



## **Audit Conclusion from audit No.**

**16/10**

### **Funds provided for the improvement of nature and the landscape**

The audit was included in the 2016 audit plan of the Supreme Audit Office (the “SAO”) with the number 16/10. The audit was managed and the audit conclusion was drawn up by the SAO Member Petr Neuvirt.

The aim of the audit was to scrutinise the provision, drawdown, and spending of funds earmarked for the nature and landscape protection.

The audited period was 2013 to 2015 and, when the facts warranted so, the periods immediately before and after. The audit was conducted at the auditees between March and September 2016.

#### **Auditees:**

the Ministry of the Environment (the “MoE”); the State Environmental Fund of the Czech Republic (Státní fond životního prostředí České republiky – “SEF”); the Nature Conservation Agency of the Czech Republic (Agentura ochrany přírody a krajiny České republiky – “NCA”); Mr Jaromír Doležal, Rudé armády 310, Počátky; Municipality of Dětmárovice; Mr Stanislav Kliment, Ždírec 3, Ždírec; Mr Tomáš Kužílek, Osek nad Bečvou 15, Osek nad Bečvou; Manner, občanské sdružení (civic association); Maveus s.r.o. (Ltd.); Town of Jablonné v Podještědí; Town of Rokycany; Mr Josef Plzák, Křivá 7, Plzeň – Červený Hrádek; SAGITTARIA – Sdružení pro ochranu přírody střední Moravy (nature protection association); Mr David Soukup, Královský vršek 3551/54, Jihlava; Společnost pro Jizerské hory, o.p.s. (public benefit organisation); Municipality of Staré Hodějovice; Statutory City of Ostrava; Mr Petr Votava, Újezd 71, Znojmo.

No objections against the audit report have been lodged.

***The SAO Board***, at its 16<sup>th</sup> session held on 19 December 2016,  
***approved*** by way of Resolution No. 5/XVI/2016  
***the audit conclusion*** in the wording as follows:

## Summary

The SAO scrutinised the provision, drawdown, and application of funds of selected subsidy programmes aimed at the nature and landscape protection.

Funds earmarked for the nature and landscape protection are provided from EU resources<sup>1</sup> through environmental operational programmes and from the state budget through national subsidy programmes<sup>2</sup>. The MoE is the managing authority of the environmental operational programmes and the administrator of national subsidy programmes.

The funds utilised for nature and landscape protection through the audited subsidy programmes at the MoE in 2013 to 2016 totalled about CZK 9.4 billion. The following table shows funds drawdown.

**Table 1 Drawdown of funds for selected programmes (in CZK)**

| Programme           | 2013                 | 2014                 | 2015                 | 2016*              | Total                |
|---------------------|----------------------|----------------------|----------------------|--------------------|----------------------|
| PA 6, OPE 2007–2013 | 1 247 709 237        | 3 886 550 874        | 3 293 062 246        | 298 885 399        | 8 726 207 756        |
| LNFRP               | 28 538 000           | 39 514 000           | 54 777 000           | 7 280 000          | 130 109 000          |
| LMP                 | 136 475 000          | 135 697 000          | 125 650 000          | 100 400 000        | 498 222 000          |
| <b>Total</b>        | <b>1 412 722 237</b> | <b>4 061 761 874</b> | <b>3 473 489 246</b> | <b>406 565 399</b> | <b>9 354 538 756</b> |

Source: MoE.

Note: \* For 2016, drawdown of funds as at 30 June 2016 is indicated. No funds were spent under Priority Axis 4 of OPE 2014–2020 up to the end of the audit.

Legend:

PA 6, OPE 2007–2013 – Priority Axis 6 of the Operational Programme *Environment* for the 2007-2013 programming period, LNFRP – *Landscape Natural Function Restoration Programme*, LMP – *Landscape Management Programme*.

The audit examined whether the funds provided for the nature and landscape protection brought the expected results and whether the MoE monitored and assessed the effectiveness of the programme in relation to the desired change of state of nature and the landscape. For this purpose, the SAO conducted an audit at the MoE, SEF, and NCA, and conducted on-site inspections of 60 projects co-financed from EU resources and national subsidy programmes.

