Needs and priorities for biodiversity funding: a comparative analysis of Latvia and Estonia

Photo: Māra Pakalne

Introduction

Biodiversity loss is occurring at an unprecedented rate in human history. In the EU, only 15 per cent of habitats and 27 per cent of species have a good conservation status, while an alarming 81 per cent of habitats are in poor or bad condition.[1]

This is where EU biodiversity financing plays a crucial role, by funding key activities to protect what we still have and to restore what has been lost. Member States do, however, face different challenges with regards to addressing biodiversity loss. In western Europe, there is a greater need for financing measures that restore biodiversity in areas where species and rich natural habitats have been lost, while in central and eastern Europe, the focus is generally on protecting and preserving the region's existing biodiversity. As such, financing needs differ, both across regions and between countries.

[1] European Environmental Agency, Habitats and species: latest status and trends, *European Environmental Agency*, 2023.

For more information

Branka Španiček
Strategic Area Leader
Finance and Biodiversity
CEE Bankwatch Network
branka.spanicek@bankwatch.org

Carmen Kilvits
Biodiversity campaigner
Estonian Green Movement
carmen.kilvits@bankwatch.org

Daniel Thomson
EU Policy Officer for Biodiversity
CEE Bankwatch Network
daniel.thomson@bankwatch.org

Valters Kinna
Biodiversity campaigner
Green Liberty, Latvia
valters.kinna@bankwatch.org

There are now a number of new opportunities to improve the provision and use of EU biodiversity financing, namely the soon-to-be-adopted Nature Restoration Law, as well as the proposal for the next EU budget for the 2027–2034 period. These initiatives should provide a catalyst for increasing both the quality and quantity of financing for biodiversity.

This publication provides an overview of the priorities for national biodiversity needs in two countries: Latvia and Estonia. It focuses on three main aspects – the current state of biodiversity in the country, the financing available, and the key areas that need this financing. A comparative analysis is then formed based on these assessments in order to identify best practices. Lastly, recommendations at both national and EU levels are provided to make the best use of available financing and ensure it is channelled into the key areas for tackling biodiversity loss.

Importance of EU biodiversity financing at the national level

Unlike for climate spending, individual EU-funded programmes do not require a certain percentage of earmarking for biodiversity expenditure. This means it is largely down to individual Member States and national managing authorities to determine the amounts they allocate to biodiversity-related measures, as well as the types of projects they wish to finance.

This is especially important given that two of the largest funding streams for biodiversity financing, the Common Agriculture Policy (CAP) and the cohesion policy funds, operate via a process of shared management, meaning Member States have increased flexibility and control to use these funds as they see fit. It is also important to note that biodiversity funding is allocated through a series of existing funds and programmes designed for delivering the EU's various sectoral objectives. However, this means that biodiversity has to compete for funding with other sectors, many of which receive greater political support from national governments.

There is a clear need to drastically increase spending for biodiversity. Estimates reveal a financing gap of EUR 19 billion a year from 2021 to 2030 (EUR 187 billion over the whole period) to implement the objectives of the Biodiversity Strategy for 2030. Similarly, EU financing for funding Natura 2000 only meets around 20 per cent of spending needs.[2] Insufficient funding for nature conservation and restoration activities is therefore a key barrier for tackling biodiversity loss.

However, the problem also concerns poorly and inefficiently used financing, even when EU funding is available. In recent years, there have been several key opportunities to support biodiversity through EU funds. Unfortunately, they have been largely overlooked. The EU's EUR 700 billion Recovery and Resilience Facility saw almost no investments in biodiversity, particularly in central and eastern European Member States, while the 2021–2027 operational programmes allocated just EUR 7 billion out of the EUR 392 billion for the whole period.

Moreover, for the previous 2014–2020 period, the Commission planned to spend 8.1 per cent of the EU budget (EUR 86 billion) on biodiversity, with 77 per cent of this amount (EUR 66 billion) coming from the

[2] European Commission, Integration approach to EU biodiversity financing: evaluation of results and analysis of options for the future, *European Commission*, 2017.

CAP. Yet, the majority of this spending has had no direct positive impact on biodiversity.[3] Financial allocations earmarked for nature restoration and conservation measures remain too low. In other words, although funding is available for Member States, it is not being channelled into activities for tackling biodiversity loss.

EU financing therefore plays a crucial role in financing biodiversity nationally, but it is not being effectively utilised. There is an increasing need for a more targeted approach to aligning available funding with priority areas. The following national sections outline where EU funding should go.

Situation in Latvia

Biodiversity in Latvia is in decline. According to the last Article 17 report to the European Commission covering the 2013–2018 period, only 9.8 of the terrestrial habitats of EU importance have a good conservation status, which is below the EU average of 14.7 per cent.[4]

With only 12 per cent of its territory included in the EU Natura 2000 network, Latvia is below the EU average of 18.6 per cent, and thus the network is considered 'unfinished'.[5] These areas have different protection and management regimes, ranging from minimum restrictions in protected landscape areas to a complete ban on economic activity in strict nature reserves. However, these reserves only account for 4.1 per cent of Latvia's total terrestrial area, mostly on state-owned lands.[6] Several hundreds of micro-reserves, which cover comparatively small areas but maintain a high level of conservation, also form part of those protected areas. These have been established both inside and outside the Natura 2000 network, mainly for bird species. The ownership structure of the land under Natura 2000 and other protected areas makes its management very challenging, with almost equal shares of land ownership between state or municipalities and private owners.[7]

Latvia is dominated by two types of land use: forests, which cover more than half of the country, and agricultural land (35.5 per cent). The most endangered ecosystems on the planet, the freshwater ecosystems, account for more than 12,000 rivers and 2,200 lakes in Latvia, supplemented by various wetlands, including peatlands, floodplains, river deltas and other features.

The latest available biodiversity data from Latvia was obtained through a countrywide habitat mapping and monitoring project (2017–2023).[8] Involving almost a compete census of Latvia's EU-protected habitats, the project documented features such as area, site quality and other characteristics. EU-protected habitats of varying quality have been found on approximately 10 per cent of Latvia's surface. Yet, less than half of these areas are located within Natura 2000 sites or micro-reserves. About half of these are forest habitats. The

[3] European Court of Auditors, Special report: biodiversity on farmland, CAP contribution has not halted the decline, *European Court of Auditors*, 2020.

[4] European Commission, Biodiversity Information System of Europe – Latvia, *European Commission*, accessed 6 February 2024.

[5] European Commission, November infringements package: key decisions, *European Commission*, European Commission, 2019.

