants/km². The country is inhabited mostly by Croats (89.6%), while minorities include Serbs (4.5%) and 21 other ethnic groups (less than 1% each). Croatia is divided into 20 counties, and the capital city of Zagreb. The counties, in turn, sub-divide into 127 cities and 429 municipalities. The average urbanisation rate in Croatia stands at 56%, with a growing urban population and shrinking rural population. The largest city and the nation's capital is Zagreb, with an urban

population of 686,568 in the city itself and a metropolitan area population of just over a million inhabitants. The populations of Split and Rijeka exceed 100,000, while five more cities in Croatia have populations over 50,000.

5. Between 1995 and 2011, Croatia's Human Development Index (HDI) value increased from 0.713 to 0.796, placing it in 46th place of 187 countries (UNDP, 2011). The literacy rate in Croatia currently stands at 98.1%, with an estimated 4.5% of GDP spent on education. Croatia also has a universal health care system and, in 2011, the country spent 6.9% of its GDP on healthcare. The country had a Gross National Income (GNI) per capita of US\$19,330 in 2011.

6. Croatia's unemployment rate (21.9% in January 2013) is continuing to rise, despite programmes enacted by the government to address the problem. More than 300,000 workers are unemployed and more than 100,000 workers were laid off in the last five years.

7. The foundations for long-term economic development in Croatia remain fragile in the absence of an efficiently functioning legal framework. The state maintains an extensive presence in many economic sectors through state-owned enterprises. Previous structural reforms have included privatization in the banking sector, implementation of a competitive corporate tax rate, and modernization of the regulatory environment. However, deeper institutional reforms in such areas as public finance management and the labour market are still critically needed. Few steps have been taken to reduce or control government spending, and the inefficient public sector severely undermines private-sector dynamism, hurting Croatia's overall competitiveness. The Government is currently under pressure to consolidate public finances and gain control over its expenditure.

8. Croatia has a stable market economy accompanied by a strong and stable currency, the *Kuna*. It has a service-based economy, with the tertiary sector accounting for 70% of total gross domestic product (GDP). Although the GDP grew at an annual rate of 5.3% between 1995 and 1998, and by 4.3% between 2000 and 2008, the recent global financial crisis has taken a severe toll on Croatia's economy, with the GDP contracting by 6.9% in 2009, 1.4% in 2010 and 1% in 2011. The GDP (estimated at €44.9 billion in 2011) is projected to further decline by 1.4% in 2012. The economic recovery is expected to be very modest, with GDP growth projections of 0.3% in 2013 and 1.3% in 2014. An over-reliance on tourism (26.5% of total contribution to GDP in 2012), and the slow pace of privatization of state-owned businesses, are further hindering economic recovery.

9. Croatia is situated at the juncture of several biogeographical regions: the *Mediterranean*, with its 1,246 islands and islets; the *Alpine*, including the high mountains of the Dinaric Alps; the *Pannonian*, including part of the Pannonian Basin plain in Slavonia; and the *Continental*, including the Karst limestone zone. The country is consequently considered as one of the richest in Europe in terms of biodiversity, with exceptionally high species richness and levels of endemism. Four Global 200 WWF ecoregions – Balkan Rivers and Streams; European-Mediterranean Montane Mixed Forests, Woodlands and Shrub; and Mediterranean Sea – are represented in Croatia. Birdlife International has identified 23 Important Bird Areas (IBAs) in Croatia, while 97 Important Plant Areas (IPAs) covering 964,655 ha and 3 Butterfly Areas covering 290,000ha have been described.

10. The most significant threat to terrestrial biodiversity is habitat loss and degradation/fragmentation. Due to the relative rapid development of the country since independence, anthropogenic impacts have led to the degradation of habitats, mostly through: infrastructure and settlement construction; bad practice in water management (i.e. river channelling, habitat drainage and irrigation); unsustainable tourism development; intensive agriculture; mineral exploitation (i.e. quarrying/mining); and some industrial development. The abandonment of agricultural land has also had a detrimental effect on the long-term

conservation of semi-natural grassland species because vegetation succession is leading to changes in vegetation and landscapes.

11. Croatia's marine biodiversity is threatened by pollution (by example, only 37% of population living in the Adriatic basin has wastewater treatment facilities), illegal fishing, overfishing, destructive fishing practices, illegal collection of benthic fauna and physical damage to marine habitats (by example, anchoring of tourism boats on shallow reefs). The warming of the Adriatic Sea, as a result of climate change effects, is resulting in the northward expansion of thermophilic fish species habitats, potentially leading to local extinctions of some species.

12. The establishment, and effective management, of a representative system of protected areas is an integral part of the country's overall strategy to address the threats and root causes of biodiversity loss. The Nature Protection Act (OG 80/2013)¹ is the primary enabling legislation for protected areas. The Act makes provision for 9 different categories of protected areas. Croatia currently has a well-developed system of 420 protected areas, comprising: 2 Strict Reserves; 8 National Parks; 79 Special Reserves; 11 Nature Parks; 2 Regional Parks; 85 Nature Monuments; 84 Significant Landscapes/ Seascapes; 28 Forest Parks and 121 Horticultural Monuments. Collectively these protected areas cover a total area of 717,921 ha, encompassing approximately 11.61% of the terrestrial and inland water ecosystems of Croatia and 1.97% of the country's marine territorial waters.

13. The largest portion (>60%) of the protected area system comprises the 'national protected areas' (Nature Parks and National Parks), covering an area of 515,084 ha. These national protected areas form the spatial focus for GEF project investment.

14. The long-term solution sought by the Government of Croatia for the network of national protected areas is characterised by: (i) an efficient, cost-effective and accountable institutional framework for the administration of national protected areas; and (ii) the adequate staffing, resourcing and sustainable financing of each national protected area to ensure that it achieves its management objectives.

15. There are two fundamental barriers to improving the effective management of the network of national protected areas: (i) inherent systemic weaknesses in the institutional framework for national protected areas; and (ii) inefficiencies in the administration, adequacy, allocation and effectiveness of funding in national protected areas.

16. The project objective is *Enhancing the management effectiveness and sustainability of national protected areas to safeguard terrestrial and marine biodiversity protected areas.*

17. In order to achieve the project objective, and address the barriers, the project has been organised into two components: Component 1 - *Reforming the institutional framework to strengthen the management effectiveness of national protected areas*; and Component 2 - *Improving the financial sustainability of the network of national protected areas.*

18. The first component of the project seeks to provide support to the government in: a) implementing short- to medium-term interventions targeted at improving the existing institutional framework for national protected areas; and b) assessing, over the longer term, the feasibility of, and technical requirements for, establishing a single park agency, for national protected areas. It will do this by: (i) preparing an overarching output-based, results-oriented strategic and financial planning framework for national

¹ Previously OG 70/05 (as amended by Official Gazette 139/08 and 57/11). The Government recently prepared a new version of the Nature Protection Act to more fully comply with all EU nature protection Directives and Resolutions. The new act was adopted on 21 June, 2013.

protected areas; (ii) strengthening the financial management capacity of national protected area Public Institutions (PIs); (iii) establishing a 'shared service centre' for national protected area PIs; and (iv) undertaking a detailed feasibility assessment of alternative options for a consolidated park agency.

19. The second component of the project seeks to improve the financial sustainability of the national protected areas to ensure that they have adequate financial resources to cover the full costs of their management. It will do this by: (a) reducing the costs of collecting user fees, and concurrently increasing the number of users, in national protected areas²; (b) diversifying the tourism and recreational products and services in national protected areas in order to increase both the number of visitors and duration of their stay in the parks³; (c) developing mechanisms to strengthen the service standards, and improve the economic efficiencies, of existing tourism products and services in national protected areas; and (d) retrofitting existing buildings in national protected areas with more energy efficient technologies in order to reduce the high costs of the supply of power and water.

20. The project will be implemented over a period of four years. The total cost of investment in the project is estimated at US\$, of which US\$4,953,000 constitutes grant funding from GEF and US\$18,011,116 comprises co-financing (MENP US\$ 16,700,000; UNDP US\$500,000; and Public Institutions US\$811,116).

² Without compromising the conservation value, and ecological integrity of national protected areas.

³ As above.

PART I: Situation Analysis

CONTEXT AND GLOBAL SIGNIFICANCE

Environmental context - Croatia

21. The Pannonian Basin, the Dinaric Alps and the Adriatic Basin represent the major geomorphological features of Croatia. Lowlands make up a significant portion of the country, with elevations of less than 200 m above sea level recorded in just more than 53% of the country. Most of the lowlands are found in the northern regions; especially in Slavonia, itself a part of the Pannonian Basin plain. The plains are interspersed with horst and graben structures, believed to have broken the Pliocene Pannonian Sea's surface as islands. The greatest concentration of ground at relatively high elevations is found in the Lika and Gorski Kotar areas in the Dinaric Alps, but high mountainous areas are found in most regions of Croatia. The Dinaric Alps contain the highest mountain in Croatia (the 1,831 m Dinara), as well as all other mountains in Croatia higher than 1,500 m. Croatia's Adriatic Sea mainland coast is 1,777 km long, while its 1,246 islands and islets encompass a further 4,058 km of coastline, the most indented coastline in the Mediterranean.

22. Almost 62% of Croatia's territory is encompassed by the Black Sea drainage basin, and includes the largest rivers flowing in the country: the Danube, Sava, Drava, Mura and Kupa. The Danube - Europe's second longest river - runs in the extreme east, and forms part of the border with Serbia. The remainder of Croatia's land territory (i.e. ~38%) forms part of the Adriatic Sea drainage basin, where the largest river is the Neretva (which mostly traverses neighbouring Bosnia and Herzegovina).

23. Most of Croatia has a moderately warm and rainy continental climate. The mean monthly temperature ranges between -3°C (in January) and 18°C (in July). The coldest parts of the country are found at elevations above 1200 m, while the warmest areas are at the Adriatic coast, especially its immediate hinterland, characterised by the Mediterranean climate. Mean annual precipitation ranges between 600 and 3,500 mm, depending on the geographical region and prevailing climate type. The lowest precipitation levels are recorded in the outer islands (Vis, Lastovo, Bisevo, Svetac), while the highest are observed in the Dinara Mountain Range.

24. Croatia is situated at the juncture of four European biogeographical regions: the Mediterranean region along the coast and in its immediate hinterland; the Alpine region in the elevated Lika and Gorski Kotar; the Pannonian region along the Drava and Danube; and the Continental region in the remaining areas.

25. Among the most significant habitats in Croatia are: *underground habitat*, including submerged karst such as Zrmanja and Krka canyons; *forests*, covering more than 47% of the country's land surface area; *inland surface water and wetlands*, including the gravels, sands and muds of the large lowland rivers (Drava and Mura, as well as some leftovers on the Sava River) and the tufa stream and tufa cascade habitat types specific to the Croatian karst rivers; *marine habitats* and *coastal habitats* of the Adriatic Sea, including karst marine lakes and caves, mudflats and saltmarshes; relictual, threatened *bogs and fens*; *wet* and Mediterranean *dry grasslands*; and *scrub habitats*. Almost all natural and semi-natural habitat types represented in Croatia are protected by the EU regulations.

26. Due to its location at the juncture of a number of biogeographic regions and its characteristic ecological, climatic and geomorphologic features, Croatia is considered as one of the richest European

countries in terms of its biodiversity, both in respect of species richness and high levels of endemism⁴ (see table below). The number of known species in Croatia is around 38,000, though the estimated number is far higher (ranging from 50,000 to over 100,000). More than a thousand endemic species have been recorded (see table below). One of the reasons for the large number of endemics in Croatia, and especially tertiary relics, is the fact that this area was not greatly affected by glaciation. The main centres for endemism of flora are the Velebit and Biokovo mountains while endemic fauna is most represented in underground habitats (cave invertebrates, the olm), the islands (lizards, snails) and the karst rivers of the Adriatic drainage basin (minnows and gobies). The Adriatic Sea contains, within the Croatian territory, 442 fish taxa (accounting for 65% of all known fish taxa in the Mediterranean), as well as an estimated area of ~144,000 ha of endemic *Posidonia oceanica* sea grass meadows⁵.

	<i>Total no. of known taxa</i>	<i>No. of endemic taxa</i>
Plants	8,871	523
Fungi	4,500	0
Lichens	1,019	0
Mammals	101	5
Birds	387	0
Reptiles	41	9
Amphibians	20	7
Freshwater fish	151	18
Marine fish	442	6
Terrestrial invertebrates	15,228	350
Freshwater invertebrates	1,850	171
Marine invertebrates	5,655	0
TOTAL	38,265	1,089

Source: *Biodiversity of Croatia, 2009*

27. The Red Books (vascular flora; freshwater fish; reptiles and amphibians; mammals; fungi; dragonflies; marine fish; and cave fauna) and Red Lists for Croatia collectively identify at least 2,456 threatened taxa in Croatia⁶, broken down as follows:

	<i>No. of threatened taxa</i>
Vascular plants	760
Fungi	314
Lichens	56
Mammals	42
Birds (nesting and non-nesting)	193
Reptiles	16
Amphibians	8
Freshwater fish	91
Marine fish	123
Butterflies	38
Dragonflies	36
Stoneflies	82
Ground beetles	395

⁴ Croatia is ranked third in Europe in terms of its area to plant species ratio, and eighth in terms of its mammal diversity.

⁵ The mapping of marine habitats, as part of the Croatian Habitat Map, is indicative, and was obtained using spatial modelling techniques.

⁶ All these taxa are strictly protected by the *Ordinance on Proclamation of the Wild Species as Protected and Strictly Protected* (2009).

Cave fauna	186
Corals	116
TOTAL	2,456

Source: SINP (<http://www.dzrp.hr/eng/species/red-list-of-plants-and-animals-of-the-republic-of-croatia/red-list-of-plants-and-animals-of-the-republic-of-croatia-146.html>)

28. Karst geology represents 46% of the land area of Croatia. Approximately 7000 caves and pits have been recorded to date (this number is however expected to increase considerably with new discoveries). Some 70% of almost 500 recorded terrestrial and aquatic cave invertebrates are endemic to Croatia. The largest animal groups within troglobites (terrestrial cave-dwellers) are beetles, false scorpions, spiders, snails and millipedes. Crustaceans predominate between stygobites (aquatic cave-dwellers). Other important groups include sponges, hydrozoa, planarians, snails, the only known aquatic cave clam (*Congerius kusceri*) and the only aquatic cave vertebrate – the olm (*Proteus anguinus*).

29. Out of five large carnivores living in the EU, three are resident in Croatia – the grey wolf (*Canis lupus*), Eurasian lynx (*Lynx lynx*) and brown bear (*Ursus arctos*).

30. There are also a number of indigenous cultivars of plants and breeds of domesticated animals. Of these, the Medimurje horse; Istrian and North-Adriatic donkeys; Busa cattle of Lika; Slavonian podolian cattle; and the Turopolje pig are critically endangered, while the Primorje-Dinaric donkey; Istrian cattle; Dubrovnik ruda sheep; Croatian white sheep; black Slavonian pig; Hrvatica hen; and Zagorje turkey are highly endangered (Biodiversity of Croatia, 2009).

Croatia's protected area system: current status and coverage

31. The establishment and management of a system of protected areas is considered a key strategy in securing the effective conservation of biodiversity in Croatia. The Nature Protection Act (OG 80/2013)⁷ makes provision for 9 different categories of protected areas, under different designation and management regimes, as follows:

Category	Purpose	Designating authority	Managing authority⁸
Strict Reserve	Exclusive protection of a mostly untransformed area	Government of the Republic of Croatia	County
National Park	Protection of a large area of outstanding and diverse natural values	Croatian Parliament	National
Special Reserve	Protection of habitats of special importance (e.g. endangered habitats; habitats of endangered species)	Government of the Republic of Croatia	County
Nature Park	Protection of a large natural or transformed area with high biodiversity or geo-diversity, and characterised by significant landscape, educational, cultural and historical values	Croatian Parliament	National
Regional Park	Protection of a large natural or transformed area of high biodiversity, geo-diversity and/or landscape value	County Assembly	County

⁷ Previously OG 70/05 (as amended by Official Gazette 139/08 and 57/11). The Government recently prepared a new version of the Nature Protection Act to more fully comply with all EU nature protection Directives and Resolutions. The new act was adopted on 21 June, 2013.

⁸ Other protected area categories that are located within a national or nature park (or border them, or are located very close to their border) could be managed by that national or nature park public institution (in reality these areas are mostly managed by the national or nature park public institution due to the better capacities of these public institutions).

Nature Monument	Protection of an untransformed representative sample of nature characterising the ecological and landscape values of the surrounding area.	County Assembly	County
Significant Landscape/ Seascape	Protection of a natural or transformed area of high landscape, biodiversity and/or geo-diversity values	County Assembly	County
Forest Park	Protection of a natural or planted forest of high biodiversity and/or landscape value	County Assembly	County
Horticultural Monument	A man-made site of aesthetic, artistic, cultural, historical and/or educational value	County Assembly	County

32. The number, and coverage, of the protected areas in each of these nine categories is summarised as follows (see Map 1 in [Section IV, Part II](#)):

Category	No. of PAs	Area (in ha) ⁹		
		Mainland	Sea	TOTAL
Strict Reserve	2	2,395	0	2,395
National Park	8	73,567	21,906	95,472
Special Reserve	79	31,976	12,007	43,983
Nature Park	11	400,833	18,789	419,622
Regional Park	2	102,792	0	102,792
Nature Monument	85	207	0	207
Significant Landscape/Seascape	84	98,833	8,988	107,822
Forest Park	28	2,966	0	2,966
Horticultural Monument	121	937	0	937
<i>Area included in other PA categories:</i>		-57,846	-429	-58,275
TOTAL:	420	656,660	61,261	717,921
Percentage of Croatian territory:		11.61 %	1.97 %	8.19%

Source: Register of Protected Areas of the Republic of Croatia

33. Five wetlands – *Crna Mlaka*, *Kopacki Rit*, *Lojsko Polje* and *Mokro Polje*, *Neretva Delta* and *Vransko jezero* - are listed on the Ramsar List of Wetlands of International Importance. There is currently one natural property in Croatia inscribed on the list of UNESCO World Heritage Sites– *Plitvice Lakes National Park* – and three properties (*Velebit Mountain*, *Kornati National Park* and *Telascica Nature Park* and *Lonjsko Polje Nature Park*) have been included on the tentative list. In addition, *Velebit Mountain* and *Mura-Drava-Danube* have been designated as UNESCO MAB Biosphere Reserves, while *Papuk* has been included in the International and European Geoparks Network.

34. All protected areas in Croatia are managed by government at either the state, regional or local level, as follows:

	State Government	Regional Government	Local Government ^(d)
PA categories	National parks and Nature parks	Remaining 7 PA categories	Remaining 7 PA categories (but in reality, covers only 5 PA categories)

⁹ The areas shown here have been rounded to the nearest ha.

Number of public institutions	19 Public Institutions managing 8 National Parks and 11 Nature Parks 1 PA is managed by the Croatian Academy of Sciences and Arts ^(a)	20 Public Institutions ^{(b)(c)} managing 368 PAs	6 Public Institutions managing 10 PAs
Founder	State (national) government	Regional (County) governments	Local governments (3 cities and 2 municipalities)
Remarks	<i>(a) The Croatian Academy of Sciences and Arts manages one Horticultural Monument (effectively a botanical garden).</i>	<i>(b) There should be 21 public institutions. However the City of Zagreb has not yet established its PA management authority. (c) Although Lika-Senj County has established its regional PA management authority, it is currently not operational.</i>	<i>There is a provision in the Nature Protection Act that provides for the governance of PAs to be transferred from regional to local government.</i>

Source: Register of Protected Areas of the Republic of Croatia

35. The largest portion (> 60%) of the protected area system in Croatia comprises the protected areas administered by national public institutions (i.e. the 19 public institutions responsible for the 8 national parks and 11 nature parks). This may be broken down as follows:

<i>Park</i>	<i>Year of Proclamation</i>	<i>Area (ha)</i>
National Parks		
Plitvicka jezera National Park	1949	26,600
Paklenica National Park	1949	10,200
Risnjak National Park	1953	6,400
Mljet National Park	1960	5,375
Kornati National Park	1980	21,700
Brijuni National Park	1983	3,397
Krka National Park	1985	10,900
Sjeverni Velebit National Park	1999	10,900
Nature Parks		
Kopacki rit Nature Park	1967	17,700
Biokovo Nature Park	1981	19,550
Medvednica Nature Park	1981	17,938
Velebit Nature Park	1981	200,000
Telascica Nature Park	1988	7,001
Lonjsko polje Nature Park	1990	50,650
Papuk Nature Park	1999	33,600
Ucka Nature Park	1999	14,600
Vransko jezero Nature Park	1999	5,700
Zumberak-Samoborsko gorje Nature Park	1999	33,300
Lastovsko otocje Nature Park	2006	19,583

Source: Register of Protected Areas of the Republic of Croatia

36. The protected areas administered by national public institutions will form the spatial focus for GEF project investment.

37. The protected areas system in Croatia form an integral part of the country's proclaimed National Ecological Network, a larger system of functionally connected ecologically important areas for species and habitats (see Map 2 in [Section IV, Part II](#)). The National Ecological Network currently covers 47% (26,690 km²) of the terrestrial land area and 39% (12,140 km²) of the marine territory of Croatia, in

addition to two corridors: the sea turtle corridor; and the Palagruza-Lastovo-Peljesac corridor (important for bird migrations). For each site within the ecological network, conservation objectives have been defined and guidelines for protection measures identified.

38. Croatia has prepared proposals for Natura 2000¹⁰ in order to conform to the EU Habitats and Birds Directives (Council Directives 79/409 and 92/43 EEC). The current Natura 2000 proposal covers 36.92% of the terrestrial land area and 16.60% of the marine territory of Croatia, and comprises a complex of 793 inter-linked sites. It is envisaged that these sites would then collectively secure the long-term conservation of endangered species and habitats in both Croatia and the greater European region.

39. Croatia's 'Action Plan for Implementing the Convention on Biological Diversity's Programme of Work on Protected Areas' (2012) indicates that the key gaps¹¹ in the protected area system are the high biodiversity habitats - cave ecosystems, coastal lagoons, freshwater watercourses, karstic fields and bogs – in the lowlands and hilly areas (between 0 and 600 m.a.s.l.) of the country. Important representivity gaps were also identified among a number of endemic reptiles and freshwater fish species, especially those occurring in lowland areas. The priority areas for addressing these protected area gaps include: Neretva Delta¹²; River Mreznica; and the Dinara mountain massif (bordering Bosnia and Herzegovina). While the marine environment of the Adriatic Sea is also severely under-represented in the PA system, the poor quality of sub-tidal marine biodiversity data currently precludes the specific identification of priority areas for the establishment of new marine protected areas.

40. A more detailed description of the protected area system in Croatia is included in [Section IV, Part VII](#).

Institutional context

41. The figure below illustrates the current institutional framework for the planning and management of protected areas in Croatia¹³:

¹⁰ Natura 2000 is the Ecological Network of the European Union that comprises sites important for the conservation of threatened species and habitat types. Through designation of Special Areas of Conservation (SAC) in compliance with Article 4 of the Habitats Directive, each Member State contributes to the drafting of Natura 2000. In compliance with the Birds Directive, Special Protection Areas (SPA) are also designated for the protection of particular bird species.

¹¹ The protected area gap data was sourced from the WWF Dinaric Arc Ecoregion Project report 'Protected Area Gap Analysis' (2009).

¹² The *Strategy and Action Plan for the Protection of Biological and Landscape Diversity of the Republic of Croatia* further provides for the future establishment of the *Neretva Delta* Nature Park (currently listed as a Ramsar site).

¹³ It must be noted that: (i) the accountability of the County PIs and Local PIs to the MENP is very tenuous; (ii) one County PI - Lika-Senj, established in 2007 – is currently not functional; and (iii) the City of Zagreb has not yet established a PI.



42. The organisational profile of each of these individual institutions, specifically in respect of their responsibilities for protected areas, are briefly summarised below:

Institution	Administrative agency	Profile
1. Ministry of Environmental and Nature Protection (MENP)		The MENP is the competent national authority in Croatia for protected area planning and management. MENP is organised into three Directorates, each headed by an Assistant Minister. Two of these directorates – primarily the Nature Protection Directorate (NPD) and, to a lesser extent, the Directorate for Inspection Affairs (DIA) – are responsible for protected areas.
	1.1 Nature Protection Directorate (NPD)	The <i>Division for Protected Areas</i> within the <i>Sector for protected areas, protection of abiotic nature and sustainable use of natural resources</i> of the NPD is directly responsible for <i>inter alia</i> : coordinating the overall planning and management of the protected area system; providing regulatory and administrative and financial oversight of the 19 National Public Institutions; designating new national protected areas; reporting on the protected area system; and maintaining the Register of Protected Areas. The <i>Department of Protected Areas Management (DPAM)</i> within the <i>Division for Protected Areas</i> currently has a staff complement of 8.

Institution	Administrative agency	Profile
	1.2 Directorate for Inspection Affairs (DIA)	<p>The <i>Sector for Nature Protection Inspection</i> within the DIA is responsible for the enforcement of, and conformance with, all relevant legislative, regulatory and permitting requirements/conditions in protected areas.</p> <p>The <i>Sector for Nature Protection Inspection</i> currently has a staff complement of 16.</p>
2. State Institute for Nature Protection (SINP)		<p>The SINP is a Public Institution established in 2002 by a Regulation of Government. It is subordinate to the MENP. Within SINP, the <i>Department for Protected Areas</i> (DPA) provides specialised expert advice and support to the NPD in the planning, administration and monitoring of the protected area system. It is also responsible for <i>inter alia</i>: reviewing management and annual plans for national protected areas; maintaining and updating biodiversity and heritage databases for the protected area system; preparing the expert and technical proposals for the establishment of new protected areas; reporting on the state of protected areas; developing standards for the management of protected areas; and capacity building for protected area managers. The Department for Protected Areas currently has a staff complement of 10.</p>
3. National Public Institutions (PIs)		<p>Each of the 8 National Parks and 11 Nature Parks has a <u>separate</u> national Public Institution, established by a Regulation of Government.</p> <p>Each Public Institution is then directly responsible for the 10-year and annual planning, and day-day operational management, of the National Park/Nature Park under its jurisdiction.</p> <p>Each Public Institution has its own staff complement and is financed from self-generated income, supplemented by government grant funding.</p> <p>Each Public Institution reports to a 5-member <i>Steering Council</i> appointed by the Minister of Environmental and Nature Protection. The national PIs have a total staff complement of 1616 (of which 769 are for conservation functions and 847 for the management of hotels, restaurants and recreational facilities and services)</p>
4. County (20) or 5. Town/ Municipality (6)	4.1 County Public Institutions (CPIs)	<p>Each of the Counties (except for the City of Zagreb) have established a county Public Institution - by Decision of the County Assembly - to plan and manage the other protected areas (i.e. strict reserves; special reserves; regional parks; nature monuments; significant landscapes/seascapes; forest parks; and/or horticultural monuments) located within the administrative domain of the County.</p> <p>Each Public Institution is directly responsible for the 10-year and annual planning¹⁴, and day-day operational management, of the different protected areas under its jurisdiction.</p> <p>Each Public Institution has its own staff complement and is financed from self-generated income, supplemented by County grant funding. Each Public Institution reports to a 5-member Steering Council appointed by the County.</p> <p>The county PIs have a total staff complement of 84.</p>
	5.1 Local government Public Institutions (LPis)	<p>In some instances, Counties have handed over the management of a protected area to a local Public Institution, established by the Decision of a town or municipality assembly.</p> <p>Each Public Institution is directly responsible for the 10-year¹⁵ and</p>

¹⁴ Note: Nature Monuments, Forest Parks and Horticultural Monuments do not need 10-year plans.

Institution	Administrative agency	Profile
		<p>annual planning, and day-day operational management, of the other protected area/s under its jurisdiction.</p> <p>Each Public Institution has its own staff complement and is financed from self-generated income, supplemented by town or municipality grant funding.</p> <p>Each Public Institution reports to a 5-member Steering Council appointed by the town or municipality.</p> <p>The local PIs have a total staff complement of 110.</p>

43. The Croatian Environment Agency is an independent public institution established by a decision of the government of the Republic of Croatia. It is also subordinate to the MENP, and has the primary function of collecting, interpreting and processing environmental data in support of the implementation of environmental policy in Croatia. The Croatian Environment Agency is the national focal point for collaboration with the European Environment Agency (EEA), and is also a member of the European Environment Information and Observation Network (EIONET).

Policy and Legislative context

44. Croatia's *Strategic Development Framework (SDF) 2006-2013* identifies ten strategic areas required to meet its goal of 'growth and employment in a competitive market economy acting within a European welfare state of the 21st century'. For each strategic area, the SDF then defines a series of measures and actions that need to be undertaken to achieve the basic strategic goal. One of these ten strategic areas is 'environmental protection and balanced regional development'.

45. The *Environmental Protection Act* (OG 80/13) sets out the responsibilities for sustainable development at different political levels in Croatia, including national government, counties, cities/municipalities, and other relevant stakeholders.

46. The *National Sustainable Development Strategy* (NSDS, 2009) then provides the overarching strategic framework for achieving the objectives of the act. The *Environmental Protection Plan* directs sustainable development activities at the national level, while the *Environmental Protection Programme* directs it at the sub-national, regional level. *Environmental Status Reports* provide an indication of progress in meeting the objectives and targets of the Plan or Programme.