**The SAO made the following findings during the audit:**

**The MoE did not set specific and measurable objectives to be achieved through the programmes, making assessment of the effectiveness of the allocated funds impossible. Although substantial funds were spent, there were no positive improvements to nature and the landscape in the case of several indicators, and even deterioration in the case of some others during the reference period.**

1. Although the set subsidy programme objectives correspond to the State Environmental Policy objectives, the MoE set the objectives of the audited programmes only generally. At the same time, the MoE did not quantify the values that should be attained through the

<sup>1</sup> Funds for nature and landscape conservation and management under environmental operational programmes are provided through the *European Regional Development Fund* (“ERDF”).

<sup>2</sup> *Landscape Natural Function Restoration Programme* and *Landscape Management Programme*.

subsidy, especially with regard to the desired change of the state of nature and the landscape. Furthermore, the MoE did not set up any binding indicators and parameters for assessing the national *Landscape Management Programme*.

2. The expected target values of most indicators of the Priority Axis 6 of the OPE 2007-2013 were undervalued, as the attained values were multiple times higher (e.g., an area of 214 km<sup>2</sup> was revitalised, while the expected target value was 10 km<sup>2</sup>). The attained programme indicator values do not clearly quantify the benefit for nature and landscape protection. The national *Landscape Management Programme* still has not been assessed.
3. Although subsidy for biodiversity<sup>3</sup> and ecological stability is the primary objective and main priority of financing nature and landscape conservation and almost CZK 9.4 billion was spent thereon between January 2013 and June 2016, most measurable indicators of the state of nature and the landscape have not shown any fundamental, positive development. In fact, to list a few examples, agricultural land was lost, unfragmented landscapes receded in number<sup>4</sup>, and watercourses continue to be in a poor state (e.g., high intensity of use of stagnant water or decrease in biological diversity of aquatic and water-dependent organisms).
4. Under the national *Landscape Natural Function Restoration Programme* and national *Landscape Management Programme*, the MoE did not impose on the beneficiary certain usual, and in practice commonly applied, conditions for granting the subsidy, especially in connection with the obligation to document the method of selection of a contractor and the obligation to submit a works contract.
5. The benefits of specific projects could not be assessed, as these projects did not specifically quantify the benefit for the desired change of the state of nature and the landscape. It is not possible, in connection with the objectives of the subsidy programmes as well as with the change of state of nature and the landscape, to quantify the benefit from the submitted documents. In the case of one project under the Priority Axis 6 of the OPE 2007-2013, the SAO discovered shortcomings that it reported to the appropriate tax administrator.

### **Recommendations:**

Monitoring the benefits of the programme and project funds spent on the SEP objectives of stopping diminishing biodiversity and stopping decreasing ecological stability of the landscape is essential for assessing the subsidy programmes in the context of the state of nature and the landscape. The way the assessment of subsidy programmes was set up in the audited period made such monitoring and assessment impossible.

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<sup>3</sup> Biodiversity is biological diversity or variability of all living organisms which includes diversity within and between species and diversity of ecosystems. It is the primary objective of nature and landscape conservation and management.

<sup>4</sup> Landscape fragmentation means the adverse phenomenon of division of natural sites or territorial units in the landscape into smaller and more isolated units.

The SAO therefore recommends that the MoE is very thorough in the following when announcing all European and national subsidy programmes aimed at the nature and landscape protection:

- Setting quantified and measurable programme objectives to allow for the programme benefits to be clearly quantified in respect of the state of nature and the landscape;
- Setting verifiable indicators with an indication of initial and realistically achievable target values to allow quantification of the achieved benefit and the impact of the provided subsidy in relation to the desired change of the state of nature and the landscape;
- Setting such project parameters for the implemented projects that will allow determination of at least the local benefit with respect to the change of the state of nature and the landscape;
- Monitoring and assessing continually the achievement of target indicators and, should deviations from expected outputs and benefits arise, carrying out an analysis of such developments and taking steps to adjust the programme rules to ensure the objectives are met; in case of fundamental differences caused by inappropriately set initial target indicators, reassessing and adjusting them;
- Assessing the subsidy awarded under the subsidy programmes based on the current state of nature and the landscape to determine the funding required to attain the desired change.