[6] Official Statistical Portal of Latvia, Inventarizētā meža platība ar mežsaimnieciskās darbības aprobežojumiem (tūkst. ha) 2013 – 2022, *Official Statistical Portal of Latvia*, accessed 8 February 2024.

[7] LIFE LATVIA NATURE IP, PRIORITISED ACTION FRAMEWORK (PAF) FOR NATURA 2000 IN LATVIA (2021-2027), *LATVIANATURE LIFE IP*, accessed 1 December 2023.

[8] Nature Conservation Agency, Nature Census, *Nature Conservation Agency*, accessed 2 February 2024.

results of the project suggest that the habitat areas, especially grasslands and forests, are extremely fragmented, forming very few areas with an ecologically important level of connectivity or concentration.[9]

Grassland habitats are one of the most endangered. Sixty per cent of EU-protected grassland habitats are located outside protected areas and disappearing at an alarming rate. For example, from 2017 until 2021, approximately 7 per cent of EU-protected grassland habitats were lost, mainly due to ploughing by landowners. Only 20 hectares of EU-protected grassland habitats in Latvia are in an excellent state.[10]

Mapped EU-protected forest habitats form approximately 5.1 per cent of Latvia's total surface. Only about half of these are located within protected areas, including both Natura 2000 sites and areas outside them.[11] Moreover, an even smaller portion of these forests falls under strict protection and thus fully preserved from the impact of forestry. The largest portion, comprising about 68 to 70 per cent, can still undergo forestry activities with no or relatively light nature conservation restrictions,[12] leaving the fate of these natural values entirely in the hands of the forest owners. With insufficient incentives and support from the state for their maintenance, these habitats are being rapidly destroyed. From 2017 until 2023, more than 9,000 hectares or about 2.5 per cent of mapped habitats were cut down, mostly outside protected areas.[13] It is important to note that 80 per cent of all identified EU-protected forest habitat areas in Latvia are located in state-owned forests.[14] Despite this, Latvian State Forests, a state-owned company, continue to cut down EU-protected forest habitats on state-owned land.[15]

In 2019, the European Commission launched an infringement procedure (2019/2304) against Latvia for failing to protect five terrestrial habitat types, including one grassland habitat and four forest habitats, the most urgent being a priority habitat—the Fennoscandian deciduous swamp woods (habitat type 9080)—as well as four protected species.[16] In November 2023, the Latvian government responded by approving 74 new protected territories, mainly state forests. As a result, the area of protected Fennoscandian swamp wood habitat increased by 2,088 hectares, or around 40 per cent.[17] However, further protection measures will still need to be introduced to achieve the conservation level required for this habitat and others like it. Evidently, inefficient legal protection of EU-protected habitats and living habitats for protected species is still one of the primary reasons for the decline in biodiversity. However, it is definitely not the only one. The factors outlined below also contribute to the decline.

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[9] Nature Conservation Agency, Informative report on the results of Nature Census project, *Nature Conservation Agency*, accessed 2 February 2024.

[10] Ibid.

[11] Ibid.

[12] Ministry of Environment and Regional Development of Latvia, Informative report 'Par aizsargājamo biotopu izplatības un kvalitātes apzināšanas rezultātiem un tālāko rīcību aizsargājamo biotopu labvēlīgas aizsardzības stāvokļa nodrošināšanas un tautsaimniecības nozaru attīstības interešu sabalansēšanai', *Ministry of Environment and Regional Development of Latvia*, 2023.

[13] Parliament of Latvia, Committee on Sustainable Development, Information shared by Ministry of Environment and Regional Development (verbally) at the meeting on 18 October 2023.

[14] Ministry of Environment and Regional Development of Latvia, Informative report 'Par aizsargājamo biotopu izplatības un kvalitātes apzināšanas rezultātiem un tālāko rīcību aizsargājamo biotopu labvēlīgas aizsardzības stāvokļa nodrošināšanas un tautsaimniecības nozaru attīstības interešu sabalansēšanai'.

[15] Latvian Radio 1, Open Files: #57 Latvijas valsts mežos zāģē ES aizsargājamus biotopus, *Latvia's Public Media*, 2021.

[16] European Commission, November infringements package: key decisions, European Commission, *European Commission*, 2019.

[17] Nature Conservation Agency, Pieņemti jauni MK noteikumi "Noteikumi par dabas liegumiem", *Nature Conservation Agency*, 1 December 2023.

Absence of national-level protection goals and strategies

The Latvian government, mainly through the Nature Conservation Agency, has developed various planning documents, such as the National Conservation and Management Programme for Natura 2000, national species management plans and management plans for Natura 2000 sites. However, these documents are nothing more than recommendations and have not been approved by Latvia's Cabinet of Ministers. Additionally, Latvia lacks an overarching and joined-up national biodiversity strategy that outlines a pathway towards achieving its own biodiversity goals and those set out in the EU's Biodiversity Strategy. Such a strategy should ideally incorporate various sectors, such as nature conservation, agriculture and forestry, to foster coherent action.

Several years after the EU-protected habitat mapping project was released, the Ministry of Environment and Regional Development is finally set to publish a plan detailing specific actions and scenarios for mapped EU-protected habitats and species in Latvia. The plan will be made available for public consultation before being submitted to the Cabinet of Ministers. In tandem, the Nature Conservation Agency is currently working on developing favourable reference values (FRVs)—key indicators of habitat status, species protection level, and conservation targets for EU-protected habitats—which have been largely lacking until now. In addition, by June 2024, the Agency should have developed a model that uses all available nature-related data to identify additional territories warranting priority implementation of protection measures at the national level. This will hopefully contribute to achieving the 30 per cent protected area and 10 per cent strictly protected area goals of the 2030 EU Biodiversity Strategy.

It is crucial to incorporate the above measures into a planning document that is formally recognised and discussed at a state level, such as the Cabinet of Ministers, to ensure more coherent and focused action towards safeguarding nature and biodiversity.

Compensation issues

There are significant issues with Latvia's compensation system. Improvements need to be made to the mechanisms by which landowners are compensated for the necessary management of grassland habitats and the non-disturbance of forest habitats to maintain and improve the ecological conditions of these areas. First, the compensations are simply too low and do not reflect the current market situation. This is illustrated by the significant decrease of area submitted for CAP compensations of EU protected grassland habitat maintenance in 2023. Only about 60 per cent of the target was achieved,[18] , leading to the unapplied areas potentially being ploughed and natural values lost. In addition, currently there is very little support for the restoration of EU grassland habitats, supported only minimally through CAP[19] and a LIFE IP LatviaNature pilot scheme for grasslands called Blooming Meadows.[20]

[18] Ministry of Agriculture of Latvia, Annual Performance Report - CAP Strategic plan, v2023.0, *Ministry of Agriculture of Latvia*, 2014.