47. The *Strategy and Action Plan for the Protection of Biological and Landscape Diversity of the Republic of Croatia* (OG 143/08) is the primary strategic document for nature protection in Croatia. It provides framework for the continued development, efficient management, active promotion and ongoing expansion of the protected area system (as an integral part of the Ecological Network).

48. The *Nature Protection Act* (NPA) (OG 80/13)¹⁶ is the primary enabling legislation for protected areas. The NPA provides for nine different categories of protected areas according to their purpose and approved uses, and describes the institutional roles and responsibilities for their designation, planning, management, governance and registration.

¹⁵ As above.

¹⁶ Previously OG 70/05 (as amended by Official Gazette 139/08 and 57/11). The Government recently prepared a new version of the Nature Protection Act to more fully comply with all EU nature protection Directives and Resolutions. The new act was adopted on 21 June, 2013.

49. The procedure for proclaiming a protected area is prescribed in the NPA. Depending on the category of protection of the protected areas, an area is proclaimed by the Croatian Parliament, Government of the Republic of Croatia or county assembly. Each protected area is proclaimed under an individual law (national) or regulation (regional/local).

50. The NPA requires that an *Ordinance on Protection and Conservation* is to be drafted for all protected areas of national importance (national and nature parks and strict and special reserves). For protected areas of local importance (regional park, nature monument, significant landscape, forest park and horticultural monument) a *Decision on the measures for the protection, conservation, upgrading and usage of a protected area* ('*Decision*') could be adopted. The Ordinance/Decision regulates in greater detail the issues of, and stipulates the measures for, the protection, conservation, upgrading and use of a protected area. The Ordinance is adopted by the Minister, as suggested by the steering council of the relevant public institution, with the prior consent of the central body of the state administration responsible for maritime affairs, forestry, fisheries or water management (when the protected assets are from their purview). The Decision is adopted by the representative body of the relevant regional government, as suggested by the steering council of the relevant public institution, with the opinion of the SINP and the prior consent of the Ministry, as well as the prior consent of the central body of the state administration responsible for maritime affairs, forestry, fisheries or water management (when the protected assets are from their purview).

51. The *Act on Execution of the 2013 State Budget of the Republic of Croatia* (OG 139/12) regulates the revenues, receipts, expenses and expenditures of the State Budget of the Republic of Croatia for 2013. It also controls *inter alia*: the extent of borrowing and government guarantees; debt management and financial and non-financial assets; economic incentives; the use of earmarked revenues and receipts; and the use of own income. According to this Act (Articles 38, 39) the PIs of the national parks and nature parks, as well as SINP, are excluded from paying earmarked revenues and receipts and their own revenue into the State budget (since they have not met technical requirements for their direct involvement in the State Treasury System).

52. Public institutions of national and nature parks have been established by virtue of a *Regulation of the Government of the Republic of Croatia*. Public institutions for the management of other protected areas are established by regional self-government units, by virtue of a *Decision of the County assembly*. County assembly may, in turn, transfer the right to establish a public institution to the local government. The functioning of these public institutions are all regulated by the *Law on Institutions* (OG 76/93, 27/97, 47/99 and 35/08), and in accordance with the specific requirements for protected area institutions provided for in the NPA.

53. The *Physical Planning and Building Act* (OG 76/07, 38/09, 55/11, 90/11, 50/12, 55/12 and 80/13) regulate the preparation of physical plans ('Physical Plan of areas with special characteristics') for national parks and nature parks. The physical plan for national parks and nature parks establishes the basic organisation of the environment, measures of use, development and protection of the environment in these parks. The Ministry of Construction and Physical Planning is directly responsible for the development of these physical plans, while the State Institute for Nature Protection drafts the expert base proposals. Physical plans for national parks and nature parks are then adopted by the Parliament of the Republic of Croatia.

54. Other key sectorial legislation affecting protected areas includes *inter alia*:

<i>Legislation</i>	<i>Official Gazette</i>	<i>Main responsible state bodies</i>	<i>Brief description</i>
<i>Forests Act</i>	OG 140/05,	Directorate for	The act regulates the cultivation, protection and

	82/06, 129/08, 80/10, 124/10, 25/12 and 68/12	Forestry, Hunting and Wood Industry (Ministry of Agriculture) Hrvatske šume (‘Croatian Forests’ Enterprise)	sustainable use of forest resources, including forests within protected areas.
<i>Water Act</i>	OG 153/09, 63/11, 130/11 and 56/13	Directorate for Water Management (Ministry of Agriculture) Hrvatske vode (‘Croatian Waters’ Enterprise)	The act regulates the management, maintenance, protection and sustainable use of water resources, including the administration of water structures in and water supply to protected areas.
<i>Freshwater Fisheries Act</i>	OG 49/05	Directorate of Fisheries (Ministry of Agriculture)	The act regulates the fishing, breeding and protection of freshwater fish. The Act also regulates the introduction and distribution of alien fish species.
<i>Marine Fisheries Act</i>	OG 81/13	Directorate for Fisheries (Ministry of Agriculture)	The act regulates the use and management of marine biological resources, including the protection, fishing and breeding of marine fish and other marine organisms.
<i>Mining Act</i>	OG 56/13	Directorate for Industrial Policy, Energy and Mining (Ministry of Economy)	The act regulates the protection, extraction and exploitation of mineral resources, including mining activities occurring within protected areas.
<i>Public Private Partnership Act; Public Procurement Act; and Concessions Act</i>	OG 78/12 OG 90/11 and 83/13 OG 143/12	Agency for Public Private Partnership	The three acts collectively regulate the implementation of Public-Private Partnerships (PPP), and prescribe the procedures for awarding public procurement contracts and concessions contracts.

55. The *Strategy for the Development of Croatia's Tourism by 2020* (OG 55/13) includes a focus on optimizing the development of nature-based tourism in protected areas and improving the quality, range and type of tourism products and services in protected areas. It also seeks to shift the spatial distribution of new tourism developments from the already congested coastal areas to the under-serviced inland mountainous areas of Croatia.

National Protected Areas - financing

56. National protected areas (and their administrative PIs) may be financed from the following sources: (i) Government budget grant allocations; (ii) Own income (income from sales of products, goods and services and income from user fees, such as entry fees, accommodation, fees for guided excursions, etc.); (iii) Property income (income from financial assets, income from non-financial assets, revenue from concession approvals and revenue from the sale of fixed assets); (iv) Other government income (administrative fees and special regulation fees, assistance from other entities within the general budget, special funds, and financial aid (grants from foreign governments, international institutions and EU bodies); and (v) Donor revenue and other income (donations from companies and private persons outside the general budget, income from insurance and refund claims, and revenues from fines).

57. Self-generated income is predominantly derived from visitor fees, as well as concession approvals for recreational activities, and at some sites from hotels, restaurants and camping areas owned by the national PIs. The entrance fees for all national protected areas stay within the finances of each PI for use in

the management of that protected area. Revenues from concession approvals (i.e. non-extractive commercial activities) are also the income of the public institution and are designated for nature protection activities. Further, public institutions may grant concession approvals for a period of five years to legal or natural persons registered for ‘craft trade for the economic use of natural resources or exercising other activities in a protected area’. Except for the maritime domain and forests and forest land owned by the Republic of Croatia, the Minister prescribes the mechanisms for which a concession approval could be granted in the protected area, including the method of granting the concession approval, the conditions and method of establishing the amount of fee and the conditions and the method of providing the service for which the concession approval is granted. Revenues obtained from fines collected at a protected area (in accordance with the offences listed in the ‘Ordinance on Protection and Conservation’ of the particular protected area) are also the income of the PI and are designated for protection and promotion of that protected area¹⁷.

58. The vast majority of national, protected areas in Croatia however require some financial assistance from the MENP through the annual budgeting process. The annual budgeting process includes what is known as the ‘Annual program for protection, maintenance, conservation, promotion and use of protected areas’ (termed ‘Annual Program’ from here on). This covers the material costs of work that the parks require, and a separate process determines salaries and other associated costs for running the parks. The overall annual budgeting process involves each PI requesting budget from the MENP, which is then reviewed by the MENP and SINP. Depending on the amount requested and reasons for the request, the PIs receive either part of, or their entire request.

59. Revenues from concessions (i.e. for extractive uses such as mining and forestry) in national protected areas go to the State Budget if granted by the Parliament of the Republic of Croatia, Government or the Ministry. Concessions can be granted for up to a period of six to fifty five years, which provides the ‘right to economic use of natural resources or the right to exercising activities of interest for the Republic of Croatia, as well as the right to constructing and using installations and plants necessary for exercising such activities in protected areas’. The Ministry of Environmental and Nature Protection needs to approve a concession except when it is granted by Parliament or the Government. A concession is granted by a public bidding procedure. Nature protection conditions will form part of the decision on granting a concession, as well as the concession contract.

60. The Environmental Protection and Energy Efficiency Fund (EPEEF) is a national fund that receives revenues from various environmental taxes and special regulation fees, and provides grants for waste management and environmental protection, including special projects in protected areas.

61. The Croatian Government has over the past years received considerable financial support for protected areas from a variety of international sources, including the Norwegian Government, Netherlands Government, Swedish Government, *Fonds Francais pour l’Environnement Mondial* (FFEM), EU (LIFE, CARDS, IPA), and WWF.

62. The table below summarizes the total available funding for 2011 for national protected areas¹⁸:

<i>Source of funding</i>	<i>National PIs (National Parks and Nature Parks) 2011 (US\$)</i>	<i>SINP (protected area functions) 2011 (US\$)</i>
Government Budget Allocations	8 160 472	1 623 981

¹⁷ Some of the more substantial fines from more serious offences (up to US\$1million) may however go directly to the State Budget.

¹⁸ Excluding the budget allocations for protected area support functions in MENP (estimated at US\$3,160,909).

Other Government Income	652 027	57 489
Property Income	752 364	103 368
Own Income	56 457 680	1 155
Donor Revenue and other income	1 222 554	1 219
TOTAL (US\$)	67 245 097	1 787 212

63. Of the total funding available (~US\$ 72,193,218) for the national protected area system in 2011 (including funding for protected area support functions in SINP and MENP), US\$51,979,654 (~72%) is generated directly by just three National Parks – Plitvicka jezera (US\$35,267,865), Krka (US\$9,204,815) and Brijuni (US\$7,506,974).

64. A more detailed breakdown of the financial status of Croatia’s protected area system is included in [Section IV, Part VII](#).

THREATS, ROOT CAUSES AND IMPACTS

Habitat loss and fragmentation

65. The most significant threat to biodiversity in Croatia is habitat loss and degradation. There is a considerable pressure to convert natural habitats into land for construction, especially in coastal areas. Habitat fragmentation is mostly occurring through construction of highways, other traffic corridors and tourism infrastructure. Loss or degradation of natural habitats, notably wetland habitats, is reportedly affecting 62% of Croatian threatened taxa. More than 43% of threatened birds are also being affected by the disappearance of wetland habitats, especially in the coastal parts of the country. Many specialized species dependent on habitats influenced by vegetation succession are threatened, such as species endemic to grassland, bog and sandy habitats.

66. Poor water resource management practices – including alteration of rivers and stream flows by excavation, realignment, lining or other means; extraction of gravel and sand from rivers and streams; construction of hydroelectric power plants in water catchments; creation of artificial lakes for flood control and mitigation; construction of drainage channels for irrigation of agricultural land; and drainage of marshes and other wetland habitats – have further exacerbated the transformation of native habitats.

Abandonment of agricultural lands

67. In specific areas of Croatia, semi-natural grasslands have developed over centuries as a result of continuous management by farmers. The abandonment of agricultural lands is having a detrimental effect on the long-term conservation of semi-natural grassland species because - in the absence of the active management of these grasslands - vegetation succession is leading to changes in both species composition¹⁹ (for most areas in Croatia the final succession stage will be forest) and traditional landscapes. Abandonment of farms has affected many types of farmland, including significant areas of High Nature Value (HNV) farmland. The abandonment of agricultural land is also resulting in the colonisation of natural grasslands by invasive alien species (e.g. false indigo, *Amorpha fruticosa*).

Invasive alien species

¹⁹ In some cases, vegetation succession is leading to the local extirpation of some plant species.

68. Like other European countries, Croatia has many problems with invasive and non-invasive alien species. The invasive tropical green algae *Caulerpa racemosa* is spreading rapidly across the Adriatic Sea's coastal benthic habitats. Twenty alien fish species have been introduced into Croatian rivers and lakes during the past century, threatening the Adriatic Basin (which is rich in endemic fish species), including areas of Plitvicka jezera and Krka National Parks and Vransko jezero and Kopacki rit Nature Parks. The plant species false indigo is spreading through riverine and forest edge habitats in the Pannonian lowlands (including in Lonjsko polje and Kopacki rit Nature Parks), creating significant problems for the regeneration of forest areas after commercial harvesting. The common ragweed (*Ambrosia artemisifolia*) has also spread through ruderal habitats across Croatia. The clam *Dreissenia polymorpha* - known as a pest in water regulation and hydroelectric power stations - poses a great threat to indigenous freshwater mussel populations (*Unionidae*) and other benthic organisms. The invasive spinycheek crayfish (*Orconectes limosus*) is spreading rapidly along the Danube River, while the signal crayfish (*Pacifastacus leniusculus*) is found in the Mura River (Black Sea Basin) and the Korana River (Adriatic Basin) threatening autochthonous river crayfish species in the karst waterways. The Mediterranean form of black rat (*Rattus rattus*), the Italian lizard (*Podarcis /sicula/ campestris*) and the small Indian mongoose (*Herpestes javanicus auropunctatus*) have had a negative impact on native island fauna along the Dalmatian coast, including parts of Mljet National Park. The Tiger mosquito (*Aedes albopictus*) is reportedly displacing native mosquito species and is a vector for transmission of different viruses, including dengue fever. Finally, alien species, such as the chukar (*Alectoris chukar*) have been deliberately introduced for hunting, both on the islands and mainland, and represent a further problem.

Unsustainable fishing practises and damage to marine habitats

69. Destructive fishing practices such as trawling (in shallow sea), drift netting (i.e. over seagrass meadows and coral reefs), non-selective triple gillnetting ("poponice") and spear gun hunting (which is very popular in Croatia) are damaging marine ecosystems, and are having direct adverse impacts on marine biodiversity.

70. The main threat to marine turtles (and some marine mammals) in the Adriatic Sea is accidental catch in fishing nets.

71. It is estimated that approximately 400 ha of *Posidonia oceanica* meadows are threatened within marine protected areas by boat-based tourism activities. The impacts of boat-based tourism are largely as a result of damage from boat anchors (i.e. in more than 70% of cases), but dumping of waste and other pollutants from boats is also problematic.

Pollution and soil acidification

72. Only 43% of inhabitants in Croatia are connected to a sewage system and only 28% have their water treated before it is disposed. In the Adriatic basin 47% of the inhabitants are connected to a sewage system and 37% have access to a wastewater treatment system. In the Black Sea basin the sewage connectivity and wastewater treatment percentages are 42% and 24% respectively (Water Management Strategy, 2009).

73. While water quality monitoring results indicate low levels of pollution along most of the Adriatic Sea coastline, some areas of increased eutrophication are located in the Bay of Bakar, the Bay of Kastela, the Port of Sibenik and near Ploce; as well as in limited areas near the larger coastal cities.

74. The processes of soil acidification and organic matter degradation are present throughout Croatia, with increasing soil salinity levels in the Neretva river plain and spreading areas of alkali soil in Slavonia.

Illegal hunting and poaching

75. One of the most common threats to birds - and to a lesser extent, mammals - is illegal hunting and poaching, affecting up to 78 of threatened bird species. While not a significant issue within most protected areas, the major impacts are however occurring immediately adjacent to protected areas which then serve as a source of fauna to hunt once they leave the protection of the reserve.

Climate change

76. Projections of temperature increase for Croatia have been calculated for 2041-2070 - compared with 1961-1990 (A2 scenario) - as follows: Winter - 1.8°C in the northern part and about 1.5°C in the southern parts of the country; Spring - relatively uniform warming throughout Croatia of about 1.5°C; Summer - 2°C in the northern and almost 3°C in the southern part of the country; Autumn - warming between 1.5°C in a larger portion of the continental Croatia and slightly above 2°C in the coastal zone, as well as in Istria and the Dalmatian hinterland.

77. Projections of precipitation changes for Croatia have been calculated for 2041-2070 compared with 1961-1990 (A2 scenario). These projections show total precipitation decrease in three seasons (spring, summer and autumn), primarily in coastal, southern and mountainous Croatia. The decrease is generally less than 0.5 mm/day (or 45 mm in a season). Only in winter will there be a slight precipitation increase, mainly in the littoral and mountainous part of Croatia, as well as in the northern and eastern parts. The reduction of the height of snow cover is projected to be 1 mm in northern Croatia, up to slightly more than 2 mm in mountainous areas.

78. The anticipated impacts of climate change on biodiversity in Croatia include: (i) a decrease in number of species (per surface unit); (ii) shifts in vegetation types (and associated species) of the mountainous areas - particularly the Dinaric area - from alpine to temperate (potentially affecting 40 circumpolar species, 266 pre-alpine species and 607 alpine species); (iii) loss of endemic, threatened and/or endangered species from the Mediterranean region (especially from the estuaries of the karst river basins) and the south Adriatic islands; (iv) local extirpation of a number of small pelagic fish species in the Adriatic Sea due to the northward expansion of many thermophilic habitats²⁰; (v) a deterioration of forest ecosystems due to a drop in groundwater levels and lower than normal rainfall, combined with an increase in average temperatures; (vi) an increase in the damaging effect of plant diseases and pests on forest trees; and (vii) an increase in forest fire danger, length of fire season, and fire frequency and severity as a result of climate change-induced drying, leading to an increased dominance of shrubs over trees (see <http://www.climateadaptation.eu/croatia/>).

LONG-TERM SOLUTION AND BARRIERS TO ACHIEVING THE SOLUTION

79. The establishment, and effective management, of a representative system of protected areas is an integral part of the country's overall strategy to address the threats and root causes of biodiversity loss. The long-term solution sought by the Government of Croatia is characterised by: (i) an efficient, cost-effective and accountable institutional framework for the protected area system; and (ii) the adequate staffing, resourcing and sustainable financing of each protected area institution to ensure that they achieve the management objectives for the protected areas under their stewardship.

80. With the protected areas administered by national public institutions (i.e. the 19 public institutions responsible for the 8 national parks and 11 nature parks) representing the largest portion of the protected

²⁰ There have been recently recorded temperature increases at the depth of 40 meters in Telascica Nature Park, leading to the bleaching/necrosis of corals, gorgonias and sponges.

area system, the Government of Croatia seeks to focus immediate priority and attention on addressing the *institutional and financial sustainability* of the *network of national protected areas*.

81. There are two fundamental barriers to improving the institutional and financial sustainability of the network of national protected areas:

Barrier 1: Weaknesses in the institutional framework for national protected areas

82. The existing institutional framework for national protected areas - comprising the Nature Protection Directorate (NPD) and the Directorate for Inspection Affairs (DIA) within the Ministry of Environmental and Nature Protection (MENP), the State Institute for Nature Protection (SINP) and the 19 autonomous national Public Institutions (PIs), all being responsible for certain elements of the management of the PA System – is leading to a number of inefficiencies, inconsistencies and duplication in the planning, operational management and accountability of these protected areas.

83. There are currently a number of overlaps between or lack of clarity over the roles of the MENP Directorates, the SINP and the individual PIs responsible for national protected areas. This is further exacerbated by the limited authority/jurisdiction for a number of planning and operational activities (e.g. fisheries; spatial planning; maritime domain; and water, forest and fire management) occurring within national protected areas, but falling under the legal mandate of other government agencies/institutions such as Croatian Forest Enterprise (forest management), Croatian Water Enterprise (water management) and Ministry of Agriculture (fisheries management). Although the Nature Protection Act should theoretically apply *lex specialis* in national protected areas, this has not been affected resulting in overlapping and sometimes conflicting laws applying within a protected area. Similarly, protected area ordinances on internal order (now termed ‘protected area ordinances on protection and conservation’) have not been aligned with the Nature Protection Act, or have never been adopted in the first place, resulting in the loss of a number of court cases to the detriment of the conservation values of the affected protected area²¹.

84. While the NPD has the mandate to fulfil an overall oversight and coordination function for national protected areas, it however lacks the full regulatory authority, human resource capacity and professional skills to adequately fulfil this responsibility. The result of this is that MENP does not provide sufficient administrative, legal and technical assistance to PIs, which are then left to individually deal with issues on a case-by-case basis. Although some capacity and skills do exist within the SINP to support the NPD in meeting some of these oversight and coordination obligations, SINP is - in terms of Nature Protection Act - responsible for expert nature protection activities in the Republic of Croatia, and it has no/very limited delegated legal authority for protected areas.

85. There is no overarching strategic plan for national protected areas and a limited number of standardised policies and procedures to guide the implementation of best practice conservation planning and management approaches in national protected areas. To some extent, the 19 PIs continue to function completely independently of each other, with limited accountability to the central government for meeting its national, regional and international conservation obligations. This is particularly the case with the own income, the spending of which some parks do not even report to the Ministry. The result of this is that the state and quality of conservation management in national protected areas is highly variable across the network, and heavily dependent on the individual capacity, available financing, equipment and strategic focus of each responsible PI. Although a basic structure for reporting has been recently introduced, the reporting on conservation management activities across the national protected areas is of variable quality and there are currently no common performance indicators developed for conservation management. The

²¹ The Minister of Environmental and Nature Protection will, in accordance with the Nature Protection Act, adopt these ordinances within one year from the date of the Nature Protection Act adoption (in other words, by 6 July 2014).

collation of national operational management data for protected areas is in multiple formats, poorly archived and often not accessible in a useable format to guide decision-making.

86. Although SINP does provide some expert support to the national PIs and the government provides grant funding support to PIs, each PI has been largely constituted and organised to be able to function as an autonomous legal entity. The implication of this is a high level of replication and duplication of staff, and associated resources, for functions that could be provided more cost-effectively as a common service to all national protected areas (e.g. financial management, fund-raising, procurement, marketing, human resources management, legal services, information management, etc.). The high costs of procuring separate legal services has, for example, meant that some under-resourced PIs are completely unable to address critical legal issues facing the protected area.

87. There is still no higher education institutional program for professional protected area directors in Croatia²². There are limited career development opportunities for protected area staff as each individual PI has its own separate organogram. Post designations, job descriptions and salary structures vary across the PIs. Many of the PI directors have little managerial training or experience specific to protected areas. The Director of each PI is appointed by the Minister of Environmental and Nature Protection (primarily as administrators and not as full time professional park managers) for a period of only four years, often leading to a lack of continuity in leadership.

88. The cooperative governance of the network of national protected areas is currently sub-optimal. The roles of the State, the private sector, donor agencies, NGOs and communities in PA planning, management and monitoring are not always clearly defined. There is a need for greater participation of civil society at a higher level than only at the individual national protected areas (i.e. in the form of the Steering Council for each PI or the participation of a local community when management plans are developed). At the individual PI level, the 5-member Steering Councils appointed by the Minister of Environmental and Nature Protection typically do not have any representation of biodiversity conservation expertise and are often heavily biased to local socio-economic and tourism development, sometimes to the detriment of the conservation value of a protected area. A lack of effective government inter-sectorial coordination is also constraining improvements in the tenure and management effectiveness of many national protected areas. For example, the slow progress of the Ministry of Construction and Physical Planning in developing physical plans for protected areas is resulting in sustained legal conflicts over land tenure and use within national protected areas. Similarly, perverse incentives affecting the integrity of the protected area continue to prevail in the administration of water use fees. Conflicts with commercial production public enterprises (e.g. Croatian Forests) operating within a PA are typically not effectively addressed at the systemic level, often dealt with only on a case-by-case basis with individual PIs (and with limited effect). The political and economic leverage of the network of national protected areas is thus being dissipated because a lack of collective representation of the PA system at the national level.

89. The enforcement capabilities across the network of national protected areas also require significant improvements. There is limited coordination and collaboration of enforcement effort between individual PIs and between the different sectorial inspectorates (nature protection and environment, construction, fisheries). Within each protected area, the park rangers have very limited powers and authority and in some cases are not adequately or professionally trained and resourced.

Barrier 2: Inefficiencies in the administration, adequacy, allocation and effectiveness of funding in national protected areas

²² SINP has however started a training program for PA conservation service staff, while MENP organizes an annual training program for rangers.

90. In Croatia, the PIs of only two national protected areas – Plitvicka jezera and Krka National Parks – currently cover all their annual human resource, operating and capital costs from self-generated income. While the PI for Brijuni National Park is presently financing much of its operating and human resource costs from self-generated income, the high maintenance costs of old government buildings incorporated in the park (most of which are of cultural value) is constraining its medium-term financial self-sufficiency. The remaining PIs for the national protected areas – comprising five National Parks and eleven Nature Parks – all require additional financial assistance, which is subsidised in part from their annual State budget grant allocation. In 2011 it was estimated that the shortfall in adequately financing the network of national protected areas equates to approximately US\$2,500,000. Although Plitvicka jezera and Krka National Parks generate significant income (US\$35,267,865 and US\$9,204,815 respectively in 2011), there are currently no mechanisms in place to cross-subsidise the management of other national protected areas from this income stream.

91. There appears to be a general lack of business, economic and finance skills within the MENP and in most of the national PA PIs. These skills are essential for ensuring the overall sustainable financing of national PAs. There is also no overall business plan for the network of national protected areas, and no business plans or sustainable financing strategies in use in the individual PIs administering national PAs.

92. A number of capital developments are also being planned or are under development in a number of national protected areas (e.g. the visitor centre gateway development in Sjeverni Velebit National Park), but there are seemingly few or no clear plans on to how to finance their ongoing operations and maintenance into the future.

93. There is little accountability for the current tourism services provided in national protected areas - such as hotels and restaurants - because the accounts are not adequately separated and transparent. An associated problem is that there is no accountability for the profitability of the activities due to the way that the PI accounts are set up. This means that there is little or no idea at some sites how economically viable many of these tourism services are. A number of the tourism services may even be running at a significant loss, or could potentially be operated much more efficiently. A number of the hotels and restaurants may even be better operated through the private sector, or in partnership with the private sector or NGOs.

94. In most of the national PIs and in the MENP, there is a lack of expertise and experience in identifying and developing tourism concession opportunities, and some confusion over how the enabling legislation and institutional arrangements will apply. This is resulting in many lost concessioning opportunities, as PIs are not sure how to best develop and operate large-scale tourism-related concessions (notably those on a build-operate-transfer modality). A coordinated strategy is also needed to support the national PAs in entering into and administering shorter-term service level agreements (on a profit-sharing or lease cost basis) with smaller recreational and tourism operators.

95. Some national protected areas that are charging entrance fees still do not have effective systems in place to either collect, or to maximise the potential income from, these fees. In many of the large national protected areas that are ‘open access’ protected areas with multiple entry points – such as Velebit, Medvednica, Zumberak-Samoborsko gorje, Lonjsko polje and Papuk Nature Parks – there are not any systems in place to charge and collect entry fees from visitors, with the resultant loss of revenue income to the PI.

96. There is still considerable scope for charging visitors for additional activities in national PAs, particularly where such activities are incurring additional management costs (e.g. parking facilities, mooring, and entrance to visitor centres). In some locations, there are not yet enough operators providing services to tourists. Similarly, some national PAs have identified potential development opportunities for

tourism or recreational services but do not have the resources and capacity to further develop these opportunities.

97. A number of national PAs are suffering from extremely short and highly congested visitor seasons, particularly the coastal PAs during the main summer holidays (from middle of July to the end of August). Outside of these peak seasons, there are considerably fewer visitors and providing financially viable services and activities during these times is often difficult. Some inland national PAs tend to receive far fewer visitors (notably PAs in the north-east) compared to the coastal sites - particularly during the cold winter months - and their financial profitability is not feasible, leading to a lack of resources for conservation management activities.

98. Where large-scale extractive concessions or activities (e.g. forestry, mining) are currently taking place in some national protected areas, little or no money is being fed back to the PI management authority for the conservation management of that protected area (particularly in respect of mitigating the impacts of the extractive activity), with the 'concession' fees going directly to the County or State budgets.

99. A number of national PAs are providing valuable ecosystem services to broader society, but the financial costs of providing and maintaining these ecosystem services are not being recovered from the users/beneficiaries. Lonjsko polje, for example, provides an extremely valuable flood control function that benefits Zagreb, surrounding towns, part of Bosnia and Herzegovina and even Belgrade (Serbia). Similarly the catchment areas conserved within Risnjak and Paklenica National Parks are securing the quality and quantity of water supply to the surrounding villages and towns. These PIs are however being required to pay water utilities for the use of water, the costs of this water supply sometimes representing a significant proportion of the PI budget. An example is Sjeverni Velebit National Park, which pays water fees to Croatian Waters amounting about 16% of annual self-generated income, while having to conserve the water catchment from its own resources.

100. In general, the national PIs are incurring very high costs for the delivery of bulk services (i.e. power supply, heating, water supply and waste management) to the protected areas under their administration. This is seriously impacting on the financial viability of these institutions, as it represents a significant proportion of operating costs. For example, the waste management costs in Plitvicka jezera alone was US\$187,300 in 2011 (representing 0.5% of total income). There are many opportunities – as yet unrealised – to improve cost efficiencies in the supply of bulk services (e.g. reducing water usage, repairing damaged water pipelines, converting heating systems to gas, installing cheaper and more environmentally friendly waste management systems and energy supply systems) and to negotiate with national public enterprises (e.g. Croatia Water) to discount the costs of bulk services to protected areas in order to further reduce their dependency on the state budget.