The SAO also proposed updating the conditions for granting subsidy under the national subsidy programmes to have them similar to the conditions of the subsidy programmes financed from EU resources. To achieve this, the following amendments or modifications will need to be made to the conditions:

- an obligation to submit works contracts;
- an obligation to document the method of selection of contractor;
- unifying the method of recording the legal relationships of applicants to the land.

**Note:** The legal regulations mentioned in this audit conclusion are applicable in their wording valid for the audited period.

## I. Introduction to the audited area

### A. MoE policies

The *State Environmental Policy of the Czech Republic* (the “SEP”) for 2004–2010 defined the basic framework for long- and medium-term development of the environmental aspect of sustainable development of the Czech Republic. The updated SEP for 2012–2020 laid down a plan for implementing effective environmental protection in the Czech Republic until 2020. Both SEPs were approved by resolutions of the Government of the Czech Republic.<sup>5</sup>

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<sup>5</sup> Resolution No. 235 of the Government of the Czech Republic of 17 March 2004, on the State Environmental Policy, and Resolution No. 6 of the Government of the Czech Republic of 9 January 2013, on the updated State Environmental Policy of the Czech Republic for 2012 to 2020.

The three basic objectives of the SEP in the nature and landscape protection include protection and strengthening of ecological functions of the landscape, maintenance of nature and landscape values, and improvement of the quality of the environment in urban areas. These basic SEP objectives are defined through sub-objectives (increasing the ecological stability of the landscape, restoration of the landscape water regime, reduction and mitigation of landscape fragmentation, reversing the decline of native species and natural habitats, and so on).

The SEP, which is in the competence of the MoE, is implemented through operational programmes and national subsidy programmes. The main task of the OPE is to improve the state of nature and the landscape. National subsidy programmes focus mainly on restoration of the state of nature and the landscape.

## **B. Environmental operational programmes**

The EU supports the nature and landscape protection through environmental operational programmes where the MoE acts as the managing authority. The SEF is the intermediary body in charge of administration of projects and the NCA draws up expert opinions on the implemented projects.<sup>6</sup>

In the 2007–2013 programming period, the Operational Programme *Environment* supported improvement of the state of nature and the landscape through Priority Axis 6. In the next programming period of 2014–2020, the nature and landscape protection is supported through Priority Axis 4 of the OPE. The degree of co-financing in both operational programmes was set at a maximum of 85% of total eligible expenditure.

The global objective of improving the state of nature and the landscape under the Priority Axis 6 of the OPE 2007–2013 was to stop diminishing biodiversity and to increase the ecological stability of the landscape. The investment priority<sup>7</sup> of the Priority Axis 4 of the OPE 2014–2020 is to conserve and protect the environment.

## **C. National subsidy programmes**

Support from the state budget for the nature and landscape protection is provided through the investment programme *Landscape Natural Function Restoration Programme* and the non-investment programme *Landscape Management Programme*. The MoE is the managing authority for these national subsidy programmes. These programmes are administered through the MoE and the NCA. In the case of both national subsidy programmes, beneficiaries can receive subsidy of up to 100% of total costs.

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<sup>6</sup> In the 2014–2020 programming period, the NAC also acts as the intermediary body for Priority Axis 4 of the Operational Programme *Environment*.

<sup>7</sup> The term *investment priority* under Priority Axis 4 of OPE 2014–2020 has replaced the term *global objective* previously used under Priority Axis 6 of OPE 2007–2013.

The purpose of the LNFRP is to support investment and non-investment plans implementing adaptation measures mitigating the impact of climate change on aquatic, forest, and non-forest ecosystems<sup>8</sup>. The LNFRP was announced for the period of 2009 to 2018.