[19] Ibid.

[20] CEE Bankwatch Network, A truly nature friendly investment: support for the development of Blooming meadows, *CEE Bankwatch Network*, December 2023.

For the owners of EU-protected forest habitats the situation is even worse. Firstly, only those EU-protected forest habitats are compensated, which are located in Natura 2000 or otherwise protected areas,[21] meaning that there are no country wide schemes (except a preliminary pilot programme)[22] for voluntary protection and preservation of habitats outside protected areas. Secondly, the compensations, which are coming from CAP funding, are too low and do not even remotely compensate the owners for the unearned income from forestry activities.[23] Also, much more initiative and involvement could be achieved from the landowners, if the compensation mechanisms were diversified, involving land substitution, purchase by the state and other options, that are currently not available.[24]

Weakened state of nature conservation institutions

The Nature Conservation Agency (henceforth – Agency), which is enforcing nature conservation legislation, managing state owned Natura 2000 sites, conducting scientific monitoring management, carrying out functions of supervision of the implementation of CITES convention in Latvia, as well as offering large variety of nature education services and executing other functions, is significantly understaffed as well as experiencing serious employee turnover every year as a result of low employee salaries. As an example, currently (February 2024) the whole region of Vidzeme, which takes up roughly 40 per cent of all Latvia's territory, is controlled by only 4 inspectors, who are responsible for enforcement and control of nature protection law within and outside Natura 2000 territories in that area.[25] Their work is tremendously underpaid, with a full-time salary of about EUR 1,240 before tax per month. The wages have not seen significant increases in the last 3 years despite the inflation. Meanwhile, the average salary in Latvia had risen to EUR 1,549 before tax by the end of the third quarter of 2023.[26] At the same time, the Agency performs comparatively well, despite the limited resources. It is responsible for many EU and nationally funded nature restoration and education projects, and is heavily involved in the development of policy suggestions, and planning and negotiating the expansion of the Natura 2000 network, among other statewide issues. Unfortunately, the Agency often struggles with a lack of funding for the maintenance of state-owned protected areas, since these expenses are primarily covered by the Agency's regular budget and not by EU funds.

Also, in an effort to curb administrative costs,[27] the State Chancellery and Cabinet of Ministers have often ignored the needs of biodiversity financing and efficient resource spending. For instance, it prohibited the Nature Conservation Agency from increasing its administrative staff, which was urgently needed to

[21] State Rural Support Service, Kompensācijas maksājums par Natura 2000 meža teritorijām (NIM) 2023.g., *State Rural Support Service*, 2023.

[22] LatViaNature, 'New nature conservation models to be created for private forests', *LatViaNature*, 11 October 2022.

[23] LIFE LatviaNature IP, Informative report on the survey results, "PRIVĀTO MEŽU ĪPAŠNIEKU APTAUJA PAR LĪDZŠINĒJO DABAS AIZSARDZĪBAS ORGANIZĒŠANU, KOMPENSĀCIJĀM PAR SAIMNIECISKĀS DARBĪBAS IEROBEŽOJUMIEM UN MOTIVĀCIJU AKTĪVĀK LĪDZDARBOTIES DABAS VĒRTĪBU SAGLABĀŠANĀ", *LIFE LatviaNature IP*, 2022.

[24] Ibid.

[25] Nature Conservation Agency, Vidzemes reģionālā administrācija Dabas aizsardzības daļas kontroles un uzraudzības sektors – contacts, *Nature Conservation Agency*, accessed 5 February 2024.

[26] Official Statistics Portal of Latvia, Average salaries in 3rd quarter of 2023. Press release. Official statistics portal of Latvia, *Official Statistics Portal of Latvia*, 2023.

[27] State Audit Office of the Republic of Latvia, Valsts pārvalde – "quo vadis"? Valsts pārvaldes reformā plānotais un sasniegtais, *State Audit Office of the Republic of Latvia*, 2022.

facilitate nature education activities at a newly built nature education centre and follow-up habitat management activities in a number of restoration projects.

Insufficient funding for biodiversity

As repeatedly highlighted by the European Commission, Latvia has not been efficient in spending public funds for the purpose of improving nature conservation and biodiversity, despite its poor state. This opinion was reiterated in their last available Environmental Implementation Review of Latvia for 2022,[28] which underlined the fact that Latvia had not included any measures directly targeting nature conservation or biodiversity issues in its national recovery and resilience plan. Additionally, the investments planned within the cohesion policy programme for the 2021–2027 period do not adequately address the significant nature loss and biodiversity challenges faced by Latvia.[29]

According to the Latvian Prioritized Action Framework (PAF) for 2021 to 2027, the funding needed to improve biodiversity for the current period in Latvia is EUR 814 million.[30] This is the only estimation available that calculates Latvia's national biodiversity funding needs, since no approximations have been carried out so far to fully estimate how much would be needed to completely achieve the goals set out in the EU's 2030 Biodiversity Strategy. The LIFE IP LatviaNature project is a state-led initiative that aims to ensure the implementation of the 2021-2027 PAF. It calculates complementary financing from other financial sources, including EU and other funds, which contribute to the goals of the project. Based on the information available, it currently provides the best known estimate for the earmarked and secured financing for achieving the PAF goals. According to the latest information released in October 2023, nearly EUR 230 million has been secured or earmarked up to October 2023.[31] Although this can only be taken as an estimate, since data is constantly being updated and not all potential PAF funding sources may be included, it is reasonable to assume that roughly two-thirds of the EUR 814 million needed for the PAF are currently either not secured or earmarked.

What financing is available and is it being used effectively?

Like other EU countries, Latvia must fulfil its commitments set out in the European Grean Deal, which declares that biodiversity should be mainstreamed in EU programmes to allocate at least 7.5 per cent of annual spending to biodiversity objectives in 2024 and 10 per cent in both 2026 and 2027, while considering the existing overlaps between climate and biodiversity goals. To achieve this, Latvia is currently calculating its existing biodiversity spending by using the latest biodiversity tracking methodology approved by the European Commission to monitor whether its goals are likely to be met.[32] However, this methodology includes rules that create the risk of investments being calculated as contributing to biodiversity even when these investments are highly questionable. An example of this is the 40 per cent allocated to realising the

[28] European Commission, Environmental Implementation Review 2022, Country Report - Latvia, *European Commission*, 2022.

[29] Ibid.

[30] Nature Conservation Agency of Latvia, PRIORITISED ACTION FRAMEWORK (PAF) FOR NATURA 2000 in Latvia, *LIFE LatviaNature IP*, accessed 5 February 2024.