101. While there are a plethora of opportunities to secure project funding from donor agencies, the fragmented nature of the institutional framework for national protected areas, and the poor coordination across the national PIs, is limiting the amount of money that can be raised in support of protected area planning, development and management. Further, while there is a national Environmental Protection and Energy Efficiency Fund (EPEEF), the fund is allocating very little funding to protected areas. There is currently no trust fund established in support of protected areas in Croatia.

102. There is also considerable scope to improve the promotion and marketing of national PAs in Croatia. Currently each PI is developing and maintaining its own marketing materials, with no consistency in the branding and promotion of the tourism and recreational products and services across the network of protected areas. There is seemingly little or no cooperation and collaboration between PIs to achieve economies of scale in marketing efforts. Each national protected area, and its administrative PI, maintains a separate booking system for its tourism and recreational services, making it a frustratingly complex and

bureaucratic process for visitors wishing to visit more than one protected area in Croatia. Access to tourism and recreational information for the entire network of national protected areas is not readily available in one location, and there are no common services and products (e.g. hiking trails, heritage routes) developed or being marketed across the protected area network.

STAKEHOLDER ANALYSIS

103. During the project preparation stage, a stakeholder analysis was undertaken in order to identify key stakeholders and assess their roles and responsibilities in the context of the proposed project. The table below lists the key stakeholder organisations; provides a brief summary of the responsibilities of each of these stakeholder organisations (specifically as it applies to nature protection); and describes the anticipated role of each of the stakeholder organisations in supporting or facilitating the implementation of project activities in the network of national protected areas.

Organisation	Mandate of the organisation (particularly in respect of national protected areas)	Anticipated roles and responsibilities in the project
<p>Ministry of Environmental and Nature Protection (MENP)</p> <p>Nature Protection Directorate (NPD)</p> <p>Directorate for Inspectional Affairs (DIA)</p> <p>EU Natura 2000 Integration Project (NIP)</p>	<p>MENP is the central executive authority responsible for the protection of the environment.</p> <p>The NPD is directly responsible for <i>inter alia</i>: coordinating the overall planning and management of the protected area system; providing regulatory and administrative and financial oversight of the 19 National Public Institutions; designating new national protected areas; reporting on the protected area system; and maintaining the register of protected areas.</p> <p>The DIA is responsible for the enforcement of, and conformance with, all relevant legislative, regulatory and permitting requirements/conditions in protected areas.</p> <p>The NIP, funded by a World Bank loan - provides financial and technical support to improving data management systems, developing infrastructure and purchasing key technical equipment for protected areas.</p>	<p>The MENP will have overall responsibility for overseeing the implementation of the project.</p> <p>It will take the lead role in liaising and coordinating with all government agencies in respect of project implementation. The MENP will also be responsible for preparing any legislation and regulations required in support of project activities.</p> <p>The NPD will coordinate all project activities and may be responsible for the direct implementation of a number of activities.</p> <p>The DIA will support the project in incrementally improving the cost-effectiveness and operational efficiencies of the compliance and enforcement functions in national protected areas.</p> <p>The NIP will work in close collaboration with the project to ensure effective harmonization between the closely linked activities of NIP and the project.</p>
<p>State Institute for Nature Protection (SINP)</p>	<p>The State Institute for Nature Protection is the central institute dealing with expert tasks of nature conservation in Croatia.</p> <p>The <i>Department for Protected Areas</i> within SINP provides specialised expert advice and support to the NPD in the establishment, planning, administration, monitoring and</p>	<p>SINP will provide expert, and specialist technical, support to the project, particularly with regard to preparing the national planning framework.</p> <p>SINP staff may be recruited to undertake necessary expert activities in support of a number of project activities.</p> <p>SINP may also be affected by project activities, through the incremental</p>

Organisation	Mandate of the organisation (particularly in respect of national protected areas)	Anticipated roles and responsibilities in the project
	expansion of the protected area system. SINP also provides expert advice and support to the PIs regarding their 10-year and annual planning.	integration of their protected area functions into a future park agency (or similar), if considered feasible.
19 national Public Institutions PIs for National Parks PIs for Nature Parks	Each Public Institution is directly responsible for the 10-year and annual planning, and day-day operational management, of the National Park/Nature Park under its jurisdiction.	The staff within the respective PIs will be responsible for coordinating, or directly implementing, a number of park-specific project activities. The Public Institutions will be affected by project activities, through their incremental integration into a future park agency, if considered feasible.
County and Local Public Institutions	Each Public Institution is directly responsible for the planning, and day-day operational management, of the protected areas under its jurisdiction.	The county and local PIs will work closely with the project in order to ensure effective collaboration, information-sharing and resource-sharing around project activities that could be used/ applied in the protected areas that are under the management authority of the county and local PIs.
Ministry of Finance (MF)	The MF is the central executive authority responsible for national financial policy and the management of state finances. The MF prepares, administers and monitors the state budget.	The MF will be responsible for ensuring the ongoing allocation of funds in the state budget for PAs. The MF will approve any state budget funds to be allocated as co-financing for the project.
Ministry of Agriculture (MA) Croatian Water Enterprise Croatian Forests Enterprise	The MA is the central executive authority responsible for regulating and controlling agriculture, forestry, fisheries, hunting, water management, veterinary medicine and rural development.	The MA will coordinate the agriculture, forestry, fisheries and water management sector inputs into the project activities linked to improving the institutional arrangements for, and financial sustainability of, national protected areas.
Ministry of Tourism (MT) Croatian National Tourist Board (CNTB)	The MT is the central executive authority with the overall responsibility for tourism legislation, planning, marketing and development. The CNTB is directly responsible for the planning, implementation and promotion of the tourism strategy.	The CNTB will partner with the project in designing, developing and implementing a common marketing strategy and booking system for the tourism and recreational products and services provided by the network of national protected areas. It will further support and assist the project in improving the quality and range of tourism and recreational products and services in the national protected areas.
Ministry of Maritime Affairs, Transport and Infrastructure (MMATI)	The MMATI is <i>inter alia</i> responsible for indoor international maritime and nautical traffic, prevention of pollution from ships, harbors, maritime domain and determining maritime boundaries.	The MMATI will assist in the preparing a technical assessment of the requirements for installing and administering a mooring system in Telascica Nature Park.
Ministry of Construction and Physical Planning (MCPP)	The MCPP performs administrative and other tasks related to physical planning in Croatia and coordination of regional physical development,	The MCPP will assist in the legal procedures required for obtaining the requisite location permit for the buoys in Telascica Nature Park.

Organisation	Mandate of the organisation (particularly in respect of national protected areas)	Anticipated roles and responsibilities in the project
	planning, use and protection of space.	
Ministry of Regional Development and EU Funds (MRD&EUF)	The MRD&EUF is responsible for planning and implementing the regional development policy, as well as coordinating activities related to management of the EU funds.	The MRDEUF will assist in data exchange and coordination with regard to projects prepared for EU Structural and Investment Funds (ESI).
Agency for Public Private Partnership (APPP)	The APPP is the central national body in charge of the implementation of the Act on Public Private Partnerships.	The APPP will provide legal, technical and professional support to the project in facilitating the implementation of PPP's (including tourism and recreation concessions) in national protected areas.
Counties and Local Municipalities Croatian Counties Association Croatian Cities Association Croatian Municipalities Association	Counties and Municipalities are responsible for delivering a range of social, economic and ecological services within their territories of jurisdiction. They also annually allocate grant funding to the county and local PIs responsible for the management of protected areas with a County of Municipality.	The Counties and Municipalities will collaborate with the project in identifying and developing opportunities, linked to project activities that could result in an improvement in regional and local socio-economic welfare.
Environmental Protection and Energy Efficiency Fund (EPEEF)	The EPEEF is a national fund that receives revenues from various environmental taxes and special regulation fees, and provides grants for waste management and environmental protection. The EPEEF will be the implementing body for the EU Structural funds for the nature protection sector, including for PAs.	The EPEEF will assist the project in strengthening the capacity of the MENP and national PIs to develop projects for funding support from the EPEEF.
NGOs, CSO's and Associations	NGOs and associations – including WWF and the Croatian Mountaineering Association - are important project partners. They will share, coordinate and collaborate with the project as and where relevant. Local CSO's and NGOs working within the ambit of the eight targeted national protected areas under component 2 will be actively involved in working closely with PIs to identify opportunities to collaborate in, and benefit from, project activities.	

BASELINE ANALYSIS

104. Significant resources, capacity and financing have been committed by the Government of Croatia and the national Public Institutions - with the support of a range of other organisations – over the four year time frame of the project to address some of the barriers to the effective planning and management of national protected areas. These commitments are briefly described in the text below.

Legislative and institutional reform in national protected areas

105. The Croatian Parliament adopted the Nature Protection Act (OG 80/13) on June 21, 2013. The NPA now more fully complies with all EU nature protection Directives and Resolutions. Provision was

made in the Act (Article 130, Section 5) for the future establishment of a single public institution to manage the national protected areas (i.e. ‘a national protected area management authority’).

Government funding support for national protected areas

106. The government’s medium-term expenditure framework makes provision for government funding from the State Budget²³ for the planning and management of national protected areas (including National Parks, Nature Parks and all supporting functions provided by the Nature Protection Directorate of the Ministry of Environmental and Nature Protection and the State Institute for Nature Protection) of ~US\$9,555,000 in 2014 (a reduction from the previous year), decreasing to ~US\$9,257,500 in 2015, increasing to ~US\$10,300,500 in 2016 and stabilising at the same amount in 2017. For the four-year duration of the GEF project (2014-2017), this equates to a total baseline direct investment by government in national protected areas of ~US\$39,413,500.

Self-generated funding for national protected areas

107. The national protected areas will continue to generate their own income to supplement funding support from government. This will include income from: sales of products, goods and services; user fees; and fixed assets. The income from national parks and nature parks is projected to total at least US\$218,000,000 (national Parks) and US\$6,400,000 (nature parks) respectively over the four year time frame of project implementation.

Environmental Protection and Energy Efficiency Fund (EPEEF) support to national protected areas

108. Founded in 2004, the EPEEF has been established to secure additional resources for financing projects, programs and similar undertakings in the field of preservation, sustainable use, protection and improvement of the environment in Croatia. The fund sources its revenues from *inter alia*: pollution levies, environmental levies, waste management fees, vehicle levies and donors. The Fund is administered by a Fund Management Board and an administrative staff complement, headed by a Fund Director. The fund is managed, and funds allocated, in accordance with the requirements of the Act on Environmental Protection and Energy Efficiency Fund (OG 107/03). To date, the activity, ‘Protection and conservation of biological and landscape diversity’ has been allocated funding from EPEEF totalling US\$7,900,000, of which US\$2,100,000 has been directly disbursed to protected areas and the State Institute for Nature Protection. It is estimated that, during the course of project implementation, a further US\$3,448,300 (i.e. an average of US\$862,075/annum) of EPEEF funds would be committed to support the ongoing planning and management of national protected areas.

Natura 2000 Integration Project (NIP)

109. In 2011, the Republic of Croatia received a loan of €20.8 million from the International Bank for Reconstruction and Development (IBRD) to implement a five-year (2011-2016) *EU Natura 2000 Integration Project* (NIP). The NIP is administered by a dedicated project unit within the MENP, and has three components: Component 1 - investing in infrastructure, purchasing of priority technical equipment and supporting consultant services for protected areas and national ecological network sites; Component 2 - updating biological inventories, improving habitat mapping and upgrading of data systems to fulfil EU reporting requirements and harmonizing data systems with the EU INSPIRE Directive requirements; and Component 3 - promoting inter-sectorial cooperation with other government institutions, supporting the accessing of EU grant programs for nature protection and designing interpretation materials for natural values.

²³ Includes grant allocations as well as other government funding sources.

110. The NIP will run concurrently with the GEF project, and will finance a number of complementary activities in national protected areas and protected area institution/s. The table below provides a preliminary overview of the national protected area activities (i.e. infrastructure/equipment; data management; and capacity building) – costing a total of US\$18,217,998 – which will be financed by the NIP during the same period as the GEF-funded project.

1. Ecological Network Investments				
Activity	Public Institution	Completion	€ Amount	\$ Amount
The boathouse "Camcarnica"	NP Brijuni	May-12	429 335	558 136
Visitor center Vruļje	NP Kornati	Sep-14	385 000	500 500
Oziđana cave and walking trail Stinice – Roški slap	NP Krka	Mar-12	805 535	1 047 196
Bridge at the Veliki Most locality	NP Mļjet	Jul-14	370 000	481 000
Classroom in nature and educational trail	NP Paklenica	Dec-13	210 000	273 000
Information centers - Gornji Kupari & Razloge	NP Risnjak	Sep-13	408 000	530 400
Establishment of basic infrastructure for park management	NP Sjeverni Velebit	Nov-13	564 000	733 200
Controlled visitors management, including enhancement of Park interpretation	PN Biokovo	Mar-14	300 000	390 000
Visiting System Improvement	PN Kopacki rit	Dec-13	495 000	643 500
Visitor centre Krapje	PN Lonjsko polje	Aug-13	311 863	405 422
Info - desk Bliznec	PN Medvednica	Sep-12	38 153	49 599
<i>The project is being developed</i>	PN Papuk	-	246 000	319 800
Educational trail	PN Telascica	Oct-13	47 696	62 005
Interpretation and signal boards	PN Telascica	-	159 000	206 700
Supporting infrastructure for the educational park "Oko Ucke"	PN Ucka (infrastructure)	Apr-12	62 302	80 993
Educational settings - artizan services	PN Ucka (services)	Apr-12	22 233	28 903
Restoration of Premuzic trail	PN Velebit	Dec-15	357 000	464 100
<i>The project is being developed</i>	PN Vransko jezero	Oct-14	396 000	514 800
Educational - Visitor center Budinjak	PN Zumberak - Samoborsko gorje	Jul-13	161 612	210 096
Info center "Stan na Gajni" with educational trail	CPI Brod - Posavina	Sep-13	103 152	134 098
<i>The project is being developed</i>	CPI Dubrovnik - Neretva	-	111 000	144 300
<i>The project is being developed</i>	CPI Istra - Natura Histrica	-	120 000	156 000
Vrlovka cave	CPI Karlovac - Natura Viva	Aug-13	99 000	128 700
Educational trail marking and viewpoint construction at Kalnik	CPI Koprivnica - Krizevci	Nov-14	49 000	63 700
Educational - Marketing centre Radoboj	CPI Krapina - Zagorje	Sep-12	214 594	278 972
Partial adaptation of the Krizovec visitor center with educational trail	CPI Medjimurje - Priroda	Sep-12	245 925	319 703
Educational trail in the significant landscape Erdut	CPI Osijek - Baranja	Oct-13	126 748	164 772
Adaptation of Lokvarka cave	CPI Primorje - Priroda	Apr-12	222 497	289 246
<i>The project is being developed</i>	CPI Sisak - Moslavina	Feb-14	20 000	26 000

Educational trail "Imotska jezera Gaj"	CPI Split - Dalmacija	Apr-14	300 000	390 000
<i>The project is being developed</i>	CPI Sibenik - Knin	-	148 000	192 400
Info - desk and education trail Trakošćan	CPI Varaždin	Jun-13	125 041	162 553
Information - Educational Center in Noskovačka Dubrava	CPI Virovitica - Podravina	Aug-12	293 864	382 023
Novigrad info centre	CPI Zadar - Natura Jadera	Aug-13	75 000	97 500
<i>The project is being developed</i>	CPI Zagreb - Zeleni Prsten	-	0	0
<i>The project is being developed</i>	PN Lastovsko otocje	-	351 000	456 300
<i>The project is being developed</i>	CPI Lika - Senj			
<i>The project is being developed</i>	CPI Bjelovar - Bilogora			
<i>The project is being developed</i>	CPI Pozeđa - Slavonija			
<i>The project is being developed</i>	CPI Vukovar - Srijem			
Interpretation equipment		Oct-16	600 000	780 000
Environment Management Plan for specific works sites		Mar-13	15 410	20 033
Fire Fighting Equipment for Parks		Apr-14	150 000	195 000
Monitoring and Ranger Equipment for Natura 2000 needs		May-13	304 000	395 200
Monitoring and Ranger Equipment		Oct-13	640 000	832 000
			10 082 960	13 107 848

2. Ecological Network Data Systems			
Activity	Completion	€ Amount	\$ Amount
Identification of species and habitats for inventory	Mar-16	470 000	611 000
Hardware & software related to NPIS and habitats mapping plus IT equipment for SINP	May-12	106 454	138 391
Field research of habitats	Jan-16	1 926 000	2 503 800
Field research and laboratory processing for collecting new inventory data	Feb-16	1 792 000	2 329 600
Intersectoral GIS Data exchange solution	Aug-15	290 000	377 000
		4 584 454	5 959 791

3. Ecological Network Capacity Building			
Activity	Completion	€ Amount	\$ Amount
Support for Agri-Environmental scheme	Mar-16	841 100	1 093 430
Nature Interpretation Capacity Building & Communication strategy	Nov-15	1 311 250	1 704 625
Boundary delineation and registration of accurate PA boundaries	Nov-14	200 000	260 000
Programme for the training of employees of the nature protection system	Jan-16	50 000	65 000
Training costs	Jan-16	200 000	260 000
Programme for the volunteers in the nature protection system	Apr-15	88 000	114 400
Various Studies, Analysis and Surveys	Jul-15	230 410	299 533
		2 920 760	3 796 988

EU Structural and Investments Funds

111. As Croatia joined the EU on 1st July 2013, EU Structural and Investments Funds became available to Croatia during the programming period 2014-2020. The Ministry of Regional Development and EU Funds (MRD&EUF) is the designated responsible Ministry for coordinating access to these funds. For the first phase of funding support, 14 project proposals of infrastructure development and 3 projects for development of system and monitoring have been prepared and will contribute to meeting the thematic objective 6 'Protecting the environment and promoting resource efficiency and priority for the promotion and development of cultural and natural heritage'. The proposed development projects - with a total cost projection of US\$157,360,000²⁴ – for phase 1 are shown in the table below²⁵.

No	Name of the project	Public Institution	in mio €	in mio US\$
1	Visitor center Krasno	NP Sjeverni Velebit	3.95	5.14
2	Visitor center Medvedjak	NP Plitvicka jezera	3.36	4.36
3	Scientific research center Puljane	NP Krka	6.74	8.77
4	Entrance Lozovac	NP Krka	9.40	12.21
5	Contemporary travel experience of hidden attractions	NP Brijuni	3.02	3.93
6	Volunteer center Crni lug	NP Risnjak	1.51	1.96
7	Visitor center Paklenica (in underground tunnels)	NP Paklenica	6.04	7.85
8	Visitor center Poklon	PN Ucka	3.52	4.58
9	Visitor center Medvedgrad	PN Medvednica	3.02	3.93
10	Visitor center Grpascak	PN Telascica	3.02	3.93
11	System of visiting and monitoring - Cardaci	PN Lonjsko polje	0.27	0.35
12	Geo info center Vocin	PN Papuk	3.09	4.01
13	Visitor center Tikves	PN Kopacki rit	3.02	3.93
14	Tourism evaluation of St. Ante channel	CPI Sibenik - Knin	9.50	12.35
15	Framework for managing Natura 2000 sites	-	39.74	51.66
16	Establishment and implementation of monitoring in accordance with 79/409 and 92/43	-	9.93	12.91
17	Marine habitat mapping	-	11.92	15.50
			121.05	157.36

Technical and funding support to national protected areas - NGOs and donors

112. The primary objective of the three year (2012-2015) WWF Mediterranean Programme (WWF MedPO) regional project on networking of protected areas staff in the Dinaric Arc Parks Project is to improve the quality of dialogue, understanding and collaboration between protected areas practitioners in the Dinaric Arc (including Albania, Bosnia and Herzegovina, Croatia, Kosovo²⁶, Macedonia, Montenegro, Serbia and Slovenia). This three-year project is funded by the Norwegian Ministry of Foreign Affairs and the MAVA Foundation with a total budget of €1.7 million. It has three components: (i) develop a regional collaboration network composed of institutions and staff responsible for protected areas; (ii) develop and implement a regional capacity-building plan for the regional collaboration network; and (iii) develop a communications strategy and promote a visual identity and logo for the 'Western Balkans/Dinaric Arc Parks' network. It is estimated that approximately US\$158,000 will be invested in supporting Croatian national protected areas located within the Dinaric Arc planning domain.

²⁴ Funding from the European Commission is typically in the range of 50-85 percent of the total value of the project and is managed by the European Bank for the Reconstruction and Development (EBRD), while the remaining funds must be provided from the beneficiary's own resources or from other sources.

²⁵ It must be noted that these are just preliminary proposals at this stage and it is unclear which of these infrastructure projects are likely to eventually be financed from EU Structural funds.

²⁶ Under UNSCR1244/99

113. Another WWF MedPO's regional programme - the SEA-MED Project - is supporting MPAs in the countries of the south and east of the Mediterranean to reach their operational and financial self-sufficiency phase and become models of an ecosystem-based approach (particularly for tourism management). Six pilot projects will be developed and implemented in Albania, Croatia, Turkey, Algeria, Libya and Tunisia with project implemented over the period 2013-2017. It is estimated that approximately €400,000 will be invested in supporting Croatian national marine protected areas under the project umbrella.

114. The following 'Instrument for Pre-Accession Assistance' (IPA) projects, funded by the EU, are also currently under implementation by SINP (and other partners) in and around the national protected areas.

Project	Donor	€ Amount	\$ Amount	Lifetime of the project
IPA Adriatic NETCET - Network for whales and sea turtles in the Adriatic Sea	IPA Adriatic Cross-Border Cooperation Programme 2007 - 2013	2 732 541	3 552 303	October 2012 - October 2015
	Croatian partners	599 144	778 887	
IPA SEE River - Sustainable Integrated Management of International River Corridors in SEE Countries	IPA I	1 758 336	2 285 837	October 2012 - September 2014
	SINP (<i>State Budget su-finances 15%</i>)	40 800	53 040	
IPA SEMPERVIR - Recommendations for the integrated and sustainable management in order to preserve water resources and habitats of the upper catchment of the river Kupa	IPA Cross-Border Cooperation Programme 2007 - 2013	1 175 608	1 528 290	Starting in 2013 > 15 months
	SINP (<i>State Budget su-finances 15%</i>)	650 250	845 325	
IPA LC MONITOR - System of joint monitoring of large carnivores in Croatia and Slovenia	IPA Cross-Border Cooperation Programme 2007 - 2013	483 002	627 903	Starting in 2013 > 15 months
	SINP (<i>State Budget su-finances 15%</i>)	106 729	138 748	

PART II: Strategy

PROJECT RATIONALE AND POLICY CONFORMITY

Fit with the GEF Focal Area Strategy and Strategic Programme

115. The project is aligned with the goal of the GEF's Biodiversity Focal Area Strategy, 'conservation and sustainable use of biodiversity and the maintenance of ecosystem goods and services'. The impact of the project will be measured in terms of the 'biodiversity conserved and habitat maintained in national protected area systems', using the following indicators: (i) extent (in ha) of 'intact vegetative cover and degree of fragmentation in national protected area systems...'; and (ii) extent (in ha) of intact 'Coastal zone habitat (coral reef, mangroves, etc.) ... in marine protected areas ...'.

116. The project is consistent with Objective 1 of the biodiversity focal area strategy, 'Improve Sustainability of Protected Area Systems'. The project will contribute to the outcome targets of Outcome 1.1 of Objective 1, 'Improved management effectiveness of existing and new protected areas' by increasing the management effectiveness (as measured by the Management Effectiveness Tracking Tool, METT) of national protected areas in Croatia.

117. The project will contribute to the achievement of GEF's outcome indicators and core outputs under Objective 1 and Outcome 1.1 as follows:

GEF-5 Biodiversity Results Framework			
Objective	Expected Outcome	Expected Indicator (and project contribution to indicator)	Core Outputs (and project contribution to outputs)
Objective 1 Improve sustainability of Protected Area Systems	Outcome 1.1 Improved management effectiveness of existing and new protected areas	Indicator 1.1 Protected area management effectiveness as recorded by Management Effectiveness Tracking Tool <u>Project contribution to indicator:</u> <i>METT scores for national protected areas will improve from an average baseline score of 63% to >67% by end of project</i> Indicator 1.2 Increased revenue for protected area systems to meet total expenditures required for management <u>Project contribution to indicator:</u> <i>Financial sustainability scores for the protected area system will improve from a baseline of 32% to >45% by end of project</i>	Output 3 Sustainable financing plans (number) <u>Project contribution to output:</u> <i>1 Financing/Business plan for the national PA network >3 Business plans for individual national protected areas</i>

Rationale and summary of GEF Alternative

118. The incremental approach of the proposed project is summarised as follows: (i) The largest portion of the protected area system in Croatia encompasses a network of 19 National Parks and Nature Parks ('national protected areas'), each park being administered by a relatively autonomous Public Institution (PI). (ii) Despite a sizable overall budget for these national protected areas, there are **two** significant barriers to the effective conservation of biodiversity in these national protected areas: The first is that the PIs are currently administering each of the National Parks and Nature Parks with very little coordination, limited accountability and with some replication and/or duplication of effort. The second is that only two national protected areas currently cover all their annual human resource, operating and capital costs from self-generated income. The PIs for the remaining 17 national protected areas all require additional financial assistance from the state budget, with a cumulative annual shortfall estimated at ~US\$3m/annum. (iii) The Government of Croatia thus seeks to focus immediate priority and attention on addressing the institutional and financial sustainability of the network of national protected areas, in order to improve the delivery of their core biodiversity conservation mandate. (iv) The key interventions required to improve this institutional and financial sustainability are: a) strengthening the governance (i.e. roles and responsibilities; policies; management processes; management approaches; accountability) of the institutional framework for national protected areas; and b) diversifying the sources of funding for, and adopting more cost-effective management approaches in, national protected areas. (v) These interventions will collectively result in a significant improvement in the conservation, management and rehabilitation of the priority ecosystems, ecological corridors, habitats and species represented in national protected areas.

119. Without the GEF investment in the proposed project, the 'business-as-usual' scenario for the national protected area network in the next few years is one where: (i) There is limited capacity, and variable regulatory authority, in MENP to effectively fulfil a coordinating and oversight function for national protected areas; (ii) There is limited cooperation, collaboration and sharing of resources across and between the individual national protected areas, and their PIs; (iii) The majority of national PIs do not have sufficient funding to staff and effectively manage protected areas, and are highly dependent on financial support from government and donors; (iv) A small number of national protected areas continue to generate high revenue flows, but no mechanisms are in place to cross-subsidize other less well funded national protected areas from these large income streams; (v) There is a lack of consistency and standardisation in the implementation of best practice conservation planning and management approaches across different protected areas; (vi) Operational inefficiencies, and duplication of effort, commonly occur in national PIs, leading to excessive and wasteful expenditures; (vii) The reporting on, and accountability for, the performance of the protected areas is weak and not aligned to meeting national biodiversity conservation objectives; (viii) The financial imperative in PIs is leading them to increasingly manage the protected areas for extractive harvesting purposes and/or to increase tourism and recreational use to the detriment of the core protected areas biodiversity and heritage values; and (ix) There is increasingly limited influence and control over the detrimental impacts on the biodiversity and heritage values in national PAs.

120. Alternative scenario enabled by the GEF: The project has been designed to incrementally build on the existing foundation of institutional capacities in, and financial resources of, the network of national protected areas in Croatia. The project has been organised into *two components*, and will be implemented over a period of four years. The first component of the project is focused on improving the current institutional framework for national protected areas in order to address its key systemic and institutional weaknesses - weak coordination, limited performance accountability, duplication, cost-inefficiencies and inequitable distribution of funds. Under this component GEF funding will be used to develop a national planning framework for protected areas – comprising an overarching long-term strategic plan, a medium-term financial plan and a set of operational policies and guidelines – as a mechanism to better coordinate the efforts, and align the performance accountability, of the protected area agencies (MENP, SINP and the national protected area PIs). GEF resources will also be used in this component to strengthen the financial

management capacities of these protected area agencies in order to reduce cost-inefficiencies, improve revenues and develop mechanisms for revenue-sharing between PIs. Further, GEF funds will be used to support the establishment of a ‘shared service centre’ - that will function as a centralised support service to individual PIs - as a means of reducing duplication of effort across the protected area agencies and improving their cost-effectiveness through ‘economies of scale’. Finally, GEF funds will be used in this component to assess the efficacy of – over the longer term – establishing a single, rationalised park agency as a more enduring solution to the systemic and institutional weaknesses of the current institutional framework. The second component of the project is focused on improving the financial sustainability of the national protected areas to ensure that they have adequate financial resources to cover the full costs of their management. In this component, GEF funds will specifically be used to reduce the transaction costs of user pay systems in national protected areas by developing and testing alternative automated entry/user fee collection systems and piloting mooring fees as a means of collecting revenues for boat-based access to marine national protected areas. GEF resources will also be used under this component to support the expansion and inter-linking of a number of isolated attractions/destinations in national protected areas into a more integrated tourism and recreational product in order to improve the visitor and/or user experience. Finally, GEF funding will be allocated under this component to improving the productive efficiencies in national protected areas by: (i) identifying the mechanisms required to strengthen service standards, and improve economic efficiencies in the high-income generating national parks; and (ii) encouraging the adoption of more energy efficient technologies in national protected area in order to reduce the high recurrent costs of power and water supply.