The objective of the LMP is to implement measures to maintain and systematically increase biological diversity and such functional land use that ensures protection of the natural and cultural values of the landscape. The LMP was first announced in 1996.

The above national subsidy programmes are tools for securing nature and landscape conservation objectives that cannot be guaranteed from EU resources.

#### **D. Funds spent on nature and landscape conservation and management**

By comparing the amount of ERDF allocations for supporting biological diversity and nature conservation in the EU Member States as at 31 December 2019,<sup>9</sup> the Czech Republic was second to Spain in terms of the proportion of total allocation from the ERDF to support biodiversity (2.28%).

From January 2013 to the end of June 2016, CZK 8 726 207 757 was utilised under the Priority Axis 6 of the OPE. Of this amount, CZK 8 189 499 028 was from the ERDF resources, CZK 36 443 614 from the state budget resources, and CZK 500 265 116 from the SEF resources. The biggest portion of the funds, CZK 2 761 665 373, or 31.65% of utilisation under the Priority 6 in the same period, was aimed at optimising the landscape water regime.

In relation to the ERDF allocation for the Priority Axis 6 (CZK 13 133 194 987),<sup>10</sup> as at 30 June 2016, a total of CZK 13 142 974 794, or 100.07%<sup>11</sup> of the allocation, had been utilised since the beginning of the programming period, i.e., since 2007.

Under the scrutinised national subsidy programmes, a total of CZK 628 331 000 (CZK 130 109 000 under the LNFRP and CZK 498 222 000 under the LMP) was provided for the nature and landscape protection between 2013 and the first half of 2016.

A total of CZK 9 354 538 756 was spent in the audited period on the nature and landscape protection.

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<sup>8</sup> Ecosystem = a functional set of biotic and abiotic components that are interconnected in their environment through nutrient cycles, energy flows, and information transfer and that mutually affect one another and develop within a certain space and time.

<sup>9</sup> Data on EU Member State allocations for more recent periods was not available at the time of the audit.

<sup>10</sup> For conversion of the ERDF allocation to Czech crowns, the CNB exchange rate of CZK 27.275/€ 1 valid on 18 June 2015, i.e., on the date of approval of the OPE 2007-2013 implementation documentation, was used.

<sup>11</sup> Utilisation of 100.07% of the allocation was caused by the fact that the allocation is stipulated in Euros but is drawn in Czech crowns and the allocation is reconciled monthly using the monthly exchange rate of the European Central Bank. At the same, adjustments occur as a result of audits during the sustainability period of the projects.

## E. Focus of the audit

This audit follows up the audit No. 10/12<sup>12</sup>, in which the SAO scrutinized programmes aimed at financing measures to improve the state of nature and the landscape. The following findings in particular stemmed from the previous audit:

- A large proportion of the funds spent on the nature and landscape protection were devoted to restoration and construction of water reservoirs which were supported even at the expense of other measures.
- The target values for some of the indicators of the Priority Axis 6 of the OPE 2007-2013 were set too low. These indicators were already achieved in 2010 and, thus, were not fully usable for assessing the programmes' success rate.
- Specific objectives and indicators were absent in the case of the LMP; at the same time, there was no assessment of the benefit brought by the programme.

Audit No. 16/10 examined whether the funds provided for the nature and landscape protection brought the expected results and whether the MoE observed and assessed the effectiveness of the programmes in relation to the desired change of the state of nature and the landscape.

The following sub-objectives of the audit were set at the same time:

- Check whether quantifiable, realistic, and measurable objectives were set for the scrutinised subsidy programmes;
- Examine whether the achieved results of the provided subsidy were assessed and the expected target values of the scrutinised subsidy programmes attained;
- Check whether the funds provided for the nature and landscape protection brought the expected results;
- Examine whether the usual, and in practice commonly applied, conditions for granting a subsidy were imposed;
- Ascertain whether the conditions imposed by the grantor for drawing and using a subsidy have been met and whether generally binding legal regulations have been observed.