[31] Information received by e-mail on 14 of December 2023 from Nature Conservation Agency representative.

[32] European Commission, Biodiversity tracking methodology for each programme 2021-2027, *European Commission*, accessed 2 February 2024.

biodiversity funding objectives of various flood mitigation investments under Latvia's recovery plan. However, in Latvia's case, the investments do not contain enough measures that categorically contribute to biodiversity.[33]

Biodiversity and nature protection are mainstreamed and supported through various EU funds, including the cohesion policy funds, LIFE, Interreg, the Horizon 2020 programme, Latvia's dedicated national environmental protection fund and others. Below we highlight Latvia's principal funding sources, areas where potential opportunities have been overlooked, and relevant progress updates.

EU cohesion policy and the Just Transition Fund

Although there has been an increase in biodiversity spending between the different planning periods, it is not sufficient to tackle the dire situation facing biodiversity in Latvia. Between 2014 and 2020, EUR 35.6 million was allocated for a national scheme aimed at restoring and protecting biological diversity.[34] Additionally, over EUR 51 million has been earmarked for the current PAF from the Cohesion Fund, the European Regional Development Fund, the European Social Fund, and the Just Transition Fund. This, however, constitutes only 15 per cent of the total amount needed for the implementation of the PAF and only 1 per cent of the total cohesion policy-related investments in Latvia.[35]

On a positive note, the previous Cohesion Fund programming period led to substantial investment in biodiversity mapping and monitoring as well as concrete actions for nature restoration, such as the Nature Conservation Agency's now-completed project aimed at restoring the habitats of endangered species and protected areas.

Latvia's disbursement of the Just Transition Fund has prioritised the transformation of the peat industry in alignment with the state's climate goals. However, it has failed to recognise the benefits of peatland restoration, which not only helps biodiversity but also substantially reduces greenhouse gas emissions from peatland excavation sites. Of the EUR 184 million granted to Latvia through the Just Transition Fund, only EUR 6 million is being spent on peatland restoration[36] and, by extension, biodiversity. Latvia's Territorial Just Transition Plan has been criticised for its approach to the transformation of the peat industry, offering no pathway towards a gradual reduction of peat excavation, usage and export.[37]

LIFE Programme

The LIFE Programme has co-financed more than 69 projects since it launched in Latvia in 2001. Of these, 35 projects focusing on nature and biodiversity have been implemented.[38] This number could have been

[33] Citizens' Observatory for Green Deal Financing, No recovery without citizens: why public involvement is key to Europe's recovery, *CEE Bankwatch Network*, June 2023.

[34] Ministry of Finance, Portal dedicated to EU funds expenditure, Planning section, 2014 - 2020, accessed 5 February 2024.

[35] Ibid.

[36] Likumi.lv, On Latvia's Just Transition Territorial Plan, Rules of Cabinet of Ministers (14th of July, 2022) No. 531, *likumi.lv*, accessed 5 February 2024.

[37] Maksis Apinis, Assessment of Latvia's Territorial Just Transition Plan, *CEE Bankwatch Network,* 2023.

[38] European Commission, LIFE programma Latvijā. Fakti un skaitļi, *European Commission*, 15 March 2023.

higher, yet the lack of co-financing and effective pre-financing mechanisms have prevented non-governmental organisations from implementing more nature conservation projects in Latvia.

Moreover, the implementers often struggle to meet the obligations outlined in the LIFE programme requirements,[39] which state that the management of restored sites must continue for a significant number of years following the conclusion of the project. This is a critical requirement in order to ensure the feasibility of the investments. However, additional funding mechanisms and sources should be sought for LIFE projects implemented by the state, municipalities and non-governmental organisations to ensure that the gains are not lost. For nature restoration projects, especially in cases where private landowners are involved, these problems are linked to insufficient and changing compensations for nature management.

Recovery and Resilience Facility (RRF)

Latvia's government has completely squandered the opportunity provided by the RRF to invest in positive biodiversity projects. Of the EUR 1.82 billion budget on offer, not a single cent has been allocated to nature conservation projects or projects with biodiversity as an important focus.[40]

To make matters worse, according to the European Commission's biodiversity tracking methodology,[41] some investments with little or no positive impact for biodiversity will most likely be counted towards the achievement of the Commission's 7.5 per cent biodiversity financing goal. These include investments in flood risk mitigation, which mainly involve the restoration of protective dams, drainage channels and polder pump stations.[42] These flood risk mitigation projects could have contributed more to biodiversity, if the main focus had been on green infrastructure and establishing flood retention areas to promote wetland restoration. It is highly probable that the current biodiversity markers outlined in the tracking methodology[43,44] do not reflect the true nature of this investment, and therefore the amounts allocated for such investments based on these markers should be reduced.

In addition to overlooking biodiversity-positive investments, the government made little effort to meaningfully involve interested stakeholders and the wider public in the development of the plan.

Common Agriculture Policy

When Latvia's strategic plan for the Common Agricultural Policy was announced, it came in for heavy criticism by the country's environmental non-governmental organisations, as still primarily supporting

[39] European Climate, Infrastructure and Environment Executive Agency, LIFE Reporting, *European Commission,* accessed 2 February 2024.

[40] Ministry of Finance of Latvia, Portal dedicated to EU funds expenditure, Planning section, 2014 - 2020, *Ministry of Finance of Latvia*, accessed 5 February 2024.

[41] European Commission, Biodiversity tracking methodology for each programme 2021-2027.

[42] State Chancellery, Grozījumi Ministru kabineta 2023. gada 13. jūlija noteikumos Nr. 392 "Eiropas Savienības Atveseļošanas un noturības mehānisma .. 1.3.1.2.i. investīcijas "Investīcijas plūdu risku mazināšanas infrastruktūrā" īstenošanas noteikumi", *Tapportals.mk.gov.lv*, accessed 5 February 2024.

[43] European Commission, Biodiversity tracking methodology for each programme 2021-2027 European Commission.

[44] European Parliament and Council, Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, Annex VI, intervention field 035, *Official Journal of the European Union, 47*, 1 December 2023.

non-sustainable and nature damaging agricultural practices.[45] This is largely still the case, although there have been some improvements since the beginning of this planning period.

In relation to biologically valuable grassland management, the competitivity of total support level for management of grassland habitats has not improved when compared to other payments, e.g. available arable farming. This, unfortunately, is also illustrated by the low uptake of support for EU-protected grassland management (about 60 per cent of the goal met).[46] Even though the support rates for the measure have slightly increased, they are not motivating the applicants to continue the management of grassland habitats.[47] The approach of support disbursement is also still fully action-oriented (grass cut or animals grazed) as opposed to emerging result-oriented practices, which are gaining momentum and recognised as potentially superior.[48] On a positive note, on organic farms the support for grassland habitat areas is no longer connected to reaching a minimum income level per hectare, allowing the organic farmers with grassland habitats to apply for both kinds of support for the same land.[49] This is a step towards evening out the differences of income between biodiverse grassland management and other farming practices, yet many similar limitations ought to be removed to have a country-wide impact.