121. The total costs of investment in the project is estimated at US\$22,964,116, of which US\$4,953,000 constitutes grant funding from GEF and US\$18,011,116 comprises co-financing from MENP, UNDP and national protected area PIs.

122. The project-specific baseline, alternative and incremental costs are summarised as follows:

Project Component	BASELINE (US\$)		ALTERNATIVE (US\$)		INCREMENT (US\$)	
1. Reforming the institutional framework to strengthen the management effectiveness of national protected areas	Baseline:	5 200 000	Baseline:	5 200 000	GEF	1 762 000
	State Budget	500 000	Co-Finance:	6 400 000	Co-Finance:	6 400 000
	PIs	500 000	State Budget	6 400 000		
	NIP	4 000 000	PIs	0		
	EPEEF	0	UNDP	0		
	SF	0	GEF	1 762 000		
	Other donors	200 000	Total Alternative:	13 362 000	Total Increment:	8 162 000
2. Improving the financial sustainability of the network of national protected areas	Baseline:	60 500 000	Baseline:	60 500 000	GEF	2 842 000
	State Budget	500 000	Co-Finance:	10 761 116	Co-Finance:	10 761 116
	PIs	1 000 000	State Budget	9 950 000		
	NIP	6 000 000	PIs	811 116		
	EPEEF	3 000 000	UNDP	0		
	SF	50 000 000	GEF	2 842 000		
	Other donors	0	Total Alternative:	74 103 116	Total Increment:	13 603 116
Project Management	Baseline:	0	Baseline:	0	GEF	349 000

	State Budget	0	Co-Finance:	850 000	Co-Finance:	850 000
	PIs	0	State Budget	350 000		
	NIP	0	PIs	0		
	EPEEF	0	UNDP	500 000		
	SF	0	GEF	349 000		
	Other donors	0	Total Alternative:	1 199 000	Total Increment:	1 199 000
TOTALS	Baseline:	65 700 000	Baseline:	65 700 000	GEF	4 953 000
	State Budget	1 000 000	Co-Finance:	18 011 116	Co-Finance:	18 011 116
	PIs	1 500 000	State Budget	16 700 000		
	NIP	10 000 000	PIs	811 116		
	EPEEF	3 000 000	UNDP	500 000		
	SF	50 000 000	GEF	4 953 000		
	Other donors	200 000	Total Alternative:	88 664 116	Total Increment:	22 964 116

123. *Global Environmental Benefits:* By implementing the above-mentioned components, the GEF investment will significantly contribute to strengthening the institutional framework for, and financial sustainability of, Croatia's national protected areas. This will in turn improve the overall management effectiveness of the national protected area network, particularly in respect of reducing the threats to, and improving the conservation status of: (i) 3 Important Bird Areas; (ii) 3 wetlands of international importance; (iii) 1 World Heritage Site (WHS) and 3 sites on the tentative list of WHSs; (iv) 2 biosphere reserves (BR), one of which is included within a trans-boundary BR; (v) 1 Geo-park; (vi) 38,169 ha of priority habitat types (comprising *Posidonia* beds - 9,810 ha, coastal lagoons - 2,065 ha, Mediterranean temporary ponds - 8 ha, *Pinus Mugo-Rhododendretum hirsute* shrub - 15 ha, *Alyssa-Sedion albi* grasslands - 3,980 ha, *Festuco Brometalia* grassy scrub (important orchid sites) - 9,776 ha, *Thero-Brachypodietea* pseudo-steppe - 1,815 ha, *Nardus* grasslands - 647 ha, petrifying springs with tufa formation - 1 ha, forests of slopes, screes and ravines - 1,032 ha, alluvial forests - 6,123 ha, Pannonian woodlands - 435 ha, and sub-Mediterranean pine forest - 2,462 ha); (vii) 8 priority faunal species - *Vipera ursinii macrops* (meadow viper), *Degenia velebitica* (endemic to Croatia), *Proteus anguinus* (olm), *Euplagia quadripunctaria* (moth jersey tiger), *Osmoderma eremita* (hermit beetle), *Rosalia alpina* (longhorn beetle), *Canis lupus* (gray wolf) and *Ursus arctos* (brown bear); (viii) viable populations of 528 endangered taxa (57 cave fauna, 21 mammals, 3 amphibians, 7 reptiles, 17 dragonflies, 54 freshwater fishes, 48 sea fishes, 171 fungi, and 150 taxa of vascular flora), many of which are endemic; and (viii) important ecological corridors (the mountain areas of Medvednica, Zumberak-Samoborsko gorje, Ucka, Biokovo, Velebit and Papuk Nature Parks) of the Dinaric Arc eco-region.

PROJECT GOAL, OBJECTIVE, OUTCOMES AND OUTPUTS/ACTIVITIES

124. The project **goal** is: *To develop, and effectively manage, a system of protected areas to conserve a representative sample of the globally unique biodiversity of Croatia, including all ecosystems and species.*

125. The project **objective** is: *Enhancing the management effectiveness and sustainability of national protected areas to safeguard terrestrial and marine biodiversity.*

126. In order to achieve the project objective, and address the barriers (see [Section 1, Part I](#)), the project’s intervention has been organised into two **components** (this is in line with the components presented at the PIF stage):

Component 1: *Reforming the institutional framework to strengthen the management effectiveness of national protected areas*

Component 2: *Improving the financial sustainability of the network of national protected areas*

Component 1: Reforming the institutional framework to strengthen the management effectiveness of national protected areas

127. During project preparation, a report titled ‘*Strengthening the institutional sustainability of Croatia’s national protected areas: A review of alternative institutional framework scenarios*’ was drafted in support of a MENP decision on the need to reform the institutional framework for national protected areas. This report is appended in [Section IV, Part VII](#).

128. Three basic institutional framework scenarios - with alternative models and options within a scenario - were identified, described and assessed in the report using a standard set of criteria that measures the efficacy of each scenario to address institutional weaknesses and optimise opportunities to improve efficiencies. These scenarios are summarised in the figure below:

SCENARIO	SCENARIO 1	SCENARIO 2	SCENARIO 3	
	‘IMPROVED BUSINESS AS USUAL’	‘STREAMLINING PUBLIC INSTITUTIONS’	‘PARK AGENCY’	
MODEL			MODEL 1	MODEL 2
OPTIONS			Agency-based planning, coordination and oversight PI-based local implementation	Agency-based planning, development and operations
			Option 1 Reconstitute SINP to be park agency	Option 2 Establish new agency within MENP

129. The assessment demonstrated that, in the final analysis, the alternative models and options within a scenario all have their inherent strengths and weaknesses (this was evidenced by the narrow range of scores across the five scenarios/models, i.e. 66-73%). The highest scores were however for [Scenario 1](#) (‘Improved business as usual’) and [Scenario 3, Model 2](#) (single, consolidated new park agency).

130. In response to the assessment, MENP decided to adopt the following approach to institutional reform: (1) in the **short-term**, it will seek to improve the current institutional framework in order to address the key systemic and institutional weaknesses (specifically focusing on strengthening coordination and performance accountability, reducing duplication, improving cost-inefficiencies and developing mechanisms for cross-subsidisation between national PAs); and (2) in the **longer-term**, it will consider the feasibility of consolidating and rationalising the current PIs - along with the protected area support staff

within MENP and SINP - into a single park agency in order to improve the overall management effectiveness of a more cohesive network of national protected areas.

131. The key advantages of each of these complementary approaches can then be summarised as follows:

<i>Short-term</i> Address the inherent weaknesses in the current institutional framework	<i>Medium to long-term</i> Establish a single, consolidated new park agency
ADVANTAGES	
Relatively simple, quick and easy to implement.	A more rationalised institutional framework for national protected areas is established.
Minimal disruption to the continued functioning of the current public institutions, and associated protected areas.	Income from protected areas is distributed more equitably across the entire network of national protected areas.
Institutional reforms focused on addressing the key weaknesses in, and optimising the priority opportunities of, the current institutional framework.	Better coordination, accountability, standardisation and functional integration across national protected areas.
Strong local support for individual national protected areas is sustained.	Stronger political 'influence' is created at national level.

132. This component then seeks to provide support to the government in: a) implementing short-term interventions targeted at improving the existing institutional framework; and b) assessing the feasibility of, and technical requirements for, establishing a single park agency, for national protected areas.

133. It will direct GEF resources to four key areas of support: (i) preparing a national framework for the planning, management and development of the protected area system; (ii) strengthening the financial management capacity of national protected areas; (iii) establishing shared service facilities for national protected area PIs; and (iv) undertaking a detailed feasibility assessment of alternative options for a park agency.

134. The outputs necessary to achieve this outcome are described below.

Output 1.1: Develop a national planning framework for the protected area system

GEF funds will be used in this output to support the preparation of a national planning framework for the protected area system. This framework will comprise three components: a medium-term strategic plan; a medium-term financial plan; and a set of standardised policies and guidelines²⁷ for protected areas.

The planning framework will have no legislative basis, but will serve as an input into the updated National Biodiversity Strategy and Action Plan (NBSAP). Its focus is only on providing strategic direction and guidance to protected area institutions in the ongoing planning, management and development of protected areas. It is envisaged that the national planning framework will then provide for better coordination, and more focused direction, in the collective planning, management and development of the system of protected areas in Croatia.

²⁷ These policies and guidelines may cover, for example: protected area planning; management responses to common biological management issues such as fire, invasive alien species control, habitat rehabilitation/restoration and species management; research and monitoring; enforcement and compliance; human resource management; neighbor relations; tourism/recreational facilities and services; natural resource use; stakeholder engagement; and co-operative governance. It will only exclude financial policies and procedures (these are addressed in Output 1.2 below).

Strategic Plan

The Strategic Plan will provide national guidance for improved cross-jurisdictional coordination and will support collaborative action by the protected area managers and key stakeholders to enhance the protected area system.

The following activities will be undertaken in support of the preparation of the strategic plan:

- (i) Define the key goals of the protected area system.
- (ii) Identify national targets and guiding principles for the protected area system.
- (iii) Identify (and describe) 5-6 strategic themes for the protected area system.
- (iv) For each strategic theme, define: the key direction for the theme; the strategic approach to the theme; and the priority actions that would enable a nationally coordinated approach under each theme.
- (v) Identify the approach to the monitoring and evaluation of performance of the protected area institutions in the implementation of the strategic plan.
- (vi) Develop the capacity of the Nature Protection Directorate (NPD) in MENP and the Department for Protected Areas in SINP to monitor and evaluate the performance of the protected area institutions in the implementation of the strategic plan.

Financial Plan

The financial plan for protected areas will be organized around three key aspects of the financial planning process: a) a detailed financial analysis that identifies realistic funding needs and gaps; b) a pre-selection and analysis of viable financial mechanisms, and an understanding of the enabling activities needed for their implementation; and c) the formulation of a Financial Plan to guide the implementation of a sustainable financing strategy.

The following activities will be undertaken in support of the preparation of the financial plan:

- (i) Evaluate the current financial baseline for protected areas. This will include: analyzing current expenditure patterns; reviewing current income sources; and assessing current financing mechanisms.
- (ii) Using financial planning tools (e.g. scenario logic), qualify and quantify the projected financial 'needs'²⁸ for the protected area system.
- (iii) Assess the functionality of the current financial management systems for the protected areas, particularly the institutional and individual capacities for: medium-term financial planning; annual budgeting; financial control; and auditing.
- (iv) Review and select the most appropriate mechanisms to improve revenue streams for the protected areas. This may include increasing the current income from conventional financial sources (e.g. government grants, entry fees, user fees, fines, donor funding) as well as developing new funding sources (e.g. tourism/recreation concessions, biodiversity offsets, PES, carbon funds, trust funds).
- (v) Identify and describe the critical activities that would be required to: improve the current levels of investment; mobilize additional financial resources; strengthen financial management systems in the PIs; and improve business planning capabilities in the PIs.
- (vi) Identify and describe the opportunities and mechanisms for cost-saving to achieve economies of scale, eliminate duplication and improve service delivery in protected areas.
- (vii) Using a 'market-based approach', prepare a medium-term (5-10 years) 'Financial Plan' (FP) that establishes lines of strategic action to mobilize financial resources and build the financial capacity to improve the management effectiveness of the protected area system.

²⁸ The 'needs' of the protected area system will be determined, in part by the medium-term management and financial plans of each individual protected area and, in part, by the MENP and (future) SINP strategic plans (for the protected area support functions).

- (viii) Develop the capacity of the Nature Protection Directorate (NPD) in MENP to monitor and evaluate the implementation of the FP.

Policies and guidelines

An electronic policies and guidelines manual will be published and maintained on an existing web portal for nature protection. The development of the policies and guidelines manual will assist the SINP in meeting its regulatory responsibilities for the development of standards related to protected area management planning and implementation²⁹.

The following activities will be undertaken in support of the preparation of the electronic policies and guidelines manual:

- (i) Review European best practice in the operational planning and management of protected areas.
- (ii) Review European best practice in the maintenance of electronic operational policies and guidelines manuals.
- (iii) Develop a generic format and structure for protected area policy and guidelines.
- (iv) Design an electronic policy and guidelines system that can be seamlessly published and maintained on an existing MENP or SINP-administered web portal (e.g. <http://www.dzrp.hr/eng/managing-protected-areas/> or <http://www.zastita-prirode.hr/>).
- (v) Based on the best practice reviews, revise and update (as required) the existing policies and guidelines for protected areas.
- (vi) Identify, and prioritise, gaps in the current suite of operational policies and guidelines for protected areas.
- (vii) On a prioritised basis, prepare new operational policies guidelines for protected areas.
- (viii) Publish the operational policies and guidelines manual.
- (ix) Implement a basic staff orientation programme to introduce the policies and guidelines manual.
- (x) Develop the capacity of the Department for Protected Areas in SINP to monitor the implementation of, and review and update, the policies and guidelines manual.

The Project Manager will, in consultation with the MENP and SINP, convene a technical working group (TWG) to oversee the implementation of this output. This TWG - comprising professional and technical staff from the MENP, SINP and protected area PIs - will be chaired by the Project Manager and will be accountable to the relevant Assistant Minister of Environmental and Nature Protection. The TWG will be responsible for reviewing and approving the approach to, and format and content of, the Strategic Plan, Financial Plan and policies and guidelines.

The Project Manager will, in consultation with the MENP, contract two service providers: (a) A protected area planning consortium to prepare the strategic plan and to develop the policies and guidelines manual. This consortium will be responsible for developing and implementing an internal and external consultation process to guide the iterative formulation of the strategic plan and protected area policies and guidelines. It will also be responsible for developing a basic staff orientation programme for PI staff. (b) A financial planning company to develop the financial plan. The company will be responsible for developing and implementing an internal and external consultation process to guide the iterative formulation of the financial plan. Both service providers will report to the TWG on progress, through the Project Manager.

The Director of each PI will be responsible for implementing the staff orientation programme on the protected area policies and guidelines manual.

Output 1.2: Improve the financial management capacity of protected area institutions

²⁹ Article 15 of the NPA states that SINP is responsible for the development of standards related to management planning and implementation, as well as evaluating management effectiveness of PAs, ecologically important areas and ecological network sites.

This output will focus on strengthening the following financial management functions within the protected area institutions³⁰: *Budget management* (managing the sources of funding and expenditure, and allocating those resources in line with institutional priorities and their cost effectiveness); *Financial controls* (the rules, processes, and procedures that identify and address risks and assure that financial resources are being recorded and used in the right way, for the right purpose, and at the right time); *Performance management* (measuring, prioritising and allocating financial resources based on the expected cost-effectiveness or value for money - VFM - to be derived); and *Governance and accountability* (the roles, responsibilities, delegations, and decision-making structures for financial management).

The specific activities to be undertaken in this output will include the following:

- (i) Draft a series of standardised financial and accounting policies and procedures which give more consistent operational guidance to all national protected area PIs. These policies and procedures may include *inter alia*: budget and budgetary control; books of account; accounting process; revenue process; purchasing and expenditure process; fixed asset management process; stock management process; payroll management process; bank account management; financial reporting; internal controls and audit; and procurement.
- (ii) Implement an extensive in-house training program on the financial policies and procedures for all financial and administrative staff in the PIs.
- (iii) Provide a professional financial ‘backstopping’ support service to protected area PIs in the implementation of these policies and procedures. This may include professional support for *inter alia*: a) financial and business planning; b) risk management measures; c) annual programme-based budgeting; d) financial controls and accounting systems; and e) financial reporting and auditing in national protected areas.
- (iv) Facilitate a skills development and training program for targeted financial and administrative staff currently employed in the PIs. This may include *inter alia*: professional short-courses; professional mentoring; inter-institutional exchange programs; and part-time studies.
- (v) Develop a pricing strategy for the products, services and facilities provided in/by national protected areas. The objectives of pricing strategy will include: cost recovery; market rate; willingness to pay; re-investment in improving the facilities and their management; and demand management.
- (vi) Prepare, publish and annually review a standardised fee structure for all national protected areas.
- (vii) Provide project development and donor fund-raising services to protected area PIs in *inter alia*: identifying projects for external funding; targeting potential funders for projects; preparing detailed project proposals; liaising with different funders; and building working partnerships with funding agencies/ institutions.

The Project Manager will, in consultation with the MENP, contract a financial planning firm³¹ to: develop financial policies and procedures for national protected areas; provide ongoing financial support to the PIs on a retainer basis; develop and implement financial management training and skills development programmes for PI staff; and provide project development and donor fund-raising support services to the PIs. This firm will also be responsible for developing and implementing an internal and external consultation process to guide the iterative formulation of the financial policies and procedures.

The Project Manager will, in consultation with the MENP, contract an international (regionally-based) tourism economist to provide professional support in the determination of the annual fee structures for national protected areas. This consultant will also be responsible for developing and implementing an

³⁰ The activities under this output will be guided by the strategic actions that may be defined in the Financial Plan for the protected area network (see Output 1.1).

³¹ This may be the same company contracted to do work under Output 1.1

internal and external consultation process to guide the review of the pricing structure for national protected areas.

The Project Manager will facilitate access to skills development and training opportunities for targeted financial and administrative staff. He/she will also ensure the integration of the financial policies and procedures into the electronic protected area policies and guidelines manual (see Output 1.1).

The MENP will, if required, formally regulate any relevant financial policies and procedures, and pricing structures, prepared under this output.

If feasible, the ongoing financial support services provided by the financial planning firm to individual PIs may be facilitated through the mechanism of the 'shared service centre' (see Output 1.3 below).

Output 1.3: Establish a shared service centre for national protected areas

Work under this output will seek to support the establishment of a centralised 'shared service centre' (SSC) that is tasked with providing technical and professional support services to the national protected areas. The primary rationale for adopting the SSC model will be to reduce costs through economies of scale, reduce duplication of effort, improve customer service and free up each PI to focus more on its core protected area conservation management functions.

It is envisaged that an association of national protected area PIs (the 'association')³² could be established as an independent legal entity (in terms of the Law on Institutions) to function as this SSC. The association (i.e. acting as a SSC) will then enter into a Service Level Agreement (SLA) with each PI on a cost recovery or service provider basis (or similar). The association will then be accountable to the Directors of each PI for the performance of the services provided by the SSC. Wherever possible, existing PI staff will be seconded from the individual PIs to the association to provide the requisite centralised services.

During the project preparatory phase, the protected area PIs identified the following services that could potentially be delivered using a centralised SSC model: human resources management (notably a common payroll management system); high value procurement of common goods and services; collective marketing, branding and communications; shared legal support services; centralised booking; and fund-raising.

GEF resources will be used to support the initial establishment of the 'association' of two value-added support services to the PIs: (i) a marketing, branding and online booking system for tourism and recreational products and services³³ (including 'smart cards' – see Output 2.1); and (ii) a shared legal support service.

The specific activities to be undertaken in this output will include the following:

- (i) Prepare a business case for the establishment of an association of PIs that could function as a SSC for national protected areas (best practice review, services, operational model, legal issues, management, staffing, funding, etc.).

³² It is envisaged that the association of national protected area PIs could also act as a collective voice for individual PIs. For example, it could collectively negotiate with PEs to reduce the costs to the parks associated with the provision of bulk ecosystem-based services (e.g. water supply) and/or emergency services (e.g. flood mitigation) to offset the financial costs to the PIs of providing and maintaining these ecosystem services (e.g. water catchments, flood retention schemes).

³³ Currently each individual national protected area PI has its own separate branding, marketing materials, website, pricing structure and booking system for its tourism and recreational products. The SSC will then consolidate these into a single branding, marketing, pricing (see also Output 1.2) and online booking system for all national protected areas.

- (ii) Based on the findings of the business case, prepare a 'statute' and 'regulation on internal organisation' for the association of PIs, with specific reference to its' functioning as a SSC.
- (iii) Constitute a governance structure (i.e. Steering Council or equivalent) for the association of PIs, with representation from MENP and the individual PIs.
- (iv) Facilitate the negotiation and conclusion of a Service Level Agreement (SLA) between the association and the individual PIs for the provision and financing of a shared marketing and electronic booking service for national protected areas.
- (v) Secure office space, and the associated equipment and communications infrastructure, for the association staff.
- (vi) Appoint a SSC Manager and second existing PI staff to the association, or employ new association staff.
- (vii) Develop a single 'umbrella' branding for national protected areas, and consolidate the existing individual park brands under this umbrella branding.
- (viii) Develop a marketing strategy and plan for the network of national protected areas.
- (ix) Design and prepare marketing materials for the network of national protected areas (this will include the integration of all the existing marketing materials under the consolidated national protected areas brand).
- (x) Design and implement a centralised web-based booking system for all national protected areas.
- (xi) Procure the hardware and software for an electronic booking system, with networked links to all individual parks.
- (xii) Train association staff on the use and maintenance of the electronic booking system.
- (xiii) Retain the services of a legal firm to provide legal 'backstopping' support to PI's around critical legal conflicts arising in national protected areas (notably in respect of spatial planning and land use issues).
- (xiv) Monitor the efficacy of the SSC model for reducing costs, improving customer service, and increasing visitor/user numbers³⁴.
- (xv) Assess the feasibility of the establishment of a revolving Trust Fund (or similar³⁵) for the Association that could serve as a future mechanism for the more equitable distribution of income across the network of national protected areas.

The MENP will, with technical backstopping from the Project Manager, facilitate the consultation, set-up and regulatory processes required to establish the association of PIs.

The PIs will, as a collective, actively support the establishment, staffing and financing of the association. The Steering Council for the association of PIs will select and appoint the Director/Manager of the SSC, with the approval of the Minister. The Steering Council will also review, approve and sign the SLA between the PIs and the PI association.

The Project Manager will facilitate: (a) the selection and appointment of a national business advisor to develop the business case for a SSC for national protected areas (b) the selection and appointment of a legal advisory service to assist in the formal establishment of the association of PIs and to provide legal backstopping support to PIs around critical legal issues; (c) the appointment of a manager/director for the SSC; (d) the selection and appointment of a marketing and advertising agency to develop the umbrella branding, prepare the marketing strategy and plan, and design/print/publish marketing materials and website; (e) the selection and appointment of an IT company to develop the web-based booking system for the SSC; and (f) the procurement of hardware, software, networking and peripherals to administer the centralized web-based booking system.

³⁴ Without compromising the conservation values and ecological integrity of these national protected areas.

³⁵ For example, the NBSAP makes provision for the establishment and administration of a 'Solidarity Fund'.

Output 1.4: Assess the feasibility of establishing a park agency to administer national protected areas

Work undertaken during the project preparatory phase has suggested that the establishment of a rationalised park agency institution could, in the long-term, address some of the fundamental weaknesses (e.g. weak coordination, limited performance accountability, duplication of effort, cost-inefficiencies, inequitable financing) inherent in the current institutional framework for national protected areas in Croatia.

This output is initially focused on completing a cost-benefit analysis (CBA) of a number of different options for establishing a park agency in Croatia. These options may include *inter alia*: (i) a separate directorate within MENP; (ii) a not-for-profit Public Institution, subordinate to MENP; (iii) a for-profit Public Enterprise; and (iv) a ‘parastatal’ (extra-budgetary user) wholly owned by government.

Based on the outcomes of the cost-benefit analysis, work under this output will then be directed to identifying the specific process, legal, technical and financial requirements for transitioning from the current institutional framework to the preferred park agency option.

Collectively the CBA analysis and mapping of the transition requirements will comprise the full comprehensive feasibility assessment for the establishment of a rationalised park agency for national protected areas.

The specific activities to be undertaken in this output will include the following:

- (i) Undertake a comprehensive review of global best practice in the design, establishment and administration of national park agency institutions.
- (ii) Define and profile the alternative park agency options (to be assessed against the business-as-usual option) for Croatia.
- (iii) Select the measurements to be applied, and measure all cost/benefit elements for each of these park agency options.
- (iv) Predict the outcome of costs and benefits for each park agency option over a fixed time frame (i.e. 5-10-years) and convert all costs and benefits into a cash value (in €).
- (v) Apply a discount rate (i.e. in order to convert the future expected streams of costs and benefits into a present value) and calculate the Net Present Value (NPV) of each park agency option.
- (vi) Perform a sensitivity analysis, and then rank each park agency option in terms of its cost-benefit ratio.
- (vii) Present the analysis and ranking to the MENP for its review, and selection of a ‘preferred agency’ option.
- (viii) Develop a conceptual organisational design for the pre-selected agency option, including defining its core business, organisational structure, governance arrangements, staffing organogram and medium-term expenditure framework.
- (ix) For the preferred option, map the management approach to, and technical requirements for, implementing this option. This will include *inter alia*³⁶:
 - a. Establishment of a transitional steering committee.
 - b. Preparing or amending the enabling legislative and regulatory framework.
 - c. Negotiating formal ‘Transition Process Agreements’ with affected institutions.
 - d. Defining the strategic approach to change management.
 - e. Preparing a time-bound work plan for the transition period.
 - f. Implementing a communication strategy.
 - g. Conducting a due diligence of assets and liabilities.
 - h. Developing a financial management system.
 - i. Transferring assets and liabilities.

³⁶ Examples of these requirements are detailed in the report, *Implementing Machinery of Government Changes: A good practice guide* Australian Government, 2nd Edition (December, 2011).

- j. Developing a human resources management system.
 - k. Establishing a governance structure.
 - l. Appointing an executive management team.
 - m. Transferring affected staff, and aligning remuneration and conditions of employment.
- (x) Develop a costing for the transitional period envisaged for the establishment of the preferred agency option.
 - (xi) Package the CBA, the conceptual design of the preferred agency option, the change process requirements and the transitional budget estimates for implementing the preferred agency option into a consolidated 'Feasibility Assessment' package for submission to the Government for review and action.

A focused stakeholder consultation and communication process will be developed and maintained for the entire duration of the feasibility assessment.

The Project Manager will, in collaboration with the relevant Assistant Minister, facilitate the establishment of a technical task team to oversee, and provide technical guidance to, the development of the feasibility assessment. The technical task team will be chaired by the Assistant Minister, and may comprise seconded professional and technical staff from the MENP, SINP, protected area PIs and other key line ministries (e.g. Ministry of Finance).

A change management consortium or company - with specialist skills (particularly in the public sector) in *inter alia*: institutional reform; organisational development; human resource management systems; financial management; information technology; and legislative reform – will be contracted to prepare the feasibility assessment package (including the CBA, the conceptual design of the preferred agency option, the change process requirements and the transitional budget estimates for implementing the preferred agency option). The change management service provider will also be responsible for developing and implementing an internal and external consultation process, under the guidance of the technical task team. The change management consortium/company will report directly to the technical task team, through the responsible Assistant Minister.

Component 2: Improving the financial sustainability of the network of national protected areas

135. A recent report commissioned by the World Bank (*Sustainable Financing Review for Croatia's Protected Areas*, 2009) provided a comprehensive assessment of the feasibility of a range of different funding mechanisms/tools for Croatia's protected areas. It identified key recommendations and identified a set of actions that could significantly improve the financial sustainability of the protected area system.

136. This component seeks to support the *in situ* (i.e. in eight targeted national protected areas - 4 Nature Parks and 4 National Parks) implementation of a sub-set of the actions proposed in the report.

137. The component will focus on the following sustainable financing strategies: (a) reducing the costs of collecting user fees, and concurrently increasing the number of users, in national protected areas³⁷; (b) diversifying the tourism and recreational products and services in national protected areas in order to increase both the number of visitors and duration of their stay in the parks³⁸; (c) developing mechanisms to strengthen the service standards, and improve the economic efficiencies, of existing tourism products and services in national protected areas; and (d) retrofitting existing buildings in national protected areas with more energy efficient technologies in order to reduce the high costs of the supply of power.

³⁷ Without compromising the conservation value, and ecological integrity of national protected areas.

³⁸ As above.

138. The outputs necessary to achieve this outcome are described below.

Output 2.1: Reduce the transaction costs of user-pay systems in national protected areas

Work under this output is focused on reducing the costs associated with the implementation and administration of entrance fees (i.e. the ‘transaction costs’) in national protected areas, particularly in the nature parks³⁹ and the inland national parks with low annual visitor use⁴⁰.

The current method of collection of entrance fees in national parks (and a few nature parks) is the use of physical entrance points and ticket booths at the park gateway/s. However such methods are often costly, particularly in respect of the initial capital investment in infrastructure and in the running costs associated with staff salaries. With changing technology, there are opportunities to significantly reduce the transaction costs of entrance fees.