This audit also scrutinised 60 nature and landscape protection projects with more than CZK 828 million of total approved subsidy. Of these, 40 projects were projects co-financed from the OPE 2007–2013 and 20 were projects that received funding from the national subsidy programmes, i.e., LNFRP or LMP. The audit was carried out primarily from the point of view of the legality and effectiveness of the funds spent and achievement of the target parameters set for the projects. On-site checks were also carried out at the locations where the projects were implemented. The following criteria were used to select the sample of audited projects: allocated amount (largest subsidy allocation by region of the Czech Republic), focus of the project (all specific areas of support under the Priority Axis 6 of the OPE 2007–2013 represented), an objective and a purpose of the project (all types of supported projects represented) and the project completion date.

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<sup>12</sup> Audit No. 10/12 – *Funds provided for the improvement of nature and landscape* (the audit conclusion was approved by the SAO Board at its 7<sup>th</sup> session held on 28 March 2011 and published in Volume 2/2011 of the *SAO Bulletin*).

## II. Details on the findings

### 1. The MoE did not set quantifiable and measurable objectives for the subsidy programmes

**Setting quantifiable and measurable objectives for the subsidy programmes is essential for assessing the success of the programmes in relation to the desired change of the state of nature and the landscape. These objectives must be clearly defined and supported by measurable indicators, with an indication of initial and realistic expected values and a link to a verifiable assessment of the benefits of the programmes.**

The SAO examined whether the audited subsidy programmes aimed at the nature and landscape protection had clearly defined, quantified and measurable objectives.

Stopping the loss of biodiversity and increasing ecological stability of the landscape (SEP objectives) are implemented through the specific areas of intervention under the Priority Axis 6 of the OPE 2007–2013, such as support for biodiversity, restoration of landscape structures, and optimisation of the landscape water regime.

General operational sub-objectives were set in the specific areas of intervention under the Priority Axis 6 of the OPE 2007–2013 without stipulation of initial and target values. The operational sub-objectives of the areas of intervention were defined as, e.g., strengthening the population of endangered species of plants and animals and their biotopes, strengthening biodiversity, improving natural conditions in forests, increasing the retention potential of the landscape, and the like.

**The MoE thus defined the global objectives and operational objectives of the Priority Axis 6 only generally. The objectives did not contain quantifiable values that should be achieved through the subsidy, especially with regard to the desired change of state of nature and the landscape. Because of the ambiguously defined objectives of the Priority Axis 6, it is difficult to quantify the benefits of the activities implemented to achieve these objectives.**

To assess the Priority Axis 6, only the basic assessment indicators for outputs were defined (revitalised area, proportion of sites of European importance, number of implemented projects aimed at restoration of a stable landscape water regime, and number of implemented projects aimed at improving the state of nature and the landscape). The indicators were characterised through units of measurement and the initial and target state. At the same time, other indicators were defined at the level of specific areas of intervention under the Priority Axis 6. This concerned the number of measures taken under the respective operational objective or the size of the area of the regenerated landscape; initial and target values were not indicated, however.

**Such basic assessment indicators for the Priority Axis 6 could not replace quantifiable and verifiable objectives in the area of benefits (impacts) for the state of nature and the landscape, although implementation of the projects generally had a positive impact on the state of nature and the landscape. Without such specified objectives, the MoE could not assess the success of the programme.**

**At the same time, the achieved target values of the indicators do not clearly show the benefits in relation to the global objective and operational objectives of the Priority Axis 6 in the context of the desired change of state of nature and the landscape.** This fact had already been ascertained by the previous audit and by the audit conducted by the European Court of Auditors (the “ECA”) in 2014.

In 2014, the ECA conducted a similarly focused audit of the effectiveness of financing of projects under the ERDF (ECA Special Report No. 12/2014)<sup>13</sup>. The audit was carried out on 32 projects in selected EU Member States.<sup>14</sup> The ECA report showed that efforts must also be made to monitor the current contribution of the projects to the protection of biodiversity, nature, and the landscape. The ECA report states that only physical output indicators – e.g., number and type of plantations set in a restored area, hectares of reforestation, number of species of plants and animals protected, etc. – were used. The ECA stated that indicators that would assess the actual increase in the number of species of plants and animals, i.e., an increase in biodiversity, were absent.