For the first time in CAP history, some support is also available for measures aimed at restoring grassland habitats, such as the removal of bushes and levelling of grassland. Currently, EUR 2 million is earmarked for these measures, which will support 390 projects and restore 2,000 hectares of grassland habitats. Hopefully, these actions will be implemented wisely and eventually expanded.[50]

With regards to support for forest habitat owners the situation has not improved (see section ‘compensation issues’ on page 4).

Unfortunately, the managing authority, the Ministry of Agriculture, has repeatedly rejected recommendations by environmental non-governmental organisations for a comprehensive monitoring system for the CAP strategic plan, which would help to evaluate the impact of CAP’s financing schemes and invest more efficiently for biodiversity in the future. Their response is that no such monitoring system will be created unless mandated by the European Commission.[51]

[45] Latvian Fund for Nature, Kopējās lauksaimniecības politikas stratēģiskā plāna projekts turpina lauksaimniecības industrializācijas kursu, ignorējot “Zaļā kursa” mērķus, *Latvian Fund for Nature*, 2021.

[46] Ministry of Agriculture, Annual Performance Report – Cap Strategic plan, *Ministry of Agriculture*, 2023.

[47] Latvian Fund for Nature, Follow-up on GrassLife recommendations for the improvement of CAP SP, received by email on 29 January 2024.

[48] Research Institute of Organic Agriculture, Result-oriented Measures for Biodiversity in Mountain Farming A Policy Handbook, *Researchgate*, October 2015.

[49] Latvian Fund for Nature, Follow-up on GrassLife recommendations for the improvement of CAP SP, received by e-mail 29 January 2024.

[50] Ibid.

[51] Ibid.

Priority areas and activities that need financing

The main priorities of focus are laid out in the Priority Action Framework (2021–2027)[52] and infringement procedure 2019/2304 against Latvia, [53] as well as the European Commission's 2022 Environmental Implementation Review of Latvia.[54] To halt biodiversity loss and improve the dire situation of Latvia's nature, future biodiversity financing should prioritise:

1. **Setting and approving favourable reference values and conservation objectives for EU-protected habitats on the state level:** When favourable reference values and habitat conservation objectives are determined, they should be incorporated into a planning document subjected to public consultation, acceptance and adoption on the state level to ensure protection and coherent actions.

2. **Improving Natura 2000 network:** The acquired data from the habitat monitoring, accompanied by favourable reference values and conservation objectives should be used to further improve Natura 2000 network by defining new legal special areas of conservation, based on the ecological requirements of the natural habitat types and the species concerned**.**

3. **Increasing, improving and diversifying compensation mechanisms:** Whether it is solely through CAP or supplemented by other funding sources, the compensations for restrictions on protected lands should be increased. CAP payments need to be improved with relation to transparency of the calculation methods and removal of obstacles for increase of compensation of biodiverse grasslands. Diverse compensation methods, such as one-off payments, land substitution or purchase of the restricted land by the state, as well as voluntary compensations for the preservation of legally non-protected habitats outside Natura 2000 sites would create more incentive for landowners.

4. **Focusing on more targeted nature conservation financing:** While increasing funding for biodiversity, the focus should fall on fulfilling the necessities outlined in the Prioritised Action Framework. Investments with concrete expected benefits to nature and biodiversity should be prioritised over abstract or vague benefits. While mainstreaming funding for biodiversity to achieve the biodiversity financing goals, it is important to be realistic about benefits to biodiversity and avoid 'greenwashing' within the investments of various EU funds.

5. **Aligning climate and biodiversity policies:** Activities that support biodiversity and simultaneously improve carbon balance, such as restoration of peatlands or preservation of old-growth forests, should be integrated into climate related planning documents, such as Latvia's National Climate and Energy Plans to ensure that future investments into climate mitigation, e.g. the investments from the JTF also improve the state of biodiversity rather than harm it.

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[52] Nature Conservation Agency of Latvia, PRIORITISED ACTION FRAMEWORK (PAF) FOR NATURA 2000 in Latvia, *LIFE LatviaNature IP*, accessed 5 February 2024.

[53] European Commission, November infringements package: key decisions, European Commission, *European Commission*, 2019.

[54] European Commission, Environmental Implementation Review 2022, Country Report - Latvia.

6. **Improving capacity of state nature conservation institutions:** Efficient resource spending can only be achieved with sufficient administrative resources. Since Nature Conservation Agency is largely responsible for the use of biodiversity funding, it is essential to strengthen its administrative capacity, even if that means increasing administrative costs. Funding and administrative resources also need to be foreseen not only for habitat restoration but also maintenance after the restoration.

7. **Further greening of agriculture:** Biodiversity and nature restoration supportive measures should be further increased within CAP, such as more support for organic farming, restoration of wetlands, agroecological measures and others.

Estonia

In Estonia, the state of several important biodiversity-related indicators is alarming. According to Environmental Performance Index Estonia has fallen in the Ecosystem Vitality category over the past 10 years and is currently on 11th place of all regions. The status of the species and habitats of the EU Nature Directive is better in Estonia than on average in the European Union, but only slightly more than half (57 per cent) of the habitats and species of the Directive are in a favourable state in Estonia.[55] The total area under protection in Estonia in 2022 was 1,617,438 hectares, which makes up to 23 per cent of the total area (including territorial sea). Currently, 19.6 per cent of the land and 18.7 per cent of the sea is under protection,[56] but according to EU Biodiversity Strategy 2030 the aim is to protect 30 per cent of land and 30 per cent of the sea, which is also supported by 75 per cent of Estonians.[57] Unfortunately, the natural values in protected areas are not always protected either. In recent years, there have been several incidents in protected areas, e.g. the European Commission has initiated an infringement procedure against Estonia in relation to logging in Natura 2000 network areas, pointing out that Estonia does not properly assess the environmental effects of logging[58] and in 2023 during restoration work the contractor for the State Forest Management Centre illegally cleared almost a kilometre of unauthorised logging trails in a protected area.[59] Estonia is a highly forest-rich country; being the fourth most forested country in the EU, with 51.4 per cent of the country covered in forests. However, the binding of carbon in the land use, land-use change, and forestry (LULUCF) sector has decreased from over 4 million tonnes in 2012 to just over 700,000 tonnes in 2019 and became an emitting sector in 2020. The target proposed in the Fit For 55 package for the LULUCF sector in Estonia of sequestrated 2.5 million tonnes of CO_2 equivalent by 2030 is considered unlikely to be reached even with the uptake of various measures supporting carbon sequestering. The European Commission has also produced a reference scenario, in which it is expected that in a business-as-usual scenario, the Estonian LULUCF sector would emit 1.4 million tonnes of CO_2 equivalent annually by 2030.[60]

[55] Statistics Estonia, Biodiversity protection and land use, *Statistics Estonia*, accessed 8 December 2023.