This output will thus support the design, development and testing of two alternative types of automated entry/user fee collection systems for national protected areas: (a) an annual/monthly ‘smart-card’-based electronic ticketing system for the network of national protected areas; and (b) installation of automatic entry ticket vending machines in individual national protected areas. It will also facilitate: (c) the piloting of a mooring system in selected marine protected areas, as an alternative means of collecting revenue for boat-based access to national protected areas.

The following specific activities will be undertaken in this output:

a) Smart card based electronic ticketing system for national protected areas

- (i) Prepare a strategic and business plan to guide the phased development and implementation of a smart card system for the network of national protected areas. This strategic and business plan may include: a best practice review (e.g. use of similar smart card systems in Kenya Wildlife Service, South African National Parks, Uganda Wildlife Services, Ngorongoro Conservation Area); a description of the product/service; a system design; a description of the target market; a preliminary survey of the target market; an evaluation of the technical specifications and requirements of the system (including card characteristics, identification, authentication, data storage and application processing); a description of card types (e.g. citizen; resident; tourist; tour operator, etc.); a distribution strategy for cards (point of issue - POI, and point of sales - POS); a pricing strategy; a sales strategy; an operational and administrations strategy; an advertising and promotions strategy; an information security strategy; and a financial plan (start-up costs, running costs and projected income).
- (ii) Develop an overall design for the printing of the smart cards, and a branding for marketing of the smart card system.
- (iii) Outsource the initial first phase implementation of the smart card system, including the: printing of smart-cards; development of management systems (including software solutions); administration of POI and POS points; and collection of fees.
- (iv) Implement an extensive advertising and promotions strategy for the smart-card system.
- (v) Undertake an assessment of the requirements for the SSC (see output 1.3) - or a future park agency (see output 1.4) – to take over the day-to-day administration of the smart-card system.

³⁹ Currently visitors do not pay to enter most nature parks because these areas have multiple entry points and the costs of charging entry fees at each of these entrances would substantially offset any revenues collected.

⁴⁰ While most inland national parks do currently charge entrance fees, the transaction costs of administering the physical entry points in many of these parks constitutes a very high proportion of total costs (particularly in winter). Full recovery of these costs is difficult to justify, relative to the value of the services being provided (hiking trails, cycle routes, etc.).

b) Automatic entry ticket vending machines

- (i) Assess the feasibility of the proposed sites for installation of automatic entry ticket vending machines in Ucka Nature Park⁴¹, Risnjak National Park⁴² and Papuk Nature Park⁴³.
- (ii) Define the generic technical specifications (power requirements, software, infrastructure, equipment, network connectivity, maintenance, weather-resistance, vandal-resistance, etc.) for the automatic entry ticket vending machines.
- (iii) Procure, install and/or connect power (electrical grid, solar power system and/or wind power system) to the pre-identified sites for the installation of the entry ticket vending machines.
- (iv) Install the entry ticket vending machines and any associated infrastructure (e.g. booms, concrete base, weather-proof canopies or covers, information signage), equipment (e.g. automated counters, aerials, data loggers, router, CCTV, etc.) and software in each pre-identified site.
- (v) Maintain the entry-ticket vending machines and associated infrastructure and equipment in each pre-identified site.
- (vi) Maintain a record of the procurement, installation, maintenance and running costs in order to estimate the future point at which the costs of the installation of vending machines has been recouped from the income derived from entry ticket fees.

c) Mooring fee system

- (i) Prepare a technical assessment of the requirements (e.g. location, type and number of buoys; technical requirements for installation of buoys; legal requirements; environmental impact requirements; fee collection requirements; administrative requirements; etc.) for installing and administering a mooring system in Telascica Nature Park.
- (ii) Based on the outcomes of the technical assessment, design an integrated mooring system for the park.
- (iii) Follow all legal procedures required for obtaining the requisite location permit for the buoys.
- (iv) Implement a phased installation of the mooring buoys.
- (v) Develop a pricing structure and information management system for administration of the daily/hourly leasing of mooring buoys in the park.
- (vi) Develop and implement a fee collection system for the use of the mooring buoys.
- (vii) Outsource the marketing and day-to-day management and maintenance of mooring buoys in the park.

The Project Manager will - in consultation with the MENP - facilitate: (a) the selection and appointment of a smart card systems technology company to develop - and implement the first phase of - the strategy and business plan for the smart card system; and (b) the selection and appointment of a marketing and communications firm to design the smart card, and implement the advertising and communications strategy for the smart card system.

The MENP will – with technical support from the SINP (as required) - initially coordinate the *in situ* implementation of the smart-card system, while the SSC (see output 1.3) would take over its ongoing development, administration and maintenance once operational.

The Project Manager will - in consultation with the Directors of of Ucka, Papuk and Telascica Nature Parks and Risnjak National Park (as relevant) - also facilitate: (a) the selection and appointment of an automated fare collection developer to prepare the technical specifications for the installation of the ticket vending machines; (b) the selection and contracting of building construction companies; (c) the selection

⁴¹ Vela Draga and Poklon were proposed during the PPG phase.

⁴² Vilje and Bijela Vodica were proposed during the PPG phase.

⁴³ Velika, Vocin, Zvecevo, Jankovac, Orahovica and Kutjevo were proposed during the PPG phase.

and appointment of automated vending machine operators to install, maintain and administer the ticket vending machines; (d) the selection and appointment of a local mooring project engineer to design an integrated mooring system; and (e) the selection and contracting of a professional recreational/tourism mooring company to install, maintain and administer a mooring system in the park.

The Directors of Ucka, Papuk and Telascica Nature Parks and Risnjak National Park will supervise, and provide direct technical support to, the *in situ* implementation of the specific activities affecting each park under this output. Each park will ensure an annual budget allocation for the ongoing operating and maintenance costs of the GEF investments.

Output 2.2: Develop integrated tourism and recreational products and services in national protected areas

Work under this output is focused on expanding and linking the discrete tourism and recreational products and services in national protected areas.

GEF-funded activities will be limited to developing integrated transport and providing for overnight educational and recreational services in four national protected areas, as follows:

- a) Risnjak National Park – developing a guided and catered tour route (mini-bus-walking/cycling) through the Kupa river valley that physically links one of the parks entry points at Hrvatsko (with information and parking) to a network of panoramic roads, suspension bridges, walking trails, pedestrian bridges, two interpretive centers in two local mountain villages (Kupari and Razloge) and a small picnic site.
- b) Ucka Nature Park – developing an integrated transport system (cableway-electric train-car/bus-cycling) that will physically link the coastal resort of Medveja and the visitor center at Poklon (and nearby restaurant and parking facilities) to the Vojak peak lookout point (with its information center and souvenir shop in the old tower).
- c) Vransko jezero Nature Park – developing a guided, integrated transport system (electric boat-walking) that links Prosika with the Kamenjak lookout at Basinka, a bird viewing reserve in the northern area of the park (existing educational walking trail), and Crkvine in the north-western part of the park (bird hides and interpretive facilities).
- d) Papuk Nature Park – developing conveniently located accommodation facilities (at Duboka stream) to provide for overnight educational (school) programs, multi-day recreational use (mountain biking, hiking, paragliding, horse riding and sport climbing) and convenient access to the popular local forest park – Jankovac - and surrounding attractions (e.g. thermal spa at Velika).

Where infrastructure, facilities and services do not yet already exist in the four protected areas, the respective PIs have already secured (or are in the process of securing) considerable co-financing commitments for developing these from *inter alia*: NIP funds (Vransko jezero – boat ramps, berths, bird hides; Risnjak – two interpretive centers); PI funds and State Budget (Vransko jezero – port Basinka, bird viewing sites); EU Structural Funds (Ucka – Poklon visitor center); and prospective concessionaires (Ucka - cableway).

The following specific activities will be undertaken in this output:

- a) *Guided and catered minibus tour around the Kupa river valley in Risnjak National Park*
 - (i) Develop a detailed concept and business plan for a guided driving-walking combination tour around the Kupa River valley.
 - (ii) Undertake all the requisite impact assessments for any activities that may trigger the requirement for an EIA.

- (iii) Prepare a site plan, and technical specifications, for the upgrade of the existing parking area, and development of associated information signage and shelters, at the designated start of the guided tour of the Kupa River valley in Hrvatsko.
- (iv) Renovate the parking area, and construct the associated information signage and shelters, at Hrvatsko.
- (v) Identify the key route river crossings and bridges requiring upgrading, reconstruction or construction and prepare the design and technical specifications for their renovation/construction.
- (vi) Implement a phased construction/renovation of these bridges/ river crossings.
- (vii) Procure an environmentally friendly minibus (8-30 seats) for transporting visitors around the Kupa river valley route.
- (viii) Secure the services of, and train, a small team of local guides to provide a guided and catered tour service around the Kupa River valley.
- (ix) Develop a branding, and design and print promotions material, for the Kupa River valley guided tour.

b) Environmentally-friendly transport system to the Vojak peak lookout point in Ucka Nature Park

- (i) Develop a detailed concept and business plan for an environmentally-friendly transport system to the Vojak peak lookout point from the Poklon visitor center⁴⁴.
- (ii) Undertake all the requisite impact assessments for any activities that may trigger the requirement for an EIA.
- (iii) Prepare a site plan, and technical specifications, for the upgrade of the road to the lookout point (notably soil and bank stabilisation, road widening at key points, installation of roadside barriers and parking and turning points at the lookout).
- (iv) Renovate the road surface (as required), stabilise the road banks, install roadside barriers and improve the parking and turning points.
- (v) Prepare the technical requirements and specifications for, and procure an environmentally-friendly bus-train (~50-seater) to shuttle visitors to and from the lookout point from Poklon visitor centre.
- (vi) Secure the services of, and train, a small team of local guides to provide a bus-train shuttle service.
- (vii) Develop a branding, and design and print promotions material, for the bus-train shuttle system to the lookout point.

c) Guided and catered boat tour around Vransko jezero Nature Park

- (i) Develop a detailed concept and business plan for a guided boat-walking combination tour in Vransko jezero Nature Park.
- (ii) Prepare the technical requirements and specifications for, and procure an environmentally-friendly tour boat.
- (iii) Develop a branding, and design and print promotions material, for the boat tour.

d) Overnight accommodation at Duboka stream in Papuk Nature Park

- (i) Develop a site concept and plan, and prepare detailed technical specifications, for the development of a rest camp facility.
- (ii) Undertake all the requisite impact assessments for any development activities that may trigger the requirement for an EIA.
- (iii) Procure the services of a construction company to install the bulk services infrastructure (sewage, power, water, etc.) for, and construct phase 1 of, the rest camp site development.

⁴⁴ The concept and business plan will need to ensure that this transport system can be fully integrated into a planned cableway system from Medveja to the lookout point.

The Project Manager will - in close collaboration with the Directors of Ucka, Papuk and Vransko jezero Nature Parks and Risnjak National Park (as relevant) - facilitate: (a) the selection and appointment of a nature-based tourism development consultant to prepare a detailed concept and business plan for each of the tourism and recreational products; (b) the selection and appointment of an EIA firm to undertake all EIAs and address other associated regulatory requirements; (c) the selection and appointment of engineering firms to upgrade/renovate/construct/install the targeted roads, parking areas, bridges, bulk services and rest camp facilities; (d) the preparation of the technical specifications for the procurement of a mini-bus, electric bus-train and tour boat; (e) the procurement of a mini-bus, electric bus-train and tour boat; and (f) the selection and appointment of a tourism marketing company to develop branding and print promotions material for each of the tourism and recreational products.

The Directors of Ucka, Papuk and Vransko jezero Nature Parks and Risnjak National Park will supervise, and provide direct technical support to, the *in situ* implementation and administration of the specific activities affecting each park under this output. Each park will ensure a budget allocation for the ongoing operating and maintenance costs of the GEF investments.

Output 2.3: Improve the productive efficiency⁴⁵ of national protected areas

This output seeks to improve the productive efficiency in national protected areas. It will do this by earmarking GEF funds to two strategic areas of support: a) developing mechanisms to strengthen the service standards, and improve the economic efficiencies, of existing tourism products and services in national protected areas (with a spatial focus on three high-income generating parks - Plitvicka jezera, Brijuni and Krka National Parks⁴⁶); and b) adopting more energy efficient technologies in national protected areas (with a spatial focus on Risnjak National Park and Papuk Nature Park) in order to reduce the high costs of the supply of power.

The following specific activities will be undertaken in this output:

a) Strengthen the service standards, and improve the economic efficiencies, of existing tourism products and services in Plitvicka jezera, Brijuni and Krka National Parks:

- (i) Profile (e.g. type of service, quality of service, management arrangements, occupancy rates, costs, income, etc.) the current suite of the tourism and recreational products and services provided.
- (ii) Prepare a cost-benefit analysis of these tourism and recreational products to determine their net present value (NPV) and internal rate of return (IRR).
- (iii) Prepare a cost-effectiveness analysis of these tourism and recreational products and services under different management (including direct, outsourcing, concessioning and co-management arrangements), pricing and fee collection scenarios.
- (iv) Make explicit recommendations on the optimal management, pricing and fee collection scenarios for the delivery of these tourism and recreational products and services.

b) Encourage the adoption of more energy and water efficient technologies in the administrative building/visitor centre complex in Risnjak National Park (in Crni Lug) and Papuk Nature Park (in Velika):

- (i) Establish the baseline costs for the supply of power to the administrative buildings/visitor centres in Risnjak National Park and Papuk Nature Park.

⁴⁵ 'Productive efficiency' is concerned with producing goods and services with the optimal combination of inputs to produce maximum output for the minimum cost.

⁴⁶ These three national parks provide a range of tourism and recreational products services (hotels, bars, shops, restaurants, transportation service, etc.) under different management arrangements (own managing, concession approvals and outsourcing). During project preparation it was established that many of the products and services are inefficiently delivered.

- (ii) Prepare a conceptual design for, and develop the detailed cost estimates of, retrofitting the buildings to reduce their power usage (and associated costs).
- (iii) Install more energy-efficient and low-carbon heating and cooling systems (including active solar thermal, combined heat and power [CHP] plants, thermal storage and heat pumps for space cooling and heating) in the buildings.
- (iv) Install indirect solar water heating systems (including solar panels, pump, piping and hot water geysers) in the buildings.
- (v) Convert all the lighting of the buildings and surrounding areas from fluorescent and incandescent lamps, light bulbs and/or tubes to LED (light emitting diode).
- (vi) Improve the energy performance of the buildings by changing their façades (e.g. window glazing; shading; insulation; metal fabric; ventilation; solar enclosures; rooftop photovoltaic system; skylights; flashing and cladding with metals/ laminates/ weatherboards/ plasterboard/ plaster/GRC)⁴⁷.
- (vii) Maintain a record of the design, procurement, installation, maintenance and running costs in order to estimate the future point at which the costs of installation have been recouped.

The Project Manager will coordinate the implementation of work under this output. The Project Manager will - in consultation with the Directors of Plitvicka jezera, Brijuni, Krka and Risnjak National Parks and Papuk Nature Park (as relevant) - facilitate the: (a) selection and appointment of a tourism hospitality and consulting specialist company; (b) the selection and appointment of an energy efficiency building design consultancy; (c) the selection and contracting of building construction companies; and (d) the procurement of all energy efficient technologies, including *inter alia* the LED lighting, the heating and cooling systems and the solar water heating systems.

The Directors of Papuk Nature Park and Plitvicka jezera, Brijuni, Krka and Risnjak National Parks will oversee, and provide support to, the *in situ* implementation of the specific activities affecting each park under this output. The Director of Risnjak National Park and Papuk Nature Park will also establish the current baseline power supply costs, and maintain a record of all future power supply costs, to the administrative buildings/visitor centres of these parks. Each park will ensure a budget allocation for the ongoing operating and maintenance costs of the GEF investments.

INDICATORS AND RISKS

139. The project indicators are detailed in the [Strategic Results Framework](#) which is attached in Section II of this Project Document.

140. Project risks and risk mitigation measures are described below.

IDENTIFIED RISKS AND CATEGORY	IMPACT	LIKELIHOOD	RISK ASSESSMENT	MITIGATION MEASURES
STRATEGIC A lack of effective coordination between MENP, SINP and the 19 Public Institutions weakens the efficacy of project investments in	High	Moderately likely	High	The project will finance the costs of establishing a small project management unit (comprising a Project Manager and Project Administrative Assistant) within the ambit of the Project Director (PD) of MENP to ensure the full integration of the project with the counterpart NIP and the day-to-day functioning of the PD. A key role of the project management unit will be to facilitate ongoing coordination between all the

⁴⁷ A conceptual design, and preliminary cost estimates, for changing the façade of the building is already underway, as part of the Croatian Energy Efficiency Project ('House in Order') being implemented by the Ministry of Construction and Physical Planning and the UNDP, with support from the Environmental Protection and Energy Efficiency Fund (EPEEF) and the GEF.

IDENTIFIED RISKS AND CATEGORY	IMPACT	LIKELIHOOD	RISK ASSESSMENT	MITIGATION MEASURES
national protected areas				<p>project partners in the implementation of project activities.</p> <p>A Project Board (PB) - with representation from senior executive management staff of MENP, SINP and the PIs - will be constituted to serve as the executive decision making body for the project. This PB will be responsible for ensuring inter-institutional coordination at the highest decision-making level.</p> <p>A Technical Working Group (TWG) – comprising professional and technical staff from MENP, SINP and PIs - will be convened to oversee the preparation of the national planning framework (strategic plan, financial plan and policies and guidelines manual) for protected areas (Output 1.1).</p> <p>A Technical Task Team (TTT) – with representation from MENP, SINP and the PIs and chaired by the responsible Assistant Minister – will be established to oversee and provide technical guidance to the feasibility assessment of a park agency for administering Croatia’s national protected areas (Output 1.4).</p> <p>The project will support the development of a national planning framework for protected areas (Output 1.1) that seeks to improve cross-jurisdictional coordination and support collaborative action by all key stakeholders.</p> <p>Finally, the project will facilitate the founding of an association of PIs as an independent legal entity that could function as a shared service centre for common protected area functions (initially focused on a centralised marketing and booking system and legal support services for protected areas) (Output 1.3).</p>
<p>FINANCIAL The individual Public Institutions and the Government of Croatia do not commit adequate resources and funding to improve the conservation management of national protected areas.</p>	Moderate	Moderately likely	Moderate	<p>The project outputs have been identified, and project activities developed, in close collaboration with the MENP and the individual national protected area PIs in order to incrementally build on the existing foundation of financial resources and institutional capacities. Careful attention has been paid in project design to improving the long-term financial sustainability of the national protected areas so that sufficient funding remains available for effective conservation management.</p> <p>The project will support the preparation of a financial plan for national protected areas (Output 1.1). This financial plan will provide the framework for improving cost efficiencies, increasing revenue streams, strengthening financial management systems, and improving business planning capabilities in the national protected area PIs.</p> <p>The project will support the implementation of key elements of the financial plan, as follows:</p> <ul style="list-style-type: none"> - Delivering professional training, mentoring and skills (Output 1.2)

IDENTIFIED RISKS AND CATEGORY	IMPACT	LIKELIHOOD	RISK ASSESSMENT	MITIGATION MEASURES
				<ul style="list-style-type: none"> - Development of in-service training programs for financial and administrative staff in PIs (Output 1.2) - Providing a professional financial ‘backstopping’ support service to PIs (Output 1.2) - Developing a standardised market-based pricing strategy for national protected areas (Output 1.2) - Supporting the development and administration of targeted fund-raising projects for national protected areas (Output 1.2) - Developing and testing a Shared Service Centre (SSC) model for the 19 PIs in order to reduce costs and duplication of effort in the delivery of common professional support services (Output 1.3) - Assessing the cost-benefits of rationalising the current institutional framework for national protected areas (Output 1.4) - Reducing the transaction costs of collecting entrance fees (Output 2.1) - Expanding the tourism and recreational products and services provided in national protected areas (Output 2.2) - Improving the productive efficiencies of the existing tourism and recreational products and services in national protected areas (Output 2.3) <p>It is envisaged that collectively these activities will contribute to incrementally reducing the dependency on government grant allocations, and closing the ‘funding gap’ for improving management effectiveness (notably in respect of conservation management), for national protected areas.</p>
<p><u>ENVIRONMENTAL</u> The cumulative effect of climate change and unsustainable levels of natural resource use (e.g. mining, commercial forestry, water extraction) exacerbates habitat fragmentation and degradation in the terrestrial and marine ecosystems of national protected areas.</p>	Moderate	Low	Low	<p>During the preparation of the national planning framework for protected areas in Output 1.1, the project will <i>inter alia</i> seek to: (i) more clearly define the roles and responsibilities of the different public institutions/ agencies in protected area planning, management, development and use; (ii) develop guidelines for improving and strengthening the management of natural resource use in protected areas; (iii) define indicators of ecosystem health, and quantify the thresholds of potential concern for each indicator, for each protected area ecosystem; (iv) clarify the roles and responsibilities for the ongoing monitoring of the impacts of natural resource uses, and the effects of climate change, in protected areas; (v) identify the adaptation and/or mitigation measures required to safeguard protected areas against the undesired effects of climate change; and (vi) identify the mechanisms for improving the working relationship between protected area PIs and commercial production Public Enterprises operating in Nature Parks, where extraction of natural resources</p>

IDENTIFIED RISKS AND CATEGORY	IMPACT	LIKELIHOOD	RISK ASSESSMENT	MITIGATION MEASURES
				<p>is occurring.</p> <p>The project will also undertake a feasibility assessment of alternative options for establishing a single consolidated park agency for national protected areas. If considered feasible, this park agency may have stronger political influence and leverage over commercial production public enterprises (e.g. Croatian Forests) currently operating within protected areas. It may also have an increased collective capacity and capability for proactively addressing the extrinsic factors (including climate change) affecting the integrity of the entire network of national protected areas.</p>

COST-EFFECTIVENESS

141. The project will seek to achieve a catalytic investment in securing the long-term institutional and financial sustainability of the network of national protected areas. Costs incurred in project implementation will focus only on those additional actions required to provide key incremental assistance to the government in undertaking strategic interventions to address the weaknesses in, and improve the financial status of, the national protected areas. To accomplish this, the project will seek to complement and build upon the extensive baseline activities already underway in the sector (e.g. legislative and regulatory reforms; protected area information management systems; semi-autonomous protected area public institutions with high levels of local involvement; skilled and experienced staff complement in protected areas; significant levels of self-generated income for protected area public institutions; extensive tourism and recreational planning and development activities proposed for financing from EU Structural and Investments Funds, NIP funding, Government grants and EU IPA project funds; moderate levels of government grant allocations for staff and operational management costs; etc.). Wherever possible, the project will use the competencies and technical skills within the mandated government and public institutions to implement project activities. Where applicable, project resources will also be deployed to strengthen and expand existing initiatives and programmes (e.g. implementing the mooring fee system in marine parks; integrating and linking existing tourism products and services in selected parks; rationalising and consolidating the marketing and booking system for national protected areas; adopting more energy efficient technologies in selected parks; improving economic efficiencies of existing tourism products and services; etc.) to avoid duplication of effort. Increased co-financing commitments will continue to be targeted by the project during the project implementation (e.g. co-financing of the Shared Service Centre model from PI funds; co-financing of automatic entry vending ticket systems from PI funds; co-financing of integrated tourism and recreational product development from NIP funds and IPA project funds; co-financing of the introduction of energy efficient technologies from EPEEF funds; etc.).

142. The incremental cost-effectiveness ratio (ICER)⁴⁸ (i.e. the ratio of the change in costs to incremental benefits) for the project is calculated as (US\$138.75 costs/ha/annum – US\$136.25/ha/annum)/

⁴⁸ The incremental cost-effectiveness ratio (ICER) is an equation used commonly in health economics to provide a practical approach to decision-making regarding health interventions. The equation for ICER is $ICER = (C1 - C2) / (E1 - E2)$, where C1 and E1 are the cost and effect in the project intervention and where C2 and E2 are the cost and effect in the business as usual scenario. For the purposes of the calculation of ICER for this project, costs are measured in average annual operating budget/ha (over the 4-year term of the project) for national protected areas (with GEF investment = C1 and without GEF investment = C2). Effect is measured in terms of total improvement in METT score (over the 4 year-term of the project) for national protected areas (with GEF

$(5\% - 1\%) = 0.625$. This suggests that an investment by GEF of US\$2.5/ha/annum in improving the management of national protected areas will yield an overall improvement by end of project of a 4% increase in the METT scores for the 19 national protected areas.

The project is considered cost-effective for the following primary reasons:

143. Project support to strengthening the financial capacity (including financial planning, auditing, policies, guidelines, skills and management capacity) of PIs is expected to improve the overall cost-effectiveness of the management of the national protected areas under the stewardship of each of the 19 PIs. It is anticipated that a modest investment of GEF resources will result in: (a) significant improvements in the internal financial controls and financial systems in PIs; (b) more efficient flows of financial information within the PIs, and to the MENP and the Ministry of Finance; (c) improvements in the individual skills of financial management staff in PIs and the MENP; (d) more cost-effective user fee collection mechanisms; and (e) sustained investments in protected areas by donors and government.

144. Project support to introducing a more market-based user fee structure for national protected areas will ensure that the PIs can better justify the pricing of protected area goods and services, and that fees are more closely linked to the real costs of providing those goods and services.

145. An investment by the project in piloting a centralised shared service centre for the 19 public institutions is expected to reduce the costs of providing a number of common services to national protected areas by reducing duplication of effort, optimising economies of scale and allowing PIs to better focus on their core conservation responsibilities.

146. Project funding for the preparation of an overarching national planning framework for protected areas will ensure that the implementation of conservation best practice is more consistently applied in national protected areas and that the activities of the PIs are more closely aligned with the overall vision for the national protected area network and the government's national, European and international conservation obligations. GEF resources will also be used to strengthen the capacity (staffing, skills and performance reporting system, information management) of the MENP (with support from the SINP) to monitor conformance of the PIs (and by implication, national parks and nature parks) with this national planning framework.

147. Project investments in the adoption of alternative technologies and approaches to collecting entry fees in national protected areas will significantly reduce the high transaction costs (notably the staff costs, infrastructure costs and running/maintenance costs) typically associated with physical park entry points.

148. Project funding for the establishment of environmentally-friendly integrated transport systems that link points of attractions, and for establishing overnighting facilities, in national protected areas will contribute to: (a) the diversification of the tourism and recreational products in inland parks; (b) increasing the length of stay of visitors; and (c) providing an alternative source of revenue and employment for local rural communities living in and surrounding the park. Collectively these activities will increase the income streams to national protected areas, particularly the low-income protected areas. This additional financing will then be used to subsidise an incremental improvement in the quality and extent of conservation management activities in national protected areas.

149. Project support for a detailed assessment of the feasibility of rationalising and consolidating the current institutional framework – comprising 19 PIs, the DPA in SINP and the PD in MENP - into a single

investment = E1 and without GEF investment = E2). The desired ICER is one where the costs are low and effect (i.e. return on investment) is high.

park agency may contribute, over the long-term (i.e. beyond the term of the project), to addressing some of the fundamental weaknesses in the current administration of the national protected areas. Of particular importance will be the ability of the agency to more equitably distribute the revenue generated from ‘flagship’ high income tourism parks to other high biodiversity value parks (without compromising the ability of these high income parks to sustain, maintain and grow the nature-based tourism products).

150. Finally, an investment by the project in improving the productive efficiencies of existing tourism products and services in three high income parks (improving the management arrangements, pricing structure and fee collection mechanisms) and two low income parks (adoption of more energy and water efficient technologies) will ensure that PIs start to utilise their limited resources (i.e. staff, infrastructure, equipment, finances) more efficiently in the conservation stewardship of these parks.

COUNTRY OWNERSHIP: COUNTRY ELIGIBILITY AND COUNTRY DRIVENNESS

151. The Government of Croatia signed the United Nations Convention on Biological Diversity (CBD) on 11 June, 1992 and ratified it on the 7th of October, 1996.

152. The *Fourth National Report* (2009) has been prepared by the country in conformance with COP 8 decision VIII/14 of the CBD. This report confirms the high priority placed by the government on the establishment and management of a system of protected areas as an effective mechanism for the *in situ* conservation of biodiversity (Article 8 of the CBD).

153. The second NBSAP (2008-2013) for Croatia - the *National Strategy and Action Plan for the Protection of Biological and Landscape Diversity of Croatia* (2008) - was adopted by Croatian Parliament on the 28th of November, 2008 (OG 143/08). The second NBSAP emphasises the need to further develop the system of protected areas, improve the management effectiveness of individual protected areas, continue to increase the total area under protection, and promote the active participation of the public in the management of protected areas. Croatia is currently in the process of revising and updating its NBSAP to meet the process requirements of CBD’s COP-6 and COP-9 (in its decision IX/8), and specifically to align with the CBD COP Decision X/2 (*Strategic Plan for Biodiversity*).

154. As a party to the CBD, Croatia is committed to implement the Programme of Work on Protected Areas (PoWPA) (COP 7, Decision VII/28). Croatia’s *Action Plan for Implementing the Convention on Biological Diversity’s Programme of Work on Protected Areas* (‘PoWPA Action Plan’) was submitted to the CBD Secretariat on the 5th of April, 2012. The PoWPA Action Plan prioritises the need (Action 2) to implement business planning processes in, and to further develop funding mechanisms for, protected areas in Croatia.