A positive shift occurred in the new programming period 2014-2020. The investment priority of the Priority Axis 4 of the OPE 2014–2020, with specific objectives such as strengthening biodiversity and natural landscape functions or improving the quality of the urban environment, defines, unlike the previous period, structured indicators for quantified specific objectives. Compared with the indicators of the Priority Axis 6 of the OPE 2007–2013, which focused only on the number of implemented measures, the Priority Axis 4 of the OPE 2014–2020 also stipulates the defined units of measurement of the defined indicators.

The objective of the LNFRP is to fulfil the obligations stemming primarily from management plans for special areas of conservation, summaries of recommended measures for bird sanctuaries, rescue programmes, and management programmes for specially protected species of plants and animals.

**As in the case of the OPE 2007–2013, the MoE did not define specific, measurable, and verifiable objectives of the LNFRP, and, as a result, could not assess the success of the programme.** Only specific measures that could be implemented through the various sub-programmes under the LNFRP were defined. At the same time, measurable indicators for all these sub-programmes were set. The indicators were indicators of outputs, such as the length of restored and built trails, the area of revitalised watercourse basins, the area of restored or built pools, the number of eliminated migration barriers on watercourses, and the like. Target state values for the indicators have been set in absolute terms for the entire programme implementation period (2009–2018).

Under the LMP, funds are provided to carry out the measures stemming from Act No. 114/1992 Coll.<sup>15</sup> and from approved management plans for Specially Protected Areas (“SPA”), for improving preserved natural and landscape environments and for ensuring care for endangered and handicapped animals. **The MoE did not define specific objectives for the**

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<sup>13</sup> ECA Special Report No. 12/2014: *Is the ERDF Effective in Funding Projects that Directly Promote Biodiversity under the EU Biodiversity Strategy to 2020?*

<sup>14</sup> Czech Republic, Spain, France, Poland and Romania.

<sup>15</sup> Act No 114/1992 Coll., on protection of nature and the landscape.

**LMP, nor did it define binding assessment indicators either for the programme or sub-programmes or for the target values to be achieved through the awarded subsidy.** The MoE only defined the sub-programmes and related types of supported measures.

In this way, the MoE's approach to assessing the effectiveness of the programme is therefore even worse than in the previous two audited programmes (OPE 2007–2013 and LNFPR). This finding is all the more serious as the same shortcoming was discovered in the previous audit No. 10/12. **Thus, the situation continues where the benefit of the LMP for the nature and landscape protection cannot be assessed as there are no obligatorily set indicators.** The MoE, as the administrator of the LMP, did not even verify the set of indicators used by the NCA internally for assessing selected parts of the projects under the LMP.

Although the defined objectives of the subsidy programmes correspond to the objectives of the State Environmental Policy, the MoE defined the objectives of the audited programmes only generally. At the same time, the MoE did not quantify the values to be achieved through the subsidy, especially with regard to the desired change of the state of nature and the landscape. Furthermore, the MoE still did not obligatorily set any binding indicators and parameters for assessing the national *Land Management Programme*.

## **2. The MoE did not sufficiently assess achievement of the subsidy programme indicators**

**Despite the shortcomings in defining measurable subsidy programme objectives, described in the previous section, monitoring the attained results regularly and assessing them against the indicators that were set are still essential for ensuring proper management of subsidy programmes. Such monitoring and assessment provides the programme administrator assurance that the programme is progressing toward fulfilling its purpose and that the target values will be achieved. Conversely, should the results diverge from the planned values, the administrator can analyse why this is the case and carry out the necessary adjustments to correct the situation and to achieve the programme objectives.**

The audit examined whether the results attained through the subsidy awarded under the audited subsidy programmes corresponded to the stipulated expected target values of the indicators. The MoE's efforts to monitor and assess progress under the programme were also examined.