[56] Keskkonnaagentuur, Looduskaitse arvudes 2022, *Keskkonnaagentuur*, accessed 8 December 2023.

[57] Eestimaa Looduse Fond, Arvamusuuring näitab, et suurem osa eestimaalasi toetab kaitsealade laiendamist, *Eestimaa Looduse Fond*, 14 March 2023.

[58] European Commission, June infringements package: key decisions, *European Commission,* 9 June 2021.

[59] Juhan Hepner, RMK töövõtja raius Hiiumaal kaitsealas ebaseaduslikult trasse, *Eesti Rahvusringhääling,* 27 May 2023.

[60] Kaaret, Tool, Suik, Kirsimaa, Reaching climate neutrality in Estonia: a progress update, *Stockholm Environmental Institute Tallinn*, 22, 23, July 2022.

Since protected areas alone are not enough to slow down the loss of biodiversity, the landscapes between the protected areas must also contain diverse habitats.[61] In general, aggregate indicators of the state of nature in Estonia are deteriorating, notably a steep reduction in the farmland birds index.[62] Looking at other trends, the proportion of habitats and species with a favourable conservation status has slightly increased in Estonia overall, but most of the bogs, forest and semi-natural grassland habitats still have an unfavourable conservation status.[63] This means that the conservation status does not meet their needs, while nature status outside protected areas is often poor.

At the same time, some environmental measures, such as the maintenance of heritage meadows, support for organic farming, and the cultivation of legumes suitable for pollinators during crop rotation, have helped to prevent further decline in bumblebee diversity, with cooperation between beekeepers and farmers yielding positive results.[64] This shows that with the right techniques it is still possible to turn things around for the better. Nonetheless, funding for nature conservation activities remains insufficient and biodiversity is consistently in conflict with other sectors, leading to trade-offs and competition between and across sectors.

What financing is available and is it being used effectively?

Investments in biodiversity account for less than 1 per cent of all available funds from the Multiannual Financial Framework and Recovery and Resilience Facility for Estonia.[65] This means out of EUR 4.32 billion available, only EUR 32 million has been earmarked for biodiversity related investments, or 0.7 per cent. These largely come from cohesion policy funds and include ensuring the favourable condition of species and the diversity of landscapes (Cohesion Fund – EUR 11.8 million), development of meteorological, hydrological and environmental monitoring and support systems (Cohesion Fund – EUR 5.2 million), restoration of water bodies in poor condition (Cohesion Fund – EUR 4 million), restoration of meadows (Cohesion Fund – EUR 4.2 million), flood risk prevention and mitigation, warning systems (ERDF – EUR 7.2 million), restoration of the water regime of Kurtna lakes (ERDF – EUR 1.4 million).[66] Thus, Estonia is not on track to fulfil the investment level targets set by the EU Biodiversity Strategy for 2030, namely to dedicate 7.5 per cent of spending under the EU budget to biodiversity by 2024.

Considering the need for resources to achieve the EU Biodiversity strategy goals for 2030 such as the one to restore 25,000 kilometres of rivers and protect 30 per cent of the EU's land and sea areas, these investments need to be expanded.

Based on Estonia's Prioritised Action Framework for the 2021-2027 period,[67] EUR 304.4 million is needed to fulfil the various activities for the country's Natura 2000 network. Like for most EU Member States, EU funds

[61] Aveliina Helm, 21. Sajand peab olema looduse taastamise ja taastumise sajand, *Eesti Loodus*, 5 May 2023.

[62] Riigikantselei, Rohepoliitika eksperdirühma raport, *Riigikantselei,* 7 April 2022.

[63] European Commission, Keskkonnapoliitika rakendamise läbivaatamine 2022. aastal – Eesti, *European Commission*, 8 September 2022.

[64] Riigikantselei, Rohepoliitika eksperdirühma raport, *Riigikantselei,* 7 April 2022.

[65] Eesti Roheline Liikumine, Eestis investeeritakse EL fondidest vaid alla 1% elurikkusele, *Eesti Roheline Liikumine*, 2 September 2022.

[66] Riigi Tugiteenuste Keskus, Toetatud projektid, *Riigi Tugiteenuste Keskus,* 2 February 2024.

[67] Ministry of the Environment of Estonia, Prioritised Action Framework 2021-2027, *Ministry of the Environment of Estonia*, accessed 7 February 2024.

play an important role in financing activities, however, analysing amounts allocated under the various EU funding streams, it is unlikely they will be used to finance all activities outlined under the Prioritised Action Framework.

Based on correspondence from the Ministry, it is understood that an analysis has not yet been conducted on the financing needs in the Natura 2000 action plan has been covered and that this will be done at the end of the funding period or when preparing the next PAF.

The LIFE Programme is a separate EU funding instrument for environment and climate action, which has also nature and biodiversity sub-programme. The LIFE Nature and Biodiversity component has co-financed 26 projects in Estonia. These represent a total investment of EUR 57.5 million, of which EUR 37 million has been contributed by the EU.[68] Although the LIFE programme has been a great support in financing the protection and restoration of many of the projects mentioned below, this program has several limitations such as large self-financing and it can be difficult to access for smaller organisations (very time-consuming application process), the final payment is a large share of the total support and a there is a long time between the end of the project and the receipt of the final payment, rather rigid and bureaucratic (financial) reporting, the proportion of general costs could be higher, etc. Therefore, a separate, dedicated nature fund should be established in order to increase the quality and quantity of funding and align spending with actual biodiversity needs.[69]

However, the national authorities however often lack understanding about how to make the most of available financing through EU funds for urgently needed biodiversity-related measures, such as managing and controlling invasive species, restoring habitats, biodiversity monitoring, and citizen-led environmental science projects. In addition, the biodiversity needs of other organisations need to be incorporated. For instance, the forestry and other sectors continue to overlook the perspectives of environmental organisations.