PROJECT CONSISTENCY WITH NATIONAL PRIORITIES/PLANS

155. The project is aligned with the goal ‘Preserve and protect the environment and nature’ in the *Strategic Development Framework* (SDF) 2006-2013. It specifically contributes to the following instruments and actions identified in the SDF: (i) ensuring ‘...environmental protection...’ is ‘...an integral dimension’...‘of the tourism product and the preservation and development of the Adriatic coast, the sea and the islands.’; and (ii) increasing ‘...the quality and diversity of the...’‘ecotourism...’ ‘...offer’.

156. The project will contribute to meeting one of the overall objectives – ‘Effective protection of biological and landscape diversity by ... rational management and protection of natural resources, application of advanced technologies, integration of the nature protection policy in development policies of individual sectors, together with monitoring of environmental pressures and with expert supervision’ - for

Key Area 2 (Environment and Natural Resources) of the *National Sustainable Development Strategy* (NSDS, 2009). It will specifically contribute to the following activities/measures for achieving the overall objective: ‘prevent the loss of terrestrial biodiversity’ and ‘reduce the loss of marine and coastal biodiversity and increase the number of protected areas’.

157. The project will assist in the implementation of a number of actions under the following Strategic Objectives (SO): SO 3.1 ‘Continue development of the system of protected areas, efficiently manage protected areas, increase the total area under protection and promote active participation of the public concerned’ (actions 3.1.1.5.2 and 3.1.1.5.4); SO 6.8 ‘Given the great importance of tourism as an industry in the Republic of Croatia and also taking account of its negative impacts, promote development of sustainable tourism and eco-tourism’ (actions 6.8.2.4 – 6.8.2.8); and SO 7.2 ‘Establish an integral institutional framework for the protection of biological and landscape diversity at the national and county levels’ (actions 7.2.1.1, 7.2.4.1 and 7.2.5.2) of the *National Strategy and Action Plan for the Protection of Biological and Landscape Diversity of the Republic of Croatia* (2008).

158. The project will contribute to achieving Strategic Objective 2.3 (‘Achieved optimal model using of protected areas and N2000 areas’) of the *Strategic Plan of the Ministry of Environmental and Nature Protection 2013-2015*. The project will directly contribute to this SO through: (i) the standardization and improved coordination of the planning and management of national protected areas; and (ii) the development of visitor infrastructure in low-income national parks and nature parks.

159. The project will contribute, at the level of the national protected area network, to implementing a number of the priority measures identified in the *Strategy for the Development of Croatia's Tourism by 2020* (TDS, 2013) and the *Nautical Tourism Development Strategy for the Republic of Croatia, 2009-2019* (NTDS, 2009).

SUSTAINABILITY AND REPLICABILITY

160. The project has been carefully designed to optimize prospects for improving the sustainability of the network of national protected areas in the following areas:

161. Environmental sustainability will be promoted in the project by improving the effectiveness of conservation efforts in protecting the indigenous species, habitats and ecological processes represented in Croatia’s network of national protected areas (Nature Parks and National Parks). The project will facilitate the preparation of an overarching national planning framework for protected areas that will seek to ensure that a balance is maintained between the conservation of the biodiversity and heritage values of parks, the protection of native plants and animals in parks, and the rights of the public to access and enjoy parks. The national planning framework for protected areas will thus provide direction and guidance to conservation managers and to communities living in parks on how to preserve and protect these special areas and the indigenous species in them. In particular, it will provide – over the long term - more consistent national direction for the management of national and nature parks through conservation management strategies and park management plans.

162. Institutional sustainability will be achieved over the short- to medium-term by improving the functionality and effectiveness of the existing institutional framework for national protected areas. The project will specifically contribute to this by: (i) clarifying, and more clearly defining, the roles and responsibilities of each of the government and public institutions responsible for national protected areas; (ii) establishing a ‘shared service centre’ as a more cost-effective mechanism for delivering common support services to PIs; and (iii) strengthening the capacity of the MENP (and SINP) to better monitor, evaluate and report on the performance of PIs in meeting their stewardship mandate for national protected

areas. Over the longer-term, the project will further contribute to institutional sustainability by undertaking a cost-benefit analysis of a number of different options for establishing a single, consolidated park agency responsible for administering all national protected areas in Croatia.

163. Financial sustainability will be achieved by supporting the development and implementation of a Financial Plan for Croatia's network of national protected areas. The project will build and strengthen the financial management capacity of the national PIs in budget management, financial control, performance management and financial accountability by: (i) developing a standardised set of financial and accounting policies and procedures for PIs; (ii) implementing training and skills development programs for PI staff; (iii) providing a professional financial backstopping service to PIs; and (iv) reviewing and updating the pricing strategy and structure for park products and services. The project will specifically assist in the design and implementation of mechanisms to increase and diversify financial flows to national protected areas, including: improving revenue from entry and other user fees; targeting additional focused donor funding support; reducing transaction costs of user-pay systems in parks; improving the productive efficiencies in existing tourism and administrative services in parks; centralising the marketing and booking system for parks to improve cost-efficiencies; and developing more integrated tourism/recreation products and services in parks. Finally, the project will support the continued introduction of business planning processes in the national protected areas, with direct links to the preparation of Park Management Plans and Annual Programs.

164. Social sustainability will primarily be achieved by facilitating the active involvement of a range of stakeholders in the ongoing planning, management and monitoring of national protected areas. The project will identify approaches to, and mechanisms for, the direct involvement of the private sector, local communities, donors and NGOs in the ongoing conservation of, provision of services in, and sustainable resource use from, national protected areas. In particular, the project will seek to optimise entrepreneurial and direct employment opportunities for rural communities living in and around Risnjak National Park and Ucka, Papuk, Telascica and Vransko jezero Nature Parks in the development and delivery of tourism, recreational and bulk supply services to these parks. Finally, the involvement of stakeholders in project activities – at both the level of the protected area network and individual protected areas – will be guided by robust stakeholder engagement plans. These stakeholder engagement plans will also make strong provision for conflict management with different categories of user groups.

Croatia is less urban than the EU average. Only 19% of Croats live in urban areas according to the standard OECD methodology. Predominantly rural areas in Croatia account for 39% of the population. At the same time, the national system of protected areas covers approximately 12% of Croatian territory. The protected areas system in Croatia form an integral part of the country's proclaimed National Ecological Network, a larger system of functionally connected ecologically important areas for species and habitats. The current Natura 2000 proposal covers 36.92% of the terrestrial land area and 16.60% of the marine territory of Croatia, and comprises a complex of 793 inter-linked sites. These sites are mostly of a rural type thus with significant socio-economic importance for 39% of Croatian population.

Depopulation is a serious threat to the viability of many rural areas in Croatia. In the 1990s, dramatic demographic changes were the result of war and aggression, exacerbated by the social and economic dislocation of the post-war transition. The past decade shows that rapid depopulation is continuing, driven by economic realities. According to the 2011 census, only four of Croatia's 21 counties saw an increase in population in the past ten years: the city and county of Zagreb, Istria and Zadar. All 17 of the other counties experienced varying degrees of population decline, with 12 suffering decline of more than 5% and four over 10% in the decade. The country as a whole saw a small decline in population.

Farming still engages a high share of the rural population although very few of those are registered as employed farmers. The vast majority of Croats living in rural areas are employed in public services like education, healthcare, administration, the railways, forests, roads and water companies or receive social benefits. A well-functioning farming sector, integrated into local food, retail and tourist (including

protected areas-based) industries can transform declining areas into thriving ones. The second challenge is to ensure that rural areas can create employment outside of farming and public-sector services, by encouraging the emergence of small businesses in areas such as recreation, tourism, renewable energy provision and local crafts.

The analysis of the UNDP-GEF COAST project, promoting green rural development in Dalmatia, estimated that 3,000-4,000 jobs could be created in organic agriculture and the connected production of traditional products and another 3,000-4,000 in agri-tourism and adventure tourism, along with 2,000 more in organic fisheries and associated services.

Alongside the hard infrastructure, it's necessary to provide the right institutional support to help people in rural areas develop common solutions and create economic opportunities within their communities. Ecotourism and diversification of economic activities in rural areas that involve and rely on relationships with protected areas (parks) are to become a significant source of income for farmers and for the parks, which is in focus of the second component of the project.

In particular, the project will seek to optimise entrepreneurial and direct employment opportunities for rural communities living in and around Risnjak National Park and Ucka, Papuk, Telascica and Vransko jezero Nature Parks in the development and delivery of tourism, recreational and bulk supply services to these parks. The project will focus on building links to local rural economy: tourism and farming can work symbiotically to create jobs and decent incomes in rural areas. One route is agri-tourism, where farming families supplement their income by expanding into tourism services themselves – something that is developing well in Istria and is starting to do so in Dalmatia. Just as important, but today relatively rare, is a close commercial relationship between Croatia's tourism businesses – resorts, national parks, hotels and so on – and farms and other rural businesses. The key to generating more win-win solutions for Croatia is to facilitate the networks and platform that allow buyers and suppliers to meet and find creative solutions. This project will contribute to creating networks between the parks and local communities.

The *National Policy for Gender Equality* is the basic strategic document of the Republic of Croatia adopted for the purpose of eliminating discrimination against women and establishing true gender equality by implementing a policy of equal opportunities in the period from 2011 to 2015. It builds on the previous *National Policy 2006 – 2010*. The legal grounds for the adoption of the *National Policy for Gender Equality 2011 – 2015* are included in the provisions of the *Gender Equality Act* (Official Gazette, No. 82/08), which sets out the general grounds for the protection and promotion of gender equality as a fundamental value of the constitutional order of the Republic of Croatia. Some data from a country profile done by the European Commission on Gender Equality in Croatia, 2012 (EC):

- The general participation rate of women in the Croatian labour market equals 47.0%. It is relatively high rate of participation in the labor force which is also a result of rising male unemployment due to closure of main industries that employed male working force. Unemployment is problem for both man and women, and women are making majority of unemployed (55%).
- The under-/overrepresentation of women and men in hierarchical levels prevails – the proportion of women on supervisory boards (16%) is slightly higher than the EU-average (14%).
- According to the latest accessible data by the Central Bureau of Statistics, the average monthly gross salary for men was 11% higher than the average salary for women. The reasons for differences in salaries is related to the distribution through economic sectors, differences in the professions/occupations, number of working hours, absence from work, work experience, professional training, position etc.

The likely mechanisms for gender mainstreaming in the project, will be:

- 1) ensuring gender balance when representing different sectors.
- 2) optimising entrepreneurial and direct employment opportunities
- 3) Assess financial impacts of the project for men and what for women; if there would be a difference find out why? (and try to address if possible)

- Assess entrepreneurial potential of women and if it matches with needs for parks development; trainings to scale up existing women entrepreneurs, link them with markets; identify unemployed women who could start up activities; (link them with similar funds on the national level); support network of women' start up;

165. **Replication** will be achieved through the direct replication of selected project elements and practices and methods, as well as the scaling up of experiences. The project will specifically use the lessons learnt from the piloting of the automated entry ticket vending machines (Output 2.1), mooring fee system (Output 2.1), integrated transport networks (Output 2.2) and energy and water efficient technologies (Output 2.3) in the future phased roll-out of these approaches, technologies and systems across the entire national protected area system. If viable, it is also envisaged that the SSC model would be expanded to provide PIs with other common support services, including inter alia: payroll management; professional financial support services; high value procurement of common goods and services; fund-raising; and donor-management. In the long-term, it is anticipated that the government will use the results of the cost-benefit analysis of park agency models to assist and guide it in rationalising the institutional framework for the protected area system in Croatia.

166. Each project output will include the documentation of lessons learnt from implementation of activities under the output, and a collation of the tools and templates (and any other materials) developed during implementation. The Project Manager will ensure the collation of all the project experiences and information. This knowledge database will then be made accessible to different stakeholder groups in order to support better future decision-making processes in protected areas and more consistent adoption of best practice.

Lessons learned from the previous GEF activities: Lesson from the UNDP-GEF project COAST (Conservation and Sustainable Use of Biodiversity in the Dalmatian Coast Through Greening Coastal Development), Terminal Evaluation Report, March 2013:

- 1) The COAST project experience has shown the high value of having a project managed by a competent and dedicated professional project team, and that human and financial resources are adequate to achieve the planned outputs. Project management must be flexible, and in that sense the COAST project team showed high capacity for adaptive management.
- 2) For projects such as the COAST project, which are addressing environmental issues and engaging a wide range of stakeholders over a larger geographic area, a strong communications program is vital to project success. For projects such as the COAST project, which are addressing environmental issues and engaging a wide range of stakeholders over a larger geographic area, a strong communications program is vital to project success.
- 3) It is important to gather and involve project stakeholders from the early stage of the project design and also to ensure their participation later in the process of the project implementation, particularly government stakeholders. This is crucial for establishing the feeling of ownership of the project results. From the early stages the COAST project established stakeholder involvement as one of the key approaches for implementation of project activities. There is no doubt that participation in decision-making enables conflict minimization and improves ownership of the solutions.

Lessons from the UNDP-GEF and CBD publication "Protected Areas for the 21st Century" (2010):

- 1) Incorporate ecosystem services into management planning, especially to improve climate adaptation actions that help sustain quality, quantity and security of freshwater and improve resilience of freshwater ecosystems;
- 2) Incorporate sustainable livelihoods into management planning – engage in participatory planning; Create sustainable protected area finance plans with diverse finance mechanisms and systematically assess the financial sustainability of protected area systems (i.e. use financial scorecard).

PART III: Management Arrangements

PROJECT IMPLEMENTATION ARRANGEMENT

167. The project will be implemented over a period of four years.

168. The UNDP Country Office will monitor the implementation of the project, review progress in the realisation of the project outputs, and ensure the proper use of UNDP/GEF funds. Working in close cooperation with MENP, the UNDP Country Office (CO) will provide support services to the project - including procurement, contracting of service providers, human resources management and financial services - in accordance with the relevant UNDP Rules and Procedures and Results-Based Management (RBM) guidelines.

169. The project will be nationally implemented (NIM) by the Ministry of Environmental and Nature Protection (MENP), in line with the Standard Basic Assistance Agreement (SBAA of 12 March, 1996) and the Letter of Agreement (LOA) concluded between the UNDP and the Government of Croatia⁴⁹ (refer to [Section IV, Part VI](#) for a copy of the agreement).

170. The MENP will have the overall responsibility for achieving the project goal and objectives. The MENP will be directly responsible for creating the enabling conditions for implementation of all project activities. The MENP will designate a senior official to act as the Project Director (PD). The PD will provide the strategic oversight and guidance to project implementation⁵⁰.

171. The day-to-day administration of the project will be carried out by a national Project Manager (PM), with the support of a Project Administrative Assistant (PAA). The PM and the PAA will be based in Zagreb. The project staff will be recruited using standard UNDP recruitment procedures. The PM has the authority to administer the project on a day-to-day basis on behalf of MENP, within the constraints laid down by the Project Board (PB). The PM's prime responsibility is to ensure that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost. The PM will prepare Annual Work Plans (AWP) in advance of each successive year and submit them to the Project Board for approval. The PM will liaise and work closely with all partner institutions to link the project with complementary national programs and initiatives. The PM is accountable to the PD for the quality, timeliness and effectiveness of the activities carried out, as well as for the use of funds. The PAA will provide project administration support to the PM, as required. The terms of reference for the PM and PAA are detailed in [Section IV, Part I](#).

172. The PM will be technically supported by contracted national and international service providers. They will also work in close collaboration with counterpart conservation agencies and institutions in the EU. Recruitment of specialist support services and procurement of any equipment and materials for the project will be done by the PM, in consultation with the PD and in accordance with relevant recruitment and procurement rules and procedures. The terms of reference of the key national and international service providers to be contracted by the project are detailed in [Section IV, Part I](#).

173. A Project Board (PB) will be constituted to serve as the executive decision making body for the project. While the final composition of the PB will be determined at the Project Inception Workshop (see

⁴⁹ Croatia is a non-CPAP country. The LOA clarifies the roles and responsibilities of the Government and UNDP respectively in the implementation of this project.

⁵⁰ The PD will not be paid from the project funds, but will represent a Government in-kind contribution to the Project.

[Section I, Part IV](#)), it may include representation from the MENP, SINP, Ministry of Regional Development and EU Funds, Ministry of Finance and national protected area PIs. The Project Board will ensure that the project remains on course to deliver the desired outcomes of the required quality. The PB will meet at least twice per annum (more often if required).

174. The PM will produce an Annual Work Plan (AWP) to be approved by the PB at the beginning of each year. These plans will provide the basis for allocating resources to planned project activities. Once the PB approves the AWP, this will be sent to the UNDP Regional Technical Advisor for Biodiversity at the GEF Regional Coordinating Unit (RCU) for clearance. Once the AWP is cleared by the RCU, it will be sent to the UNDP/GEF Unit in New York for final approval and release of the funding. The PM will further produce quarterly operational reports and Annual Progress Reports (APR) for review by the PB, or any other reports at the request of the PB. These reports will summarize the progress made by the project versus the expected results, explain any significant variances, detail the necessary adjustments and be the main reporting mechanism for monitoring project activities.

FINANCIAL AND OTHER PROCEDURES

175. The financial arrangements and procedures for the project are governed by the UNDP rules and regulations for National Implementation Modality (NIM). All procurement and financial transactions will be governed by applicable UNDP regulations under NIM and also in line with GEF requirements for financial management of UNDP supported, GEF-financed projects.

AUDIT CLAUSE

176. The Project audits will be conducted according to UNDP Financial Regulations and Rules and applicable Audit policies.

PART IV: Monitoring Framework and Evaluation

MONITORING AND REPORTING

178. The project will be monitored through the following Monitoring and Evaluation (M&E) activities.

Project start-up:

179. A Project Inception Workshop will be held within the first 2 months of project start with those with assigned roles in the project organization structure, UNDP country office and where appropriate/feasible regional technical policy and programme advisors as well as other stakeholders. The Inception Workshop is crucial to building ownership for the project results and to plan the first year annual work plan.

The Inception Workshop should address a number of key issues including:

- a) Assist all partners to fully understand and take ownership of the project. Detail the roles, support services and complementary responsibilities of UNDP CO and the UNDP-GEF Regional Office vis-à-vis the project team. Discuss the roles, functions, and responsibilities within the project's decision-making structures, including reporting and communication lines, and conflict resolution mechanisms. The Terms of Reference for project staff will be discussed again, as needed.
- b) Based on the project results framework and the relevant GEF Tracking Tool, if appropriate, finalize the first AWP. Review and agree on the indicators, targets and their means of verification, and recheck assumptions and risks.
- c) Provide a detailed overview of reporting, monitoring and evaluation (M&E) requirements. The Monitoring and Evaluation work plan and budget should be agreed and scheduled.
- d) Discuss financial reporting procedures and obligations, and arrangements for annual audit.
- e) Plan and schedule Project Board meetings. Roles and responsibilities of all project organization structures should be clarified and meetings planned. The first Project Board meeting should be held within the first 6 months following the inception workshop.

180. An Inception Workshop report is a key reference document and must be prepared and shared with participants to formalize various agreements and plans decided during the meeting.

Quarterly:

- Progress made shall be monitored in the UNDP Enhanced Results Based Management Platform.
- Based on the initial risk analysis submitted, the risk log shall be regularly updated in ATLAS. Risks become critical when the impact and probability are high.
- Based on the information recorded in ATLAS, a Project Progress Report (PPR) can be generated in the Executive Snapshot.
- Other ATLAS logs can be used to monitor issues, lessons learned etc. The use of these functions is a key indicator in the UNDP Executive Balanced Scorecard.

Annually:

181. Annual Project Review/Project Implementation Reports (APR/PIR): This key report is prepared to monitor progress made since project start and in particular for the previous reporting period. The APR/PIR combines both UNDP and GEF reporting requirements.

182. The APR/PIR includes, but is not limited to, reporting on the following:

- Progress made toward project objective and project outcomes - each with indicators, baseline data and end-of-project targets (cumulative)
- Project outputs delivered per project outcome (annual)
- Lesson learned/good practice
- AWP and other expenditure reports
- Risk and adaptive management
- ATLAS Quarterly Progress Reports (QPR)
- Portfolio level indicators (i.e. GEF focal area tracking tools) are used by most focal areas on an annual basis as well.

Periodic Monitoring through site visits:

183. UNDP CO and the UNDP RCU will conduct visits to project sites based on the agreed schedule in the project's Inception Report/Annual Work Plan to assess first hand project progress. Other members of the Project Board may also join these visits. A Field Visit Report/BTOR will be prepared by the CO and UNDP RCU and will be circulated no less than one month after the visit to the project team and Project Board members.

Mid-term of project cycle:

184. The project will undergo an independent Mid-Term Evaluation at the mid-point of project implementation. The Mid-Term Evaluation will determine progress being made toward the achievement of outcomes and will identify course correction if needed. It will focus on the effectiveness, efficiency and timeliness of project implementation; will highlight issues requiring decisions and actions; and will present initial lessons learned about project design, implementation and management. Findings of this review will be incorporated as recommendations for enhanced implementation during the final half of the project's term. The organization, terms of reference and timing of the mid-term evaluation will be decided after consultation between the parties to the project document. The Terms of Reference for this Mid-term evaluation will be prepared by the UNDP CO based on guidance from the Regional Coordinating Unit and UNDP-GEF. The management response and the evaluation will be uploaded to UNDP corporate systems, in particular the [UNDP Evaluation Office Evaluation Resource Center \(ERC\)](#).

185. The relevant GEF Focal Area Tracking Tools will also be completed during the mid-term evaluation cycle.

End of Project:

186. An independent Final Evaluation will take place three months prior to the final Project Board meeting and will be undertaken in accordance with UNDP and GEF guidance. The final evaluation will focus on the delivery of the project's results as initially planned (and as corrected after the mid-term evaluation, if any such correction took place). The final evaluation will look at impact and sustainability of results, including the contribution to capacity development and the achievement of global environmental benefits/goals. The Terms of Reference for this evaluation will be prepared by the UNDP CO based on guidance from the Regional Coordinating Unit and UNDP-GEF.

187. The Terminal Evaluation should also provide recommendations for follow-up activities and requires a management response which should be uploaded to PIMS and to the [UNDP Evaluation Office Evaluation Resource Center \(ERC\)](#).

188. The relevant GEF Focal Area Tracking Tools will also be completed during the final evaluation.

189. During the last three months, the project team will prepare the Project Terminal Report. This comprehensive report will summarize the results achieved (objectives, outcomes, outputs), lessons learned, problems met and areas where results may not have been achieved. It will also lay out recommendations for any further steps that may need to be taken to ensure sustainability and replicability of the project's results.

Learning and knowledge sharing:

190. Results from the project will be disseminated within and beyond the project intervention zone through existing information sharing networks and forums.

191. The project will identify and participate, as relevant and appropriate, in scientific, policy-based and/or any other networks, which may be of benefit to project implementation though lessons learned. The project will identify, analyse, and share lessons learned that might be beneficial in the design and implementation of similar future projects.

192. Finally, there will be a two-way flow of information between this project and other projects of a similar focus.

Communications and visibility requirements

193. Full compliance is required with UNDP's Branding Guidelines. These can be accessed at <http://intra.undp.org/coa/branding.shtml>, and specific guidelines on UNDP logo use can be accessed at: <http://intra.undp.org/branding/useOfLogo.html>. Amongst other things, these guidelines describe when and how the UNDP logo needs to be used, as well as how the logos of donors to UNDP projects needs to be used. For the avoidance of any doubt, when logo use is required, the UNDP logo needs to be used alongside the GEF logo. The GEF logo can be accessed at: http://www.thegef.org/gef/GEF_logo. The UNDP logo can be accessed at <http://intra.undp.org/coa/branding.shtml>.

194. Full compliance is required with the GEF's Communication and Visibility Guidelines (the "GEF Guidelines"). The GEF Guidelines can be accessed at: http://www.thegef.org/gef/sites/thegef.org/files/documents/C.40.08_Branding_the_GEF%20final_0.pdf. Amongst other things, the GEF Guidelines describe when and how the GEF logo needs to be used in project publications, vehicles, supplies and other project equipment. The GEF Guidelines also describe other GEF promotional requirements regarding press releases, press conferences, press visits, visits by Government officials, productions and other promotional items.

M&E work plan and budget

Type of M&E activity	Responsible Parties	Budget US\$ <i>Excluding project team staff time</i>	Time frame
Inception Workshop and Report	<ul style="list-style-type: none"> ▪ PM ▪ UNDP CO, UNDP GEF 	Indicative cost: 6,000	Within first two months of project start up

Type of M&E activity	Responsible Parties	Budget US\$ <i>Excluding project team staff time</i>	Time frame
Measurement of Means of Verification of project results.	<ul style="list-style-type: none"> ▪ UNDP GEF RTA/PM will oversee the hiring of specific studies and institutions, and delegate responsibilities to relevant team members. 	To be finalized in Inception Phase and Workshop.	Start, mid and end of project (during evaluation cycle) and annually when required.
Measurement of Means of Verification for Project Progress on <i>output and implementation</i>	<ul style="list-style-type: none"> ▪ PM 	To be determined as part of the Annual Work Plan's preparation.	Annually prior to ARR/PIR and to the definition of annual work plans
ARR/PIR	<ul style="list-style-type: none"> ▪ PM ▪ UNDP CO ▪ UNDP RTA ▪ UNDP EEG 	None	Annually
Periodic status/ progress reports	<ul style="list-style-type: none"> ▪ PM 	None	Quarterly
Mid-term Evaluation	<ul style="list-style-type: none"> ▪ PM ▪ UNDP CO ▪ UNDP RCU ▪ External Consultants (i.e. evaluation team) 	Indicative cost: 40,000	At the mid-point of project implementation.
Final Evaluation	<ul style="list-style-type: none"> ▪ PM ▪ UNDP CO ▪ UNDP RCU ▪ External Consultants (i.e. evaluation team) 	Indicative cost: 45,000	At least three months before the end of project implementation
Project Terminal Report	<ul style="list-style-type: none"> ▪ PM ▪ UNDP CO ▪ local consultant 	0	At least three months before the end of the project
Audit	<ul style="list-style-type: none"> ▪ UNDP CO ▪ Project manager and team 	Indicative cost per year: 6,000	Yearly
Visits to field sites	<ul style="list-style-type: none"> ▪ UNDP CO ▪ UNDP RCU (as appropriate) ▪ Government representatives 	For GEF supported projects, paid from IA fees and operational budget	Yearly
TOTAL indicative COST <i>Excluding project staff (PM and PAA) time and UNDP staff and travel expenses</i>		US\$ 115,000	

*Note: Costs included in this table are part and parcel of the UNDP Total Budget and Work Plan (TBW) in the PRODOC, and not additional to it.

PART V: Legal Context

195. This document, together with the LOA signed by the Government and UNDP which is incorporated by reference ([Section IV, Part VI](#)), constitute together a Project Document as referred to in the SBAA.

196. Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the implementing partner and its personnel and property, and of UNDP's property in the implementing partner's custody, rests with the implementing partner.

The implementing partner shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried out; and
- b) assume all risks and liabilities related to the implementing partner's security, and the full implementation of the security plan.

197. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

198. The implementing partner agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

SECTION II: STRATEGIC RESULTS FRAMEWORK (SRF)

This project will contribute to achieving the following Country Programme Outcome: The biodiversity outcome: The goal of this programme is (...) to ensure the financial sustainability of the protected areas.

Country Programme Outcome Indicators: None

Primary applicable Key Result Area: *Environmental governance*

Applicable GEF Strategic Objective and Program: Objective 1 *Improve sustainability of protected area systems*

Applicable GEF Expected Outcomes: Outcome 1.1 *Improved management of existing and new protected area;* Outcome 1.2 *Increased revenue for protected area systems to meet total expenditures required for management*

Applicable GEF Outcome Indicators: Indicator 1.1 *Protected area management effectiveness as recorded by Management Effectiveness Tracking Tool;* Indicator 1.2 *Increased revenue for protected area systems to meet total expenditures required for management*

	Indicator	Baseline ⁵¹ (2012/2013)	Target/s (End of Project)	Source of verification	Risks and Assumptions
Project Objective Enhancing the management effectiveness and sustainability of national protected areas to safeguard terrestrial and marine biodiversity	Financial sustainability scorecard for national system of protected areas	32%	>45%	Project review of Financial Sustainability Scorecard	Assumptions: <ul style="list-style-type: none"> Government continues to view protected areas as a key investment strategy for meeting biodiversity conservation (and selected socio-economic development) targets. Public institutions ensure that a balance is maintained between their core biodiversity and heritage conservation mandate for parks and the sustainable use of these parks for tourism, recreation and natural resource harvesting purposes. The MENP and SINP regularly maintains and updates the METT for protected areas and the national Natura 2000 database for habitats, species
	Capacity development indicator score for protected area system	Systemic: 58% Institutional: 57% Individual: 46%	Systemic: 67% Institutional: 77% Individual: 72%	Project review of Capacity Development Indicator Scorecard	
	Annual financing gap of the 'optimal management scenario' for national protected areas (US\$)	US\$14.7m	<US\$5m	Execution of State Budget Report MENP, SINP and national protected area PI Annual Financial Reports	

⁵¹ Financial data are from 2011/2012.