The following values of the basic assessment indicators were reached through the subsidy provided under the Priority Axis 6 of the OPE 2007–2013:

- Revitalised area: **214 km<sup>2</sup>** (expected target value: 10 km<sup>2</sup>)
- Proportion of sites of European importance prepared for inclusion among SPA or for contractual or basic conservation to the total number of sites of European importance included in the European list: **54.61 %** (expected target value: 80 %)
- Number of projects for the restoration of a stable landscape water regime and the restoration of ecological stability elements: **890** (expected target value: 15)
- Number of implemented projects aimed at improving the state of nature and the landscape: **2 213** (expected target value: 150).

**The values of three of the five indicators of the Priority Axis 6 of the OPE 2007–2013 were exceeded multiple times as at 31 December 2015. The above suggests that the expected target values of the Priority Axis 6 were substantially undervalued when they were set. This also means that the MoE carried out insufficient and only formal monitoring and assessment of the achievement of the set indicators.**

In the case of the LNFRP, the MoE carried out a partial assessment of the programme for the 2009–2012 period. The assessment focused on the progress reached in achieving the sub-programme indicators for the reference period. Changes were made to the target values of various sub-programme indicators and parameters according to the attained results.

The MoE submitted data on the progress being made on achieving the specific indicators for the period from launching the programme in 2008 to 2 August 2016. A comparison of the target and achieved values performed by the SAO suggests that in most cases the target values are not being achieved approximately three years prior to the final assessment the programme. Some indicators have been exceeded multiple times, whereas no projects have been undertaken in the case of others. For example:

- For the indicator “forested area with improved species, age, and space structure” or “areas cleared of wood”, 43 projects were supported on **653 ha** (expected target value: 8 500 ha).
- 439 projects were carried out on **664 ha** of restored or created biotopes or habitats (expected target value: 400 ha).
- No projects were carried out under the “number of recovery programmes” indicator, where the target value was 8 projects, or under the “number of eliminated migration barriers on watercourses” indicator, where the target value was 27 projects.

**The same shortcomings as listed in above previous paragraphs discussing the OPE 2007-2013 were found in the MoE’s efforts to define, monitor, and assess the implementation of the LNFRP national subsidy programme. On top of that, the values of indicators were not corrected even by their amendment after 2012. Furthermore, as of 2012, the MoE stopped assessing the benefits attained against the expected target values.** The MoE stated with regard to its assessment of the LNFRP that further assessment of 2013-2016 will be carried out in 2017. A final assessment of the programme will be carried out after the elapse of the period for which it was approved, i.e., in 2019.

**The MoE did not perform an assessment of the LMP. The MoE did neither create a comprehensive system under the programme to assess all the LMP sub-programmes, nor did it quantify the benefits of the subsidy provided through the LMP for changing the state of nature and the landscape.** Only the NCA conducted ongoing monitoring based on internal, non-binding indicators, but only on the part of the LMP sub-programmes that it manages. Monitoring was carried out in October 2013 for the period from 2008 to 2013.

**This situation is all the more serious because of the fact that the MoE did not fully comply with Resolution No. 472 of the Government of the Czech Republic of 22 June 2011<sup>16</sup>, which imposed on the MoE the obligation to implement measures to remedy the shortcomings discovered by the previous, similarly focused audit No. 10/12.**

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<sup>16</sup> Resolution No. 472 of the Government of the Czech Republic of 22 June 2011 on the SAO’s audit conclusion from audit No. 10/12 *Funds Provided for Improving Nature and the Landscape*.

The expected target values of most of the indicators of the Priority Axis 6 of the OPE 2007–2013 were undervalued, as the values attained were multiple times higher. The attained programme values do not provide a clear quantification of the benefit for nature and landscape conservation and management. The national *Landscape Management Programme* has still not been assessed.