Promising projects have been established with the aim of restoring Estonian populations of several endangered species, such as the Siberian flying squirrel, the European mink and the freshwater pearl mussel. In addition, contributions are made to improve and maintain landscapes of national parks, restore wooded and coastal meadows, nature reserves and fish migration routes and many other things that are important for biodiversity protection. However, the share of the area of biodiversity, ecosystems and species protection is only 7 per cent (EUR 44.1 million in 2021) of the entire government expenditure on environmental protection.[70]

Priority areas and activities that need financing

Generally speaking, priority areas that would bring the fastest benefits in the context of the next 30 years are:

- **Wetlands:** mitigating the effects of drainage, protection of peat soils, reduction of the effects of peat production;

[68] European Commission, LIFE Programme in Estonia, *European Commission*, 24 February 2023.

[69] CEE Bankwatch Network, Manifesto on the future of EU public finances, *CEE Bankwatch Network*, November 2023.

[70] Statistics Estonia, Environmental protection funding, *Statistics Estonia*, accessed 8 December 2023.

- **Forests**: spatial planning of forestry on forest lands, to ensure the increase of the carbon stock and the sufficiency of old forests with natural dynamics important for biodiversity in the landscape and optimisation of logging intensity;
- **Meadows:** protection of permanent grasslands, protection and maintenance of heritage meadows, restoration of semi-natural grasslands of Natura 2000 areas (currently assessed as 'unfavourable-inadequate');
- **Agriculture:** regenerative agriculture in agricultural landscapes implementation of (including soil fertility-enhancing) practices.[71,72]

More specifically, the measures and activities outlined in the latest national PAF generally reflect the priority areas that require financing. Funds and investments are needed most urgently for terrestrial habitat inventories of Natura 2000 areas and habitat inventories outside Natura 2000 network areas with the aim to expand the network. The lack of capacity and resources for staff to carry out inventories has left valuable habitats without protection, due to which some habitats have been destroyed by clearcutting. These areas of investment should be prioritised, as the forestry sector has changed rapidly over the last five years, which requires an equally rapid reaction to minimise long-term damage to biodiversity.

Natura 2000 site-related maintenance and restoration measures for species and habitats in forests and woodlands are also needed, as the status of most forest habitat types of the Habitats Directive in Estonia is either inadequate or bad. Similarly, there is a need for restoration of semi-natural grasslands of Natura 2000 areas, given that the status of high conservation value, semi-natural grasslands is assessed as unfavourable-inadequate.

Despite this, recent opportunities to allocate such funding were severely overlooked. Estonia's operational program, the only one in Estonia and the first to be agreed for the current 2021-2027 period, failed to allocate funding towards key activities identified under the PAF.[73]

Latvia and Estonia compared

Although both Latvia and Estonia have a largely similar share of natural areas in the form of forest, Estonia ranks higher in terms of number of species and habitats in good or favourable status, as well as having a higher share of the country under protected areas. Latvia is lagging behind in terms of areas under protection, including both forest and grasslands, of which a large percentage are outside of Natura 2000 sites. However, several other factors may explain this, such as variations in adaptation of EU-protected habitat descriptions or mapping methodology, as well as differences in thresholds with regards to the accepted habitat quality.

Priority in terms of funding for both countries should be increasing the share and improving connectivity of protected areas, in line with the objective of the EU Biodiversity Strategy 2030. This is particularly important when analysing recent trends: both countries have more than half of their surface area covered by forest

[71] Riigikantselei, Rohepoliitika eksperdirühma raport, *Riigikantselei*, 7 April 2022.

[72] Eesti Keskkonnaühenduste Koda, Ettepanekud maismaa osas, *Eesti Keskkonnaühenduste Koda*, accessed 8 December 2022.

[73] CEE Bankwatch Network, Assessment of the Estonian operational programme, *CEE Bankwatch Network*, 2 March 2022.

land, at least in theory, but tree-cover loss in natural forests has been continuously increasing since 2013. The harvested forest areas have seen considerable expansion: when comparing the periods 2016 to 2018 with 2004 to 2015, the areas increased by 32 per cent in Latvia and 85 per cent in Estonia. This is a result of both increased biomass production for the purposes of renewable energy generation and threatens to be exacerbated by plans for wind farms in forested areas. It should be noted that nature protection is far more cost-effective than nature restoration,[74] and therefore funding the improvement and expansion of protected areas is of great importance.

Activities listed under the respective national PAFs generally reflect the activities that require financing needs of the countries, although the estimated financing needs as identified by the national PAFs is more than twice as high in Latvia. It is unclear why financing needs are so vastly higher in Latvia. Analysing both PAFs reveals the most significant investments disparities relate to activities under the additional 'Green infrastructure' measures beyond Natura 2000 (further improving coherence of the Natura 2000 network, including in a cross-border context), where Latvia has listed EUR 67 million more than Estonia. A further significant difference in costs can be seen with horizontal measures and administrative costs: Latvia outlines EUR 11 358 000 annual running costs compared to just EUR 1 565 000 annual running costs. In the Latvia's PAF, the administrative costs of Natura 2000 areas, which are not included in the Estonia PAF, are also included in the financing need. In addition, the Latvian PAF also foresees large costs for improving coherence outside the Natura 2000 network, which includes the agricultural environment and forestry measures of the CAP strategic plan. Whereas Estonia considered only specific measures aimed at improving biodiversity and not agricultural environmental measures in general. However, a detailed analysis of the reasons why Latvia requires significantly more financing needs is beyond the scope of this publication, given there could be a range of possible factors to explain this.

However, it should be noted that for previous periods, estimated financing greatly differed from the real costs in both countries.[75] Also, in Latvia, important documents from assessing nature conservation priorities and financing needs, such as PAFs, were elaborated and approved without timely consultations with non-governmental organisations and other involved sectors. Greater consultation would facilitate a better understanding and more accurate assessment of financing needs. In both countries, financing for compensation payments are lacking, causing problematic relationships between private landowners and those working in the nature conservation sector.

EU funds represent the largest funding source for nature and biodiversity related investments in both countries, yet in both cases existing EU funding sources are greatly underused and overlooked. Very low allocations are earmarked for such measures within EU's cohesion policy funds, the Recovery and Resilience Facility and CAP funds. This can be explained by several factors, which were project in 2023.[76] Similarly, there is a lack of integration of activities listed in the PAFs when programming these various EU

[73] Jane Feeney et al., Action plan for the UN decade on ecosystem restoration, 2021-2030, *UN environment programme*, April 2023.

[75] European Commission, 2022, COMMISSION STAFF WORKING DOCUMENT Environmental Implementation Review 2022 Country Report - ESTONIA Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Environmental Implementation Review 2022: Turning the tide through environmental compliance , *European Commission*, 2022.