	Management Effectiveness Tracking Tool scorecard (average): All national PAs National Parks Nature Parks	All national PAs: 63% National Parks: 62% Nature Parks: 64%	All national PAs: >67% National Parks: >67% Nature Parks: >67%	Project review of METT scorecard (every two years)	and birds Risks: – A lack of effective coordination between MENP, SINP and the 19 PIs weakens the efficacy of project investments – The individual PIs and government do not collectively commit adequate resources and funding to improve the conservation management in national PAs – The cumulative effects of climate change and unsustainable levels of natural resource use exacerbates habitat fragmentation and degradation of the marine and terrestrial habitats in national PAs
	Income/annum (US\$), by source, from national protected areas	Government budget allocation: US\$6,67m Other government allocation: US\$1m Property income: US\$1.4m Own income: US\$58.29m Donor revenue and other income: US\$0,94m	Government budget allocation: US\$5m Other government allocation: >US\$3.5m Property income: >US\$2m Own income: >US\$65m Donor revenue and other income: >US\$1.5m (target year = 2017)	Execution of State Budget Report MENP, SINP and national protected area PI Annual Financial Reports	
	Degree of conservation for the Natura 2000 target species and habitats in national protected areas ⁵²	Species: A – 184 B – 214 C – 14 Habitats: A – 94 B – 91 C – 8	Degree of conservation for the NATURA 2000 target species and habitats stays the same or improves	National Natura 2000 database (species and habitats)	
Outcome 1 Reforming the institutional framework to strengthen the management effectiveness of national protected areas	Outputs: 1.1 Develop a national planning framework for the protected area system 1.2 Improve the financial management capacity of protected area institutions 1.3 Establish a shared service centre for national protected areas 1.4 Assess the feasibility of establishing a park agency to administer national protected areas				
	Strategic plan and management guidelines for national protected areas approved.	Strategic plan: None Management guidelines: Partial, but incomplete	Strategic plan: Yes Management guidelines: Complete	Record of approval and adoption of Strategic Plan and management guidelines	Assumptions: – The MENP, SINP and national protected area PIs collaborate and cooperate in the development of the national

⁵² Where: A = excellent level of conservation; B = good level of conservation; and C = average or less than average level of conservation)

	Number of park management plans conforming with the policies and guidelines for national protected areas	5	>10	Record of approval and adoption of active park management plans	<p>planning framework for protected areas</p> <ul style="list-style-type: none"> – The Ministry of Finance continues to support and complement efforts at improving the financial capacities and resources of national protected area PIs – The Ministry of Maritime Affairs, Transport and Infrastructure continues to collaborate in the establishment of a mooring system in marine national protected areas – Individual national protected area PIs commit to supporting the establishment of an association of PIs, and testing the feasibility of developing this association to fulfil the role of a SSC – National protected area PIs continue to update, or prepare new, medium-term management plans for the protected area under their stewardship <p>Risks:</p> <ul style="list-style-type: none"> – A lack of effective coordination between MENP, SINP and the 19 PIs weakens the efficacy of project investments – The individual PIs and government do not collectively commit adequate resources and funding to improve the conservation management in national PAs
	Number of financial/business plans adopted and operational	National protected area network: 0 Individual national protected areas: 0	National protected area network: 1 Individual national protected areas: >3	Record of approval and adoption of active national and park financial/ business plans that are linked to a strategic plan for national protected areas or individual park management plans (see above)	
	Number of PI and MENP staff completing specialised, targeted short-course financial training and financial skills development programmes	0	26	Training records Staff training certification Project reports	
	Percentage of overall national protected areas bookings/month being administered through the centralised SSC:	0	Overnight accommodation: >20% Camping: >30% Other services: >15%	Online booking statistics Annual PI records of bookings received, by source	
Outcome 2 Improving the financial sustainability of the network of national protected areas	<p>Outputs:</p> <ul style="list-style-type: none"> 2.1 Reduce the transaction costs of user-pay systems in national protected areas 2.2 Develop integrated tourism and recreational products and services in national protected areas 2.3 Improve the productive efficiency of national protected areas 				
				Assumptions:	

	Net income (US\$/annum) from sales of smart cards	US\$0	US\$>4m	Data management systems statistics	<ul style="list-style-type: none"> – The Director of each national PI takes direct responsibility for ensuring the implementation of project activities linked to the protected area under their stewardship – The co-financing sources committed to supplementing the GEF project investments in individual parks are secured – The Directors of high-income national parks actively participate and support the objective assessments of current tourism/recreation management arrangements in those parks – The current levels of tourism and recreational use in protected areas remains relatively constant.\ <p>Risks:</p> <ul style="list-style-type: none"> – A lack of effective coordination between MENP, SINP and the 19 PIs weakens the efficacy of project investments – The individual PIs and government do not collectively commit adequate resources and funding to improve the conservation management in national PAs
	Increase in self-generated income (US\$/annum) in target national parks and nature parks	Ucka: US\$49k Risnjak: US\$279k Papuk: US\$32k Telascica: US\$614k Vransko jezero: US\$56k	Ucka: >US\$100k Risnjak: >US\$450k Papuk: >US\$50k Telascica: >US\$1m Vransko jezero: >US\$100k	PI Annual Financial Reports	
	Decrease in costs (US\$/month) of power supply to targeted nature parks	Risnjak Nature Park: US\$1,455 Papuk Nature Park: US\$745	Risnjak Nature Park: <US\$1,000 Papuk Nature Park: <US\$500	PI Annual Financial Reports Monthly power services accounts	
	Surplus/(deficit) per annum (US\$) for high-income national protected areas	Plitvicka jezera National Park: US\$4.7m Krka National Park: US\$0.9m Brijuni National Park: US\$(-0.5m)	Plitvicka jezera National Park: US\$5.7m Krka National Park: US\$1.1m Brijuni National Park: US\$0.5m	PI Annual Financial Reports	

SECTION III: TOTAL BUDGET AND WORKPLAN

Atlas Award ID:	00077440
Atlas Project ID:	00088212
Award Title:	PIMS 4731: Croatia's PA Institutional and Financial Sustainability

Business Unit:	HRV10
Project Title:	Strengthening the Institutional and Financial Sustainability of the National Protected Area System
Implementing Partner	Ministry of Environmental and Nature Protection (MENP)

GEF Outcome/ Atlas Activity	Responsible Party/ Implementing Agent	Fund ID	Donor Name	ATLAS Budget Code	ATLAS Budget Description	Amount YEAR 1 (USD)	Amount YEAR 2 (USD)	Amount YEAR 3 (USD)	Amount YEAR 4 (USD)	TOTAL	Budget #
Component 1 Reforming the institutional framework to strengthen the management effectiveness of national protected areas	NIM	62000	GEF-10003	71200	International Consultants	24 000	42 000	9 000	30 000	105 000	1
				71300	Local Consultants	26 000	36 000	6 000	18 000	86 000	2
				71400	Contractual Services - Individuals	26 000	42 000	34 000	13 000	115 000	3
				71600	Travel	0	1 500	0	1 500	3 000	4
				72100	Contractual Services - Companies	290 000	344 000	355 000	195 000	1 184 000	5
				72200	Equipment and furniture	10 000	35 000	0	0	45 000	6
				72800	Information Technology equipment	8 000	24 000	2 000	0	34 000	7
				74100	Professional Services	9 000	33 000	51 000	27 000	120 000	8
				74200	Audio-visual & printing production	0	8 000	12 000	0	20 000	9
				75700	Conference & events	8 000	20 000	18 000	4 000	50 000	10
Total - Component 1 (GEF)						401 000	585 500	487 000	288 500	1 762 000	
TOTAL COMPONENT 1						401 000	585 500	487 000	288 500	1 762 000	
Component 2 Improving the financial sustainability of the network of national protected areas	NIM	62000	GEF-10003	71300	Local Consultants	58 000	34 000	0	0	92 000	11
				72100	Contractual Services - Companies	150 000	235 000	260 000	146 000	791 000	12
				72200	Equipment and furniture	115 000	415 000	145 000	27 000	702 000	13
				72300	Materials and goods	235 000	410 000	270 000	26 000	941 000	14
				72800	Information Technology equipment	105 000	180 000	15 000	0	300 000	15
				74100	Professional Services	8 000	8 000	0	0	16 000	16
				Total - Component 2 (GEF)						671 000	1 282 000
TOTAL COMPONENT 2						671 000	1 282 000	690 000	199 000	2 842 000	
				71400	Contractual Services - Individuals	65 000	68 000	71 000	72 000	276 000	17

Project management	NIM	6200	GEF-10003	71600	Travel	10 000	12 000	14 000	12 000	48 000	18
				72400	Comms and audio-visual equipmt.	6 000	6 000	6 500	6 500	25 000	19
				Total - Project Management (GEF)		81 000	86 000	91 500	90 500	349 000⁵³	
	NIM	11999	UNDP-DAS	71600	Travel	8 000	8 000	9 000	9 000	34 000	20
				72400	Comms and audio-visual equipmt.	8 000	4 000	0	0	12 000	21
				72500	Supplies	2 000	2 000	1 000	1 000	6 000	22
				72800	Information Technology equipment	15 000	0	0	0	15 000	23
				73100	Rental and maintenance - premises	12 000	12 000	14 000	14 000	52 000	24
				74100	Professional Services	106 000	100 000	90 000	85 000	381 000	25
				Total - Project Management (UNDP-DAS)		151 000	126 000	114 000	109 000	500 000	
TOTAL PROJECT MANAGEMENT						232 000	212 000	205 500	199 500	849 000	
TOTAL PROJECT						1 304 000	2 079 500	1 382 500	687 000	5 453 000	

SUMMARY OF FUNDS*:

	Year 1	Year 2	Year 3	Year 4	TOTAL
GEF	1 153 000	1 953 500	1 268 500	578 000	4 953 000
UNDP-DAS	151 000	126 000	114 000	109 000	500 000
Ministry of Environment and Nature Protection					16 700 000
Public Institutions					811 116
TOTAL	1 304 000	2 079 500	1 382 500	687 000	22 964 116

#	Budget notes
1	Contracting: (i) a Tourism Economist to support the market-based pricing strategy for, and to assist in the annual determination of the fee structure of, national

⁵³ This represents ~7% of the GEF grant amount, slightly more than the norm of 5%. The justification for this is as follows:

The project deals with complex issues and activities that involve intensive work across a large number of institutions (there are 19 protected areas public institutions, the Nature protection directorate of the Ministry, the State nature protection institute and a range of service providers (planning, financial, technical, tourism, marketing, construction...)). This will require a lot of coordination, communication, management and procurement-related activities and increased workload. Also, for such a complex 4-year project it is critical to have a competent, full-time core project management team. It is planned to engage as a core team a project manager on a full-time bases for the whole duration of the project (4 years or 192 weeks) and a project assistant on a part-time bases (96 weeks over the 4 years). As per UNDP rules and salary scales for the service contracts, the annual salary for the PM goes into salary band 4 (SB4, peg3) with gross annual amount of \$49.100, while the PA goes into salary band 3 (SB3, peg3) with gross annual amount for part-time engagement of \$19.300. When these amounts sum-up to four-year project duration, the amount for full-time PM and part-time PA salaries is \$273.600. We have built-in some flexibility (eg. exchange rate fluctuation) into the planned amount for the project management for salaries of \$276.000. Since UNDP country office Croatia is transforming into a self-financing project office as of July 2014 onwards (with a 4-year horizon at least i.e. until the end of this project) and the core office staff is downsizing, the support to the project management will be limited. That is why we see it crucial to minimise risk of insufficient support for management thus it is previewed amount for salaries for the key project management staff (PM and PA) in the GEF part of the budget. On top of that amount, UNDP will co-finance the amount of \$500.000 for the professional support services to the project management team, premises, equipment and supplies.

	protected areas products, services and facilities (15wks @ \$3000/wk) in Output 1.2; and (ii) Monitoring and Evaluation experts for the mid-term evaluation (10 weeks @\$3000/wk) and for the final evaluation (10 weeks@\$3000/wk).
2	Contracting the services of: (i) a business advisor to develop a business case for the SSC (25 weeks @ \$1000k/wk) in Output 1.3; (ii) a facilitator to support the establishment and operationalisation of the PI association and SSC (21 wks @ \$1000/wk) in Output 1.3; and (iii) a national counterpart monitoring and evaluation experts for the mid-term evaluation (12 weeks @\$1000/wk) and for the final evaluation (13 weeks@\$1000/wk).
3	Contractual appointment of (i) a stakeholder consultation specialist (55 wks @\$1000/wk) to facilitate all stakeholder consultation communications and organise and host all stakeholder meetings in support of the strategic planning framework for national protected areas in Output 1.1; and (ii) the Director of the association of PIs in Output 1.3 (GEF will finance 50% of the total 'cost-to-company' - on a sliding scale basis - and the 19 PIs membership fees will finance the remaining 50% of total 'cost-to-company') @ 100wks @ \$600/wk.
4	Travel costs of international consultant (mid-term and end of project evaluation).
5	Contracting the services of: (i) a protected area planning consortium to prepare the strategic plan and policies and guidelines manual for national protected areas in Output 1.1; (ii) a financial planning company to prepare a sustainable financing plan for the national protected area network in Output 1.1; (iii) a financial planning company to develop financial policies and procedures, provide professional financial support to PIs, develop and implement financial training programmes, and provide project development donor fund-raising support services to PIs in Output 1.1 and 1.2; (iv) legal firm to support the establishment processes of the association of PIs and provide legal backstopping support to PIs to address legal conflicts in national protected areas in Output 1.3; (v) a marketing and advertising agency to develop an 'umbrella branding' for the national PAs, develop a marketing strategy and plan and design and publish marketing materials and website in Output 1.3; (vi) an Information Technology company to develop and maintain a web-based booking system for the SSC in Output 1.3; and (vii) a change management consortium to undertake a feasibility assessment (CBA, conceptual design, change process requirements and transitional budget estimates) of establishing a single agency for national protected areas in Output 1.4.
6	Procurement of office space and office equipment (chairs, tables, storage, desks, etc.) for the Association of PIs (30% financing from GEF, with the remaining costs funded by the membership fees of the 19 PIs) in Output 1.3.
7	Procurement and installation of hardware (4 desktop computers, 1 notebook, 3 printers, HDDs, routers and 1 A3 scanner/copier) software, networking in Output 1.3. The 19 PIs membership fees will be used to finance the running and maintenance costs of all computer equipment.
8	Implementation of: (i) professional financial skills development and training for 26 pre-selected staff from PIs and MENP in Output 1.2; (ii) a stakeholder consultation process in support of the feasibility assessment in Output 1.4; (iii) independent annual project audits (@ US\$6000/annum); and (iv) project inception meeting (including costs of translation, venue hire, travel, accomodation, facilitation, etc).
9	Web publishing and the design, printing, binding and circulation of the policies and guidelines manual for national protected areas in Output 1.1.
10	(i) Costs of venue hire for, and catering of, stakeholder consultation meetings and workshops in support of strategic planning for national protected areas in Output 1.1; (ii) Handout materials, catering costs and travel costs for staff orientation sessions (2 x half-day sessions) in 19 national and nature parks (~1500 staff) in Output 1.1 and 1.2; and (iii) Costs of venue hire for, and catering of, technical task team and stakeholder consultation meetings and workshops in support of the feasibility assessment of a single park agency option in Output 1.3.
11	Contracting the services of: (i) a mooring business consultant to conduct a feasibility study for the deployment of buoys (4 wks @ \$1000/wk) and the design and implementation of an integrated mooring fee system (10 wks @ \$600/wk) in Output 2.1; (ii) a nature-based tourism development specialist to prepare a detailed concept (site plan and key routes), business plan, technical specifications, conceptual design and cost estimate for the info-point and parking space at Hrvatsko and the river crossings and bridges in the Kupa valley (22 wks @ \$1000/wk) in Output 2.2; (iii) a nature-based tourism development specialist to prepare a detailed concept for an environmentally friendly transport system, site plan and technical specifications for the upgrade of the road to Vojak Peak (24 wk @ \$1000/wk) in Output 2.2; and (iv) a nature-based tourism specialist to prepare a detailed concept and business plan for a guided boat tour on Vransko jezero (8 wk @ \$1000/wk) in Output 2.2.

12	Contracting the services of: (i) a smart card systems technology company to develop a software solution for a smart card system for national protected areas, including defining the technical specifications of the system and security of the system in Output 2.1; (ii) a marketing and communications firm to design the smart card system and to then implement an advertising, communications strategy and branding for the smart card system in Output 2.1; (iii) an automated fare collection firm to define the detailed technical specifications for, and to supply, automated vending machines (including the installation, maintenance, administration and short term support for the ticket vending machines) in Output 2.1; (iv) a professional mooring company to install, maintain and administer the mooring system in Output 2.1; (v) a construction/engineering company to develop the infrastructure, at the Kupa river valley in Output 2.2; (vi) a tourism marketing company to develop branding and print promotions for a guided and catered tour around the Kupa river valley in Output 2.2; (vii) a construction/engineering company to upgrade the road to, and improve parking and turning points at, Vojak Peak in Output 2.2; (viii) a tourism marketing company to develop branding and print promotions for the environmentally friendly transport system to Vojak peak in Output 2.2; (ix) a tourism marketing company to develop branding and print promotions for environmentally friendly guided tour around Vransko Ljezero in Output 2.2; (x) construction/engineering company to construct the rest camp facilities at Duboka stream in Output 2.2; (xi) a tourism marketing company to develop branding and print promotions for overnight accommodation at Duboka stream in Output 2.2; (xii) a tourism hospitality and consulting company for the cost-benefit analysis of current management arrangements at high-income national parks in Output 2.3; (xiii) an energy efficiency design company to prepare a conceptual design and cost estimate for the energy efficiency project in Papuk in Output 2.3; and (xiv) construction/engineering company to improve the energy performance of the buildings in Papuk and Risnjak in Output 2.3.
13	Procurement of: (i) equipment for monitoring the use of smart cards at access control points in Output 2.1; (ii) buoys, and associated equipment, at selected sites (indicative budget is for 200 buoys 'corpo morto' or 100 buoys 'drill' type) in Output 2.1; (iii) an environmentally friendly vehicle (mini bus) with a capacity of about 30 people in Output 2.2; (iv) a vehicle (electric/biodiesel train) with a capacity of about 50 people in Output 2.2; and (v) an environmentally friendly boat with a capacity of about 50 people in Output 2.2.
14	Procurement of: (i) electrical grid, solar power or wind power system, booms, concrete base, weatherproof covers and signage for automated entry points in Output 2.1; (ii) materials and goods (e.g. gravel, tar, concrete, etc.) for developing the key infrastructure in the Kupa river valley in Output 2.2; (iii) materials and goods (e.g. tar, armco barriers; concrete, etc.) needed for the reconstruction of the access road to the peak Vojak in Output 2.2; (iv) materials and goods (e.g. pipes, gravel, paving, concrete, etc.) for construction of the rest camp bulk infrastructure in Output 2.2; and (v) environmental friendly materials and goods for Papuk and Risnjak (boiler reconstruction @ \$70k, solar panels @ \$30k, façade + joinery @ \$50k, LED lightning @ \$50k, heating and cooling system reconstruction @ \$150k, façade @ \$25k and solar panels @ \$70k) in Output 2.3.
15	Procurement of: (i) the software, applications and hardware for implementing a smart card system (including installation, testing & printing of smart cards) in Output 2.1; and (ii) the software and hardware required for the automated ticket system (including counters, data loggers, routers, etc.) in Output 2.1.
16	EIA firm/s appointed to undertake all EIAs, and address any other regulatory requirements in Output 2.2.
17	Contractual appointment of: (i) a Project Manager (@ US\$1,125/wk for 192wks); and (ii) a Project Administrative Assistant on a retainer contract (US\$625/wk for 96 weeks).
18	<i>Pro rata</i> travel costs of PM and PAA (including vehicle running costs, flights, maintenance, fuel and DSA).
19	Cell phone costs of PM and PAA (including contract and call costs).
20	<i>Pro rata</i> local travel costs of PM and PAA (including vehicle running costs, maintenance, fuel).
21	Data and landline communication costs for project management unit.
22	Office supplies (paper, writing materials, binders, ink, etc.) for the project management unit.
23	Procurement of laptops (2), software licenses, portable hard drive (2), router, printers (2), 3/4G cards (2) and data projector.
24	<i>Pro rata</i> rental costs of office space for project management unit.
25	UNDP country office administrative (procurement, human resources management, contract administration, government liaison and communications, translation, workshop logistics, etc.) and professional (accounting, audit and legal) support services to the project.

SECTION IV: ADDITIONAL INFORMATION

PART I: Terms of Reference for project staff

PROJECT MANAGER

Background

The Project Manager will be locally recruited, based on an open competitive process. He/She will be responsible for the overall management of the project, including the mobilization of all project inputs, supervision over project staff, consultants and sub-contractors. The Project Manager will report to the PD for all of the project's substantive and administrative issues. From the strategic point of view of the project, the Project Manager will report on a periodic basis to the Project Board (PB). Generally he/she will be responsible for meeting government obligations under the project, under the national implementation modality (NIM). The incumbent will perform a liaison role with the Government, UNDP, implementing partners, NGOs and other stakeholders, and maintain close collaboration with any donor agencies supporting project activities.

Duties and Responsibilities

- Supervise and coordinate the production of project outputs, as per the project document;
- Mobilize all project inputs in accordance with procedures for nationally implemented projects;
- Supervise and coordinate the work of all project staff, consultants and sub-contractors;
- Coordinate the recruitment and selection of project personnel;
- Prepare and revise project work and financial plans;
- Liaise with UNDP, relevant government agencies, and all project partners, including donor organizations and NGOs for effective coordination of all project activities;
- Facilitate administrative backstopping to subcontractors and training activities supported by the project;
- Oversee and ensure timely submission of the Inception Report, Combined Project Implementation Review/Annual Project Report (PIR/APR), Technical reports, quarterly financial reports, and other reports as may be required by UNDP, GEF, MENR and other oversight agencies;
- Disseminate project reports and respond to queries from concerned stakeholders;
- Report progress of project to the PB, and ensure the fulfilment of PB directives;
- Oversee the exchange and sharing of experiences and lessons learned with relevant community based integrated conservation and development projects nationally and internationally;
- Ensure the timely and effective implementation of all components of the project;
- Assist relevant government agencies and project partners - including donor organizations and NGOs - with development of essential skills through training workshops and on the job training thereby upgrading their institutional capabilities;
- Coordinate and assists national PIs with the initiation and implementation of any field studies and monitoring components of the project
- Carry regular, announced and unannounced inspections of all sites and the activities of any project site management units.

Qualifications and experience

- A post-graduate university degree in Business and/or Environmental Management;

- At least 10 years of relevant experience in business and/or natural resource planning and management (preferably in the context of protected area financial planning and management);
- At least 5 years of project management experience;
- Work experience in international projects or within international organisations is highly desirable;
- Working experience with the project national stakeholder institutions and agencies is desired;
- Ability to effectively coordinate a large, multi-stakeholder project;
- Ability to administer budgets, train and work effectively with counterpart staff at all levels and with all groups involved in the project;
- Strong writing, presentation and reporting skills;
- Strong computer skills;
- Excellent written communication skills; and
- A good working knowledge of Croatian and English is a requirement.

PROJECT ADMINISTRATIVE ASSISTANT

Background

The Project Administrative Assistant (PAA) will be locally recruited based on an open competitive process. He/She will be responsible, on a part-time basis, for the overall administration of the project. The Project Assistant will report to the Project Manager. Generally, the Project Administrative Assistant will be responsible for supporting the Project Manager in meeting government obligations under the project, under the national implementation modality (NIM).

Duties and Responsibilities

- Collect, register and maintain all information on project activities;
- Contribute to the preparation and implementation of progress reports;
- Monitor project activities, budgets and financial expenditures;
- Advise all project counterparts on applicable administrative procedures and ensures their proper implementation;
- Maintain project correspondence and communication;
- Support the preparations of project work-plans and operational and financial planning processes;
- Assist in procurement and recruitment processes;
- Assist in the preparation of payments requests for operational expenses, salaries, insurance, etc. against project budgets and work plans;
- Follow-up on timely disbursements by UNDP CO;
- Receive, screen and distribute correspondence and attach necessary background information;
- Prepare routine correspondence and memoranda for Project Managers signature;
- Assist in logistical organization of meetings, training and workshops;
- Prepare agendas and arrange field visits, appointments and meetings both internal and external related to the project activities and write minutes from the meetings;
- Maintain project filing system;
- Maintain records over project equipment inventory; and
- Perform other duties as required.

Qualifications and experience

- A post-school qualification (diploma, or equivalent);
- At least 5 years of relevant administrative and/or bookkeeping experience;

- Work experience in international projects or within international organisations is highly desirable;
- Demonstrable ability to administer project budgets, and track financial expenditure;
- Demonstrable ability to maintain effective communications with different stakeholders, and arrange stakeholder meetings and/or workshops;
- Excellent computer skills, in particular mastery of all applications of the MS Office package;
- Excellent written communication skills; and
- A good working knowledge of Croatian and English is a requirement.

OTHER CONSULTANTS/ CONTRACTED INDIVIDUALS

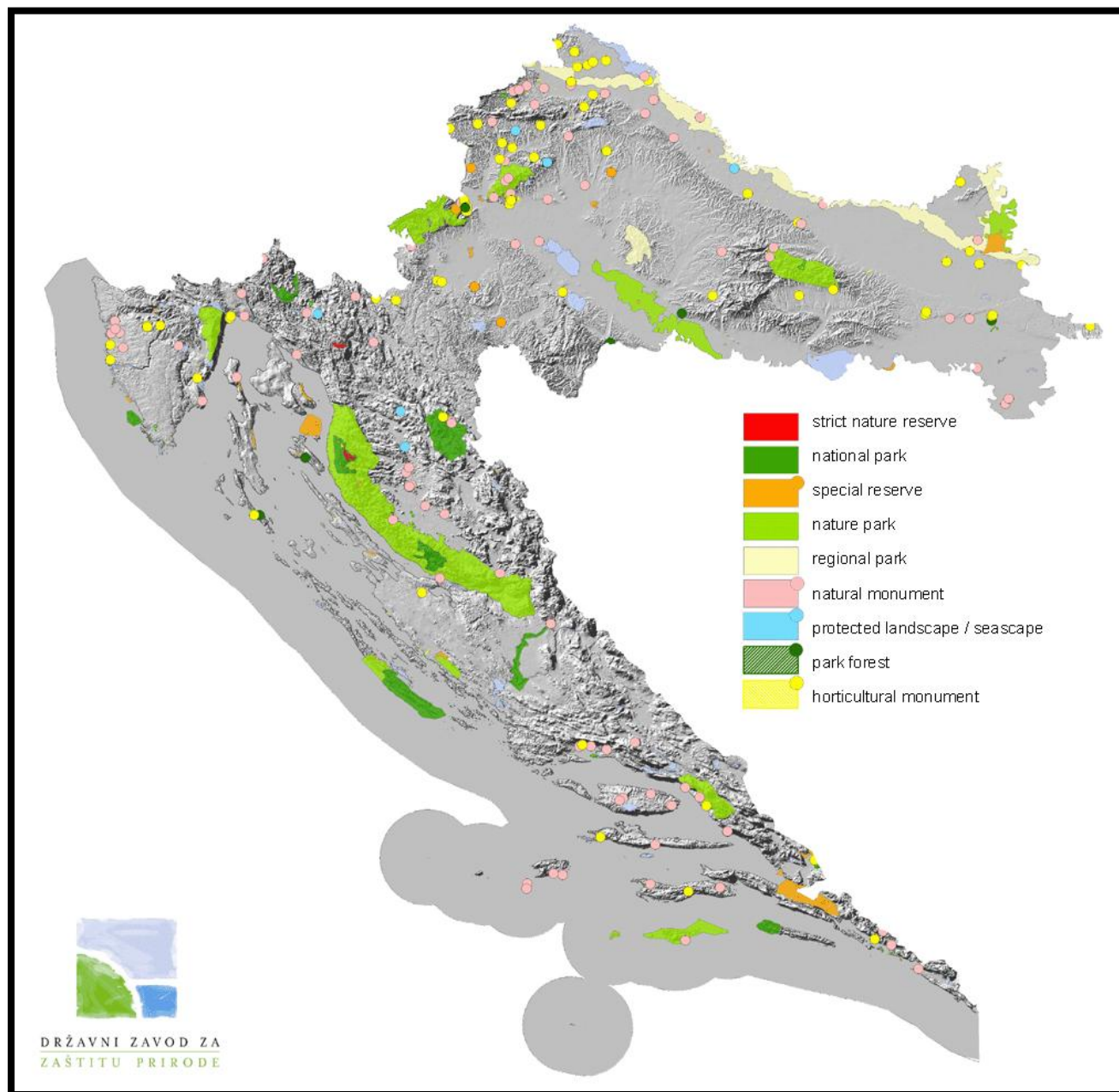
<i>Position Titles</i>	<i>Indicative \$/person/ week</i>	<i>Estimated person weeks</i>	<i>Tasks to be performed</i>
Local			
Stakeholder consultation specialist	1000	55	Maintain all stakeholder consultation communications and organise and host all stakeholder meetings in support of the coordinated planning framework for national protected areas (Output 1.1).
Business adviser	1000	25	Develop the business case for a SSC for national protected areas (Output 1.3).
Professional facilitator	1000	21	Support the establishment and operationalisation of the PI association and SSC (Output 1.3).
Director of the Association of PIs	600	100	Administer the Association of PIs and ensure the effective functioning of the Association as an SSC for the national PIs (Output 1.3).
Mooring design and planning consultant	1000	14	Conduct a feasibility study for the deployment of buoys in, and design an integrated mooring fee system for, Telascica NP (Output 2.1).
Nature-based tourism development consultants (3)	1000	54	(i) Prepare a detailed concept (site plan and key routes), business plan, technical specifications, conceptual design and cost estimate for the info-point and parking space at Hrvatsko and the river crossings and bridges in the Kupa valley (ii) Prepare a detailed concept for an environmentally friendly transport system, site plan and technical specifications for the upgrade of the road to Vojak Peak (iii) Prepare a detailed concept and business plan for a guided boat tour on Vrana Lake. (Output 2.2)
Evaluation experts for mid-term (1) and final (1) evaluation	1000	25	The standard UNDP/GEF project evaluation TOR will be used. This will include: supporting the mid-term and the final evaluations; assisting the international evaluation consultant in order to assess the project progress, achievement of results and impacts; supporting the drafting of the evaluation report and discussing it with the project team, government and UNDP; and as necessary, participating in discussions to extract lessons for UNDP and GEF.
International			
Tourism economist	3000	15	Support the market-based pricing strategy for, and to assist in the annual determination of the fee structure of, national protected areas products, services and facilities (Output 1.2).
Evaluation experts for mid-term (1) and final (1) evaluation	3000	14	The standard UNDP/GEF project evaluation TOR will be used. This will include: leading the mid-term and the final evaluations; working with the local evaluation consultant in order to assess the project progress, achievement of results and impacts; developing the draft

<i>Position Titles</i>	<i>Indicative \$/person/week</i>	<i>Estimated person weeks</i>	<i>Tasks to be performed</i>
			evaluation report and discussing it with the project team, government and UNDP; and as necessary, participating in discussions to extract lessons for UNDP and GEF.

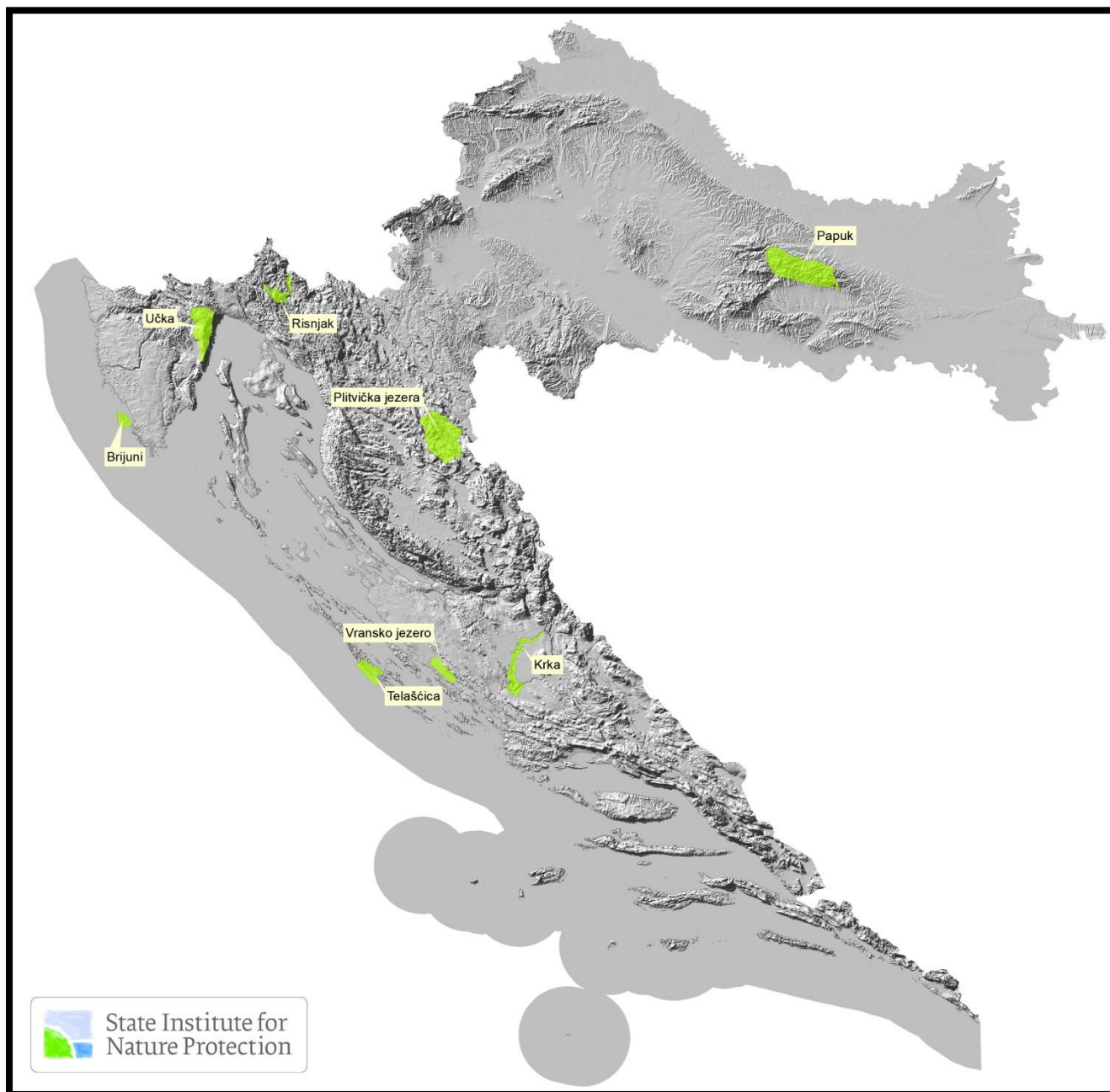
Complete and more thorough ToRs for these positions will be developed by the Project Manager, once recruited.

PART II: Project maps

Map 1: Distribution, by type, of protected areas in Croatia



Map 2: Location of national protected areas targeted for project support



PART III: Stakeholder Involvement Plan and Coordination with other Related Initiatives

1. Stakeholder identification

During the project preparation stage, a stakeholder analysis was undertaken in order to identify key stakeholders, assess their interests in the project and defines their roles and responsibilities in project implementation. The table below describes the major categories of stakeholders identified, and the level of involvement envisaged in the project.

Organisation	Mandate of the organisation (particularly in respect of national protected areas)	Anticipated roles and responsibilities in the project
<p>Ministry of Environmental and Nature Protection (MENP)</p> <p>Nature Protection Directorate (NPD)</p> <p>Directorate for Inspectional Affairs (DIA)</p> <p>EU Natura 2000 Integration Project (NIP)</p>	<p>MENP is the central executive authority responsible for the protection of the environment.</p> <p>The NPD is directly responsible for <i>inter alia</i>: coordinating the overall planning and management of the protected area system; providing regulatory and administrative and financial oversight of the 19 National Public Institutions; designating new national protected areas; reporting on the protected area system; and maintaining the register of protected areas.</p> <p>The DIA is responsible for the enforcement of, and conformance with, all relevant legislative, regulatory and permitting requirements/conditions in protected areas.</p> <p>The NIP, funded by a World Bank loan - provides financial and technical support to improving data management systems, developing infrastructure and purchasing key technical equipment for protected areas.</p>	<p>The MENP will have overall responsibility for overseeing the implementation of the project. It will take the lead role in liaising and coordinating with all government agencies in respect of project implementation. The MENP will also be responsible for preparing any legislation and regulations required in support of project activities.</p> <p>The NPD will coordinate all project activities and may be responsible for the direct implementation of a number of activities.</p> <p>The DIA will support the project in incrementally improving the cost-effectiveness and operational efficiencies of the compliance and enforcement functions in national protected areas.</p> <p>The NIP will work in close collaboration with the project to ensure effective harmonization between the closely linked activities of NIP and the project.</p>
<p>State Institute for Nature Protection (SINP)</p>	<p>The State Institute for Nature Protection is the central institute dealing with expert tasks of nature conservation in Croatia.</p> <p>The <i>Department for Protected Areas</i> within SINP provides specialised expert advice and support to the NPD in the establishment, planning, administration, monitoring and expansion of the protected area system. SINP also provides expert advice and support to the PIs regarding their 10-year and annual planning</p>	<p>SINP will provide expert, and specialist technical, support to the project, particularly with regard to preparing the national planning framework.</p> <p>SINP staff may be recruited to undertake necessary expert activities in support of a number of project activities.</p> <p>SINP may also be affected by project activities, through the incremental integration of their protected area functions into a future park agency (or similar), if considered feasible</p>
<p>19 national Public Institutions</p>	<p>Each Public Institution is directly responsible for the 10-year and annual</p>	<p>The staff within the respective PIs will be responsible for coordinating, or directly</p>

Organisation	Mandate of the organisation (particularly in respect of national protected areas)	Anticipated roles and responsibilities in the project
PIs for National Parks PIs for Nature Parks	planning, and day-day operational management, of the National Park/Nature Park under its jurisdiction.	implementing, a number of park-specific project activities. The Public Institutions will be affected by project activities, through their incremental integration into a future park agency, if considered feasible.
County and Local Public Institutions	Each Public Institution is directly responsible for the planning, and day-day operational management, of the protected areas under its jurisdiction.	The county and local PIs will work closely with the project in order to ensure effective collaboration, information-sharing and resource-sharing around project activities that could be used/ applied in the protected areas that are under the management authority of the county and local PIs.
Ministry of Finance (MF)	The MF is the central executive authority responsible for national financial policy and the management of state finances. The MF prepares, administers and monitors the state budget.	The MF will be responsible for ensuring the ongoing allocation of funds in the state budget for PAs. The MF will approve any state budget funds to be allocated as co-financing for the project.
Ministry of Agriculture (MA) Croatian Water Enterprise Croatian Forests Enterprise	The MA is the central executive authority responsible for regulating and controlling agriculture, forestry, fisheries, hunting, water management, veterinary medicine and rural development.	The MA will coordinate the agriculture, forestry, fisheries and water management sector inputs into the project activities linked to improving the institutional arrangements for, and financial sustainability of, national protected areas.
Ministry of Tourism (MT) Croatian National Tourist Board (CNTB)	The MT is the central executive authority with the overall responsibility for tourism legislation, planning, marketing and development. The CNTB is directly responsible for the planning, implementation and promotion of the tourism strategy.	The CNTB will partner with the project in designing, developing and implementing a common marketing strategy and booking system for the tourism and recreational products and services provided by the network of national protected areas. It will further support and assist the project in improving the quality and range of tourism and recreational products and services in the national protected areas.
Ministry of Maritime Affairs, Transport and Infrastructure (MMATI)	The MMATI is <i>inter alia</i> responsible for indoor international maritime and nautical traffic, prevention of pollution from ships, harbors, maritime domain and determining maritime boundaries.	The MMATI will assist in the preparing a technical assessment of the requirements for installing and administering a mooring system in Telascica Nature Park.
Ministry of Construction and Physical Planning (MCP)	The MCP performs administrative and other tasks related to physical planning in Croatia and coordination of regional physical development, planning, use and protection of space.	The MCP will assist in the legal procedures required for obtaining the requisite location permit for the buoys in Telascica Nature Park.
Ministry of Regional Development and EU Funds (MRD&EUF)	The MRD&EUF is responsible for planning and implementing the regional development policy, as well as coordinating activities related to management of the EU funds.	The MRD&EUF will assist in data exchange and coordination with regard to projects prepared for EU Structural Funds.
Agency for Public	The APP is the central national body	The APP will provide legal, technical and

Organisation	Mandate of the organisation (particularly in respect of national protected areas)	Anticipated roles and responsibilities in the project
Private Partnership (APPP)	in charge of the implementation of the Act on Public Private Partnerships.	professional support to the project in facilitating the implementation of PPP's (including tourism and recreation concessions) in national protected areas.
Counties and Local Municipalities Croatian Counties Association Croatian Cities Association Croatian Municipalities Association	Counties and Municipalities are responsible for delivering a range of social, economic and ecological services within their territories of jurisdiction. They also annually allocate grant funding to the county and local PIs responsible for the management of protected areas with a County of Municipality.	The Counties and Municipalities will collaborate with the project in identifying and developing opportunities, linked to project activities that could result in an improvement in regional and local socio-economic welfare.
Environmental Protection and Energy Efficiency Fund (EPEEF)	The EPEEF is a national fund that receives revenues from various environmental taxes and special regulation fees, and provides grants for waste management and environmental protection. The EPEEF will be the implementing body for the EU Structural funds for the nature protection sector, including for PAs.	The EPEEF will assist the project in strengthening the capacity of the MENP and national PIs to develop projects for funding support from the EPEEF.
NGOs, CSO's and Associations	NGOs and associations – including WWF and the Croatian Mountaineering Association - are important project partners. They will share, coordinate and collaborate with the project as and where relevant. Local CSO's and NGOs working within the ambit of the eight targeted national protected areas under component 2 will be actively involved in working closely with PIs to identify opportunities to collaborate in, and benefit from, project activities.	

The MENP, and in particular the Nature Protection Directorate, will be the main institution responsible for different aspects of project implementation. It will work in close cooperation with other affected institutions.

2. Information dissemination, consultation, and similar activities that took place during the PPG

Throughout the project's development, very close contact was maintained with stakeholders at the national and local levels. All affected national and local government institutions were directly involved in project development, as were key donor agencies. Numerous consultations occurred with all of the above stakeholders to discuss different aspects of project design. These consultations included: bilateral and multilateral discussions with all national PA PIs; site visits to Northern Velebit, Risnjak, Krka, Brijuni and Plitvice Lakes National Parks and Lonjsko Polje, Medvednica, Zumberak Samoborsko Gorje, Papuk and Ucka Nature Parks, and adjacent areas; and electronic communications. The preliminary project activities were presented to a range of stakeholders for review and discussions and, based on comments received, a final draft of the full project brief was presented to a consolidated stakeholder workshop for in principle approval and endorsement.

3. Approach to stakeholder participation

The projects approach to stakeholder involvement and participation is premised on the principles outlined in the table below.

Principle	Stakeholder participation will:
Value Adding	be an essential means of adding value to the project
Inclusivity	include all relevant stakeholders
Accessibility and Access	be accessible and promote access to the process
Transparency	be based on transparency and fair access to information; main provisions of the project's plans and results will be published in local mass-media
Fairness	ensure that all stakeholders are treated in a fair and unbiased way
Accountability	be based on a commitment to accountability by all stakeholders
Constructive	Seek to manage conflict and promote the public interest
Redressing	Seek to redress inequity and injustice
Capacitating	Seek to develop the capacity of all stakeholders
Needs Based	be based on the needs of all stakeholders
Flexible	be flexibly designed and implemented
Rational and Coordinated	be rationally planned and coordinated, and not be ad hoc
Excellence	be subject to ongoing reflection and improvement

4. Stakeholder involvement plan

The project's design incorporates several features to ensure ongoing and effective stakeholder participation in the project's implementation. The mechanisms to facilitate involvement and active participation of different stakeholder in project implementation will comprise a number of different elements:

(i) Project inception workshop to enable stakeholder awareness of the start of project implementation

The project will be launched by a multi-stakeholder workshop. This workshop will provide an opportunity to provide all stakeholders with the most updated information on the project and the project work plan. It will also establish a basis for further consultation as the project's implementation commences.

(ii) Constitution of Project Board to ensure representation of stakeholder interests in project

A Project Board (PB) will be constituted to ensure broad representation of all key interests throughout the project's implementation. The representation, and broad terms of reference, of the PB are further described in [Section I, Part III](#) (Management Arrangements) of the Project Document.

(iii) Establishment of a Project Management team to oversee stakeholder engagement processes during project

The Project Management team - comprising a Project Manager and part-time Project Administrative Assistant (PAA) - will take direct operational and administrative responsibility for facilitating stakeholder involvement and ensuring increased local ownership of the project and its results. The Project Manager and PAA will be located close to, or in, the MENP offices in Zagreb to ensure coordination among key stakeholder organizations at the national level during the project period.

(iv) Project communications to facilitate ongoing awareness of project

The project will develop, implement and maintain a communications strategy to ensure that all stakeholders are informed on an ongoing basis about: the project's objectives; the projects activities; overall project progress; and the opportunities for involvement in various aspects of the project's implementation.

(v) Stakeholder consultation and participation in project implementation

A comprehensive stakeholder consultation and participation process will be developed and implemented for each of the following activities: (i) preparation of the Strategic Planning Framework for national protected areas (Output 1.1); (ii) development of the financial policies and procedures for national protected area PIs (Output 1.2); (iii) review of the pricing strategy and publishing of the annual fee structures for Nature Parks and National Parks (Output 1.2); and (iv) undertaking the feasibility assessment of park agency options for national protected areas (Output 1.4).

A facilitator will be appointed to liaise with, involve and organize the national protected area PIs during the process of establishing a PI ‘association’ as a precursor to the constitution of the ‘shared service centre’.

A participatory approach will be adopted to facilitate the continued involvement of local stakeholders (e.g. resident communities) and institutions (e.g. local tourism bodies, local NGOs) in the implementation of the project activities within the targeted National Parks and Nature Parks. Wherever possible, opportunities will be created to train and employ local residents from villages within, or adjacent to, the targeted park.

(vi) Formal structures to facilitate stakeholder involvement in project activities

The project will also actively seek to establish formalised structures to ensure the ongoing participation of local and institutional stakeholders in project activities.

A *Technical Working Group* (TWG) – comprising professional and technical staff from the MENP, SINP and protected area PIs – will be convened to oversee the drafting of the Strategic Planning Framework for national protected areas (Output 1.1). The TWG will be responsible for reviewing and approving the approach to, and format and content of, the Strategic Plan, Financial Plan and protected area policies and guidelines. Chaired by the PM, the TWG will report on progress to the relevant Assistant Minister.

The project will also facilitate the establishment of an *Association of National Protected Area PIs* (the ‘association’) as an independent legal entity (in terms of the Law on Institutions). It is envisaged that the association could then function as a ‘Shared Service Centre (SSC)’ for the 19 national protected area PIs (see Output 1.3).

Finally, the project will, in collaboration with the relevant Assistant Minister, facilitate the establishment of a *Technical Task Team* (TTT) to oversee, and provide technical guidance to, the feasibility assessment of alternative park agency options for the national protected areas (Output 1.4). The technical task team will be chaired by the relevant Assistant Minister, and may comprise seconded professional and technical staff from the MENP, SINP, protected area PIs and other key line ministries (e.g. Ministry of Finance).

(vii) Capacity building

All project activities are strategically focused on building the capacity - at the systemic, institutional and individual level - of the responsible protected area institutions to ensure sustainability of initial project investments. Significant GEF resources are directed at building the capacities of MENP and SINP at the protected area network level and the individual national protected area PIs at the individual park level. The project will invest in building the capacities of executive management staff, protected area planning staff and operational management staff. Wherever possible, the project will also seek to build the capacity of local CSOs and NGOs (e.g. local community groups, local tourism agencies) to enable them to actively participate in project activities.

4. *Coordination with other related initiatives*

The project will work closely in partnership with the MENP, the SINP and the national protected area PIs to ensure complementarity of its activities in support of the protected area planning, development, management and expansion processes currently underway in Croatia.

The project will actively participate in, and provide technical input into, the GEF-funded review and updating of the *National Biodiversity Strategy and Action Plan (NBSAP)* entitled *National Biodiversity Planning to Support the implementation of the CBD 2011-2010 Strategic Plan in Croatia* (project duration: from June 2012 until June 2014).

The project will collaborate closely with the *EU Natura 2000 Integration Project (NIP)*. The NIP is based on the Loan Agreement with the World Bank (IBRD 8021-HR) and its implementation lasts from mid-2011 until mid-2016. Many of the NIP activities are being implemented in national protected areas, so the project will seek synergies and complementarities in order to ensure coordination between the two projects. The project staff will maintain a regular working relationship with the project management unit of the NIP, and will adopt the relevant strategies and tools developed by the NIP project in order to improve environmental decision-making and natural resource management.

The project will also cooperate with the *Sustainable Economic Activities in Mediterranean Marine Protected Areas (SEA-MED Project)*. This project lasts from September 2013 until August 2016 and seeks to support two Croatian MPAs to reach its operational and financial self-sufficiency phase and become exemplary models of ecosystem-based approach (particularly for tourism management).

The experiences learnt from the previously implemented projects, such as *Institutional strengthening and implementation of the Natura 2000 ecological network in Croatia (Natura 2000 Project)* and *Strengthening of the Marine Protected Areas Network in Croatia (MedPan South Project)*, will direct and guide the achievement of project goals and the implementation of the project activities.

Wherever practicable, the project will share capacity and resources with other projects (*NIP, SEA-MED Project, Dinaric Arc Parks Project (DAP Project), Via Dinarica Journey*) in the implementation of complementary project activities (e.g. sustainable financing, capacity building for project preparation, ecosystem services assessments).

The project will seek to harmonize its outputs and activities – notably in respect of sustainable financing - with other regional initiatives (e.g. *SEA-MED Project*), through a close collaboration and information exchange with the relevant partners, such as WWF-MedPO, Association Sunce and others.

The project will liaise closely with the Croatian Environmental Protection and Energy Efficiency Fund, to explore further opportunities for co-financing pilot and possibly incremental activities. It will specifically explore the prospects of sourcing financial support for energy efficiency issues.

The project will, as required, use the capacity and resources of the NIP and WWF MedPO to facilitate the regional sharing of lessons learnt from, and best practices developed in, project implementation.

PART IV: Letters of co-financing commitment

[Refer to separate file for letters of co-financing commitment]

<i>Name of Co-financier</i>	<i>Date</i>	<i>Amounts mentioned in letters</i>	<i>Amounts considered as project co-financing (in USD)</i>
Ministry of Environmental and Nature Protection	29 October, 2013	16,700,000 USD	16,700,000
UNDP Croatia	9 August, 2013	500,000 USD	500,000
Public Institution Vransko jezero Nature Park	11 July, 2013	123,000 USD	123,000
Public Institution Papuk Nature Park	19 July, 2013	67,978.64 USD	67,978
Public Institution Telascica Nature Park	22 July, 2013	76,956 USD	76,956
Public Institution Risnjak National Park	16 July 2013	400,000 USD	400,000
Public Insitution Ucka Nature Park	18 July, 2013	143,182 USD	143,182
Total			18,011,116

PART V: METT, Capacity Development and Financial Scorecards

[Refer to separate files for individual scorecards]

<i>Scorecard*</i>
1. Management Effectiveness Tracking Tool (METT) for all national protected areas
2. Financial Sustainability Scorecard for Protected Area System
3. Capacity Development Assessment Scorecard for national protected area institutional framework **

* 1 and 2 combined into one file, as per GEF template.

** Summary scores are reproduced below.

Summary scores table: Capacity assessment scorecard for national protected areas

Strategic Areas of Support	Systemic			Institutional			Individual			Average %
	Project Scores	Total possible score	%	Project Scores	Total possible score	%	Project Scores	Total possible score	%	
(1) Capacity to conceptualize and develop sectoral and cross-sectoral policy and regulatory frameworks	4	6	67%	2	3	67%	N/A	NA	NA	67%
(2) Capacity to formulate, operationalise and implement sectoral and cross-sectoral programmes and projects	5	9	56%	14	27	52%	6	12	50%	52%
(3) Capacity to mobilize and manage partnerships, including with the civil society and the private sector	4	6	67%	3	6	50%	2	3	67%	61%
(4) Technical skills related specifically to the requirements of the SPs and associated Conventions	2	3	67%	2	3	67%	1	3	33%	56%
(5) Capacity to monitor, evaluate and report at the sector and project levels	2	6	33%	3	6	50%	1	3	33%	39%
TOTAL Score and average for % 's	17	30	58%	24	45	57%	10	21	46%	55%

PART VI: Letter of Agreement

**STANDARD LETTER OF AGREEMENT BETWEEN
THE UNITED NATIONS DEVELOPMENT PROGRAMME AND
THE MINISTRY FOR ENVIRONMENTAL AND NATURE PROTECTION
TO CARRY OUT ACTIVITIES
WHEN UNDP PROVIDES DIRECT SUPPORT SERVICES TO THE NATIONAL
IMPLEMENTATION MODALITY OF THE PROJECT
“STRENGTHENING THE INSTITUTIONAL AND FINANCIAL
SUSTAINABILITY OF THE NATIONAL PROTECTED AREA SYSTEM”**

Dear Mr. Zmajlović,

1. Reference is made to the consultations between officials of the United Nations Development Programme (hereinafter referred to as “UNDP”) Country Office Croatia and officials of the Ministry for Environmental and Nature Protection (hereinafter referred to as “MENP”) with respect to the operational and administrative support activities carried out by the UNDP Country Office Croatia for national implementation modality of the project “Strengthening the Institutional and Financial Sustainability of the National Protected Area System”, hereinafter referred to as Project. UNDP and MENP hereby agree that the UNDP Country Office Croatia will provide such support services at the request of the MENP.
2. The UNDP Country Office Croatia will provide direct project services and act as a responsible party for the project. In providing such direct support services, the UNDP Country Office Croatia shall ensure that the capacity of the MENP is strengthened to enable it to carry out such activities directly. The cost incurred by the UNDP Country Office Croatia in providing such direct support services shall be recovered from the Project budget, in line with UNDP Cost-recovery policy. The cost is part of the total project budget and shall be bear by UNDP Croatia as project co-financing.
3. The UNDP Country Office Croatia shall provide the following support services for the activities of the project:
 - a) Identification and recruitment of project personnel;
 - b) Procurement of goods and services;
 - c) Direct payments.
4. The procurement of goods and services, the recruitment of project personnel and direct payments by the UNDP Croatia shall be in accordance with the UNDP regulations, rules, policies and procedures. Support services described in

paragraph 3 above shall be detailed in the project document. If the requirements for support services by the Country Office change during the life of a project, the Annex to the project document is revised with the mutual agreement of the UNDP resident representative and the designated institution.

5. The relevant provision of the Standard basic Agreement between UNDP and the Government of the Republic of Croatia on March 12, 1996 (the "SBAA"), including the provisions on liability and privileges and immunities, shall apply to the provision of such support services. The Government shall retain overall responsibility for the nationally managed project to the MENP as its designated institution. The responsibility of the UNDP Country Office Croatia for the provision of the support services described herein shall be limited to the provision of such support services detailed in the Annex to project document.
6. Any claim or dispute arising under or in connection with the provision of support services by the UNDP Country Office Croatia in accordance with this letter shall be handled pursuant to the relevant provisions of the SBAA.
7. Any modification of the present agreements shall be effected by mutual written agreement of the parties hereto.
8. All further correspondence regarding this Letter, other than signed letters of agreement or amendments thereto should be addressed to Country Director/Resident Representative, UNDP Country Office Croatia, Radnička cesta 41/8, Zagreb.
9. Any dispute between the UNDP and MENP arising out of or relating to this Letter which is not settled by negotiation or other agreed mode of settlement, shall, at the request of either party, be submitted to a Tribunal of three arbitrators. Each party shall appoint one arbitrator, and the two arbitrators so appointed shall appoint a third arbitrator, who shall be the chairperson of the Tribunal. If, within 15 days of the appointment of two arbitrators, the third arbitrator has not been appointed, either party may request the President of the International Court of Justice to appoint the arbitrator referred to. The Tribunal shall determine its own procedures, provided that any two arbitrators shall constitute a quorum for all purposes, and all decisions shall require the agreement of any two arbitrators. The expenses of the Tribunal shall be borne by the parties as assessed by the Tribunal. The arbitral award shall contain a statement of the reasons on which it is based and shall be final and binding on the parties.

10. If you are in agreement with the provisions set forth above, please sign and return to this office two signed copies of this letter. Upon your signature, this letter shall constitute an agreement between the M:NP and UNDP on the terms and conditions for the provision of direct support services by the UNDP Country Office Croatia for nationally implemented projects.

Yours sincerely,
Signed on behalf of UNDP

Louisa Vinton
UN Resident Coordinator and UNDP Resident Representative

[Signature]



Signed on behalf of Ministry for Environmental and Nature Protection
Mihael Zmajlović,

Minister

Zagreb, October 29, 2013

[Signature]



PART VII: Technical Reports

[Refer to separate file for letters of co-financing commitment]

1. Profile of the protected area system in Croatia.
2. A review of alternative institutional framework scenarios for Croatia's national protected areas.

SIGNATURE PAGE

Country: Croatia

SIGNATURE PAGE

Country: Croatia

UNDAF (United Nations Development Action Framework) Outcome (s)/Indicator (s): *N/A (Croatia is a non-UNDAF country)*

Country Programme Outcome:

Component: Environmental Governance

The biodiversity outcome: *The goal of this programme is (...) to ensure the financial sustainability of the protected areas.*

UNDP Strategic Plan Environment and Sustainable Development Biodiversity Outcome:

Output: *Supporting financial sustainability of Croatian Protected Areas.*

Executing Entity/Implementing Partner: Ministry of Environmental and Nature Protection (MENP)

Implementing Entity/Responsible Partner: United Nations Development Programme (UNDP)

Programme Period:	2014 - 2018	Total resources required	USD 22,964,116
Alias Award ID:	00077440	Total allocated resources:	USD 22,964,116
Project ID:	00088212	• Regular	USD 0,00
PIMS #	4731	• Other:	
Start date:	2014	o GEF	USD 4,953,000
End Date	2018	o MENP	USD 16,700,000
Management Arrangements	National Implementation Modality (NIM)	o UNDP	USD 500,000
Project Appraisal Committee (PAC) Meeting Date	12-09-2013	o Public institutions	USD 811,116
		In-kind contributions	USD 0,00

Agreed by: Minister of Environmental and Nature Protection

Mihael Zmajlović

NAME



SIGNATURE

Date/Month/Year

Agreed by: UN Resident Coordinator and UNDP Resident Representative

Louisa Vinton

NAME

SIGNATURE

Date/Month/Year



7/2/2014

*Officially signed
7/2/14
KBS*