[76] CEE Bankwatch Network and EuroNatur, Biodiversity on the brink: What's holding back progress for biodiversity?, *CEE Bankwatch Network*, 2023.

funds to align biodiversity financing needs. Greater consistency is therefore needed between these nature protection priorities and available funding streams.

Access to EU funding for targeted restoration and conservation projects has been identified as a key barrier in both countries, in particular difficulties with accessing funding through the EU's LIFE programme. For example, difficult accessing co-financing and administrative bureaucracy. In both countries, LIFE funding is deemed to have the most targeted impact and results, however, the uptake of available financing remains too small and site-specific. However, the key problem is that national authorities are not channelling available EU funds into the activities listed under the PAFs.

Lastly, when it comes to managing and implementing funds, both countries struggle with absorbing and efficiently using such funds. Several factors can be identified as being responsible for this. These include a significant lack of capacity both of non-governmental organisations and competent authorities, resulting in the inability to effectively use even the existing funds. In addition, there is an obvious lack of communication among different decision-makers, including nature conservation authorities, the forestry and agricultural sectors, and non-governmental organisations.

National-level recommendations

Increase and diversify available funding sources

There is a need to diversify and leverage existing funding sources at the national level that provide solutions to many of the existing biodiversity funding problems. One proposal is to include large state enterprises which could provide substantial resources. For example, in Latvia the state forest company 'Latvijas Valsts meži' and the state-owned development finance institution ALTUM should be involved more in nature conservation, protected land purchase, and nature restoration activities. These institutions could also provide the necessary co-funding for biodiversity initiatives, such as co-financing LIFE nature restoration projects.

Ensure sufficient compensation for private landowners

Increased funding is needed for compensation measures for nature conservation restrictions on private land. Focus should be on improving existing compensation schemes, in particular diversifying the modes of payment. Such compensation mechanisms could be financed, for example, by utilising Common Agriculture Policy funds more efficiently and transparently as well as coherently supplementing CAP nature conservation and restoration compensations with other funding mechanisms. Compensation for voluntarily protecting EU-protected habitats outside protected areas should also be considered. Thise could involve several options, for example buy-off schemes and substitution of land with economically equivalent value.

Over time, additional support schemes could be introduced, for example, in relation to EU-protected forest habitats – support for non-wood product based business development as feasible alternative solutions to traditional income sources, such as tourism.

Strengthen national nature conservation and protection institutions

Additional support to the state institutions responsible for biodiversity is needed to increase their capacity, as well as more funding is needed for ensuring that habitats within state owned Natura 2000 territories are kept in good ecological conditions, especially after the EU supported restoration projects have concluded.

Broaden the scope of stakeholders involved in planning, managing and implementing EU funds at the national level

Other stakeholders need to be more involved to better utilise biodiversity and nature restoration funding. This could include, for example, non-governmental organisations and universities having the delegated responsibility of implementing programmes and projects. Similarly, when making the best use of available EU funds, various sectors should integrate biodiversity financing needs into their plans. It should also be the responsibility for the transport, agriculture, and water management sectors to therefore finance such measures, not only national environmental authorities.

Reflect and involve local-level needs during planning and implementation

There should be larger involvement of municipalities in biodiversity funding and the implementation of nature conservation projects. Municipalities, for example, are currently more interested in infrastructure projects, while the topic of nature conservation is often included in projects only indirectly in order to attract funds for other purposes (e.g. tourism infrastructure). Similarly, the goals of the European Green Deal and the EU Biodiversity Strategy 2030 should be reflected at the level of development programs, strategies, and investment plans of the municipalities. The same could also apply to the involvement of universities, who are ready to work on new biodiversity funding initiatives and involve their students and researchers in doing research and elaborating on new effective biodiversity funding mechanisms.

Focus on increasing and strengthening protected areas

It is more cost effective to protect nature than to restore it. Strengthening and improving the Natura 2000 network should be prioritised, employing smart landscape ecology and spatial planning to achieve greater protection levels for the known natural values in places where concentration of such values is the highest, also taking into account habitat connectivity. Efforts are also needed to halt the loss of old-growth forests and EU-protected forest habitats, by taking concrete steps to safeguard EU-protected forest habitats outside protected areas. These would not only include the creation of new protected areas and improving compensation mechanisms, but also introducing voluntary protection schemes, halting habitat destruction on state owned forests, among others.

Align climate actions with nature conservation goals

Given that intensive forest harvesting rates and peat soil emissions are among the main causes for the global decrease in the net uptake of greenhouse gases from the LULUCF sector,[38] it is clear that the preservation of old-growth forests and the restoration of wetlands must be prioritised to solve both crises. Consequently, actions supporting that must be integrated in climate policy documents, such as the National Energy and Climate Plan of Latvia, which is currently still being developed.

EU-level recommendations

Ensure Member States report the financing gap for implementing their national Prioritised Action Framework. As well as outlining the activities and financing needs for the management of their Natura 2000 sites under their PAFs, which is already required, the Commission should require Member States to report how much of this is and is not guaranteed. This will help encourage national authorities to find additional sources of funding to compensate for this.

Better align available financing with priority areas identified under EU-level biodiversity legislation

The EU has an important role to play in channelling funds to support biodiversity, particularly given that these condition national level investments through co-financing. This means ensuring Member States align these available funds with the EU Biodiversity Strategy for 2030 and the EU level Priority Action Framework for Natura 2000 sites and improve integration of Natura 2000 sites into existing EU funds.

Introduce and improve guidance for defining what qualifies as a biodiversity investment

A common, uniform definition of biodiversity spending should be developed and applied across EU funds which helps drive investments into priority areas. Such a definition should narrow down the scope to apply to prioritised investments that align and contribute to the goals of the EU Biodiversity Strategy 2030, namely those concerning protection and restoration. Similarly, when marking investments supported by national and EU funds as biodiversity or nature conservation related, the government must take care to critically assess the potential impacts of the investment and avoid greenwashing to stop artificially inflating biodiversity spending.[77]

Increase advisory services on available EU financing options

Greater EU level support is needed to help national authorities navigate and access EU funding for biodiversity, which is currently being underutilised. Similarly, relevant units in the Commission should ensure that EU funded programmes are well aligned and coordinated with the prioritises outlined under Member States PAFs, making good use of the funding available.

This could include for example, how to identify successful restoration projects, as well as improving environmental mainstreaming and avoiding harmful trade-offs with other sectors. Particular support should be given to developing innovative projects that combine both climate and nature goals, such as climate adaptation and natural flood prevention.

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[77] CEE Bankwatch Network, Recommendations on how to determine the contribution of EU funds for biodiversity, *CEE Bankwatch Network*, 31 January 2024.