### 3. The state of nature and the landscape did not show positive development

**Precise specification of the benefits of the individual subsidy programmes, in conjunction with an estimate of the amount of awarded funding required to stop the negative development of nature and the landscape or reverse it, is essential for assessing the development of the state of nature and the landscape.**

In the absence of set target values of the benefit (impact) of nature and landscape protection programmes, the audit, using available information, examined whether the negative development of nature and the landscape stopped or whether the trend was reversed and became positive during the implementation of the programmes.

**The medium-term assessment of the SEP conducted by the MoE in December 2015 suggests that, in most cases, a positive trend was not seen in the implementation of the stipulated nature and landscape protection objectives that are linked to the desired change of the state of nature and the landscape.** This fact is documented by the development of selected measurable SEP indicators, such as the following:

- The total area of agricultural land in the Czech Republic is decreasing. Between 2000 and 2014, more than 64 thousand acres of agricultural land was lost, which is almost 1% of the total area of the Czech Republic. The reason for this decrease is the expansion of built-up areas and other areas at the expense of arable land. Built-up and other areas comprised more than 10.7% of the total area of the Czech Republic.
- A slight increase in forested land (by 9 thousand ha) and permanent grassland (by 11.4 thousand ha) occurred in the period between 2010 and 2014 (by 9 thousand ha).
- At this time, 63.6% of agricultural land remains potentially threatened by water erosion and 18% by wind erosion. No systematic protection is carried out on most land with erosion-threatened soil to prevent soil loss.
- Regarding the objective of restoration of the landscape water regime, the adverse state of water courses persists (e.g., disruption of their natural morphology<sup>17</sup>, high intensity of use of stagnant water and related eutrophication<sup>18</sup>, restriction of the biological diversity of aquatic and water-dependent organisms).
- The area of the landscape not fragmented by roads decreased from 54 thousand km<sup>2</sup> in 2000 (68.6% of the total area of the Czech Republic) to 50 thousand km<sup>2</sup> in 2010 (63.4% of the total area of the Czech Republic), with a further reduction expected in subsequent years. Unfragmented landscapes are being negatively affected by the development of transport and building construction. According to the real estate cadastre, the category of

<sup>17</sup> Morphology = a discipline in the field of biology that is concerned with the external structure of organisms.

<sup>18</sup> Eutrophication = the process of adding nutrients, especially nitrogen and phosphorous, to water.

other area, which infrastructure falls under, grew by 28.3 thousand ha (by 4.2%) between 2000 and 2014.

- Monitoring of the state of animal and plant species of European significance that took place between 2006 and 2012 has shown that there has been improvement.

Although support for biodiversity and ecological stability of the landscape is a basic objective and fundamental priority of financing the nature and landscape protection, with approx. CZK 9.4 billion being spent on it between January 2013 and the end of 2016, most measurable indicators of the state of nature and the landscape has so far shown no fundamental positive development. In fact, agricultural land, for example, has been lost, unfragmented landscapes have diminished, and the adverse state of water courses persists.

#### **4. The MoE did not impose the usual conditions on beneficiaries for awarding subsidy to them**

**Imposing basic, and in practice usual, conditions for awarding subsidy is one of the requirements for the proper, transparent, and effective use of such subsidy and the criterion for verifying the eligibility of expended funds.**

The audit examined whether usual, and in practice commonly applied, conditions for awarding subsidy under national subsidy programmes for the nature and landscape protection were set and whether co-financing from the operational programmes was used.

The conditions for awarding subsidy under the LNFRP and LMP national subsidy programmes were addressed by an MoE directive. The sample of 20 LNFRP- and LMP-funded projects selected by the audit showed that the MoE, as the administrator of the programmes, did not impose the obligation on beneficiaries to submit works contracts between the contracting authority and the contractor, nor did it impose the obligations to document the method of selection of the contractor. Furthermore, in four projects under the LNFRP, the legal relationship between the applicant and the land on which the respective measures would be implemented was not documented. The SAO audit thus could not examine in full the eligibility of the funds used, as is otherwise usually the case in projects financed from EU resources. If it is not possible to examine the eligibility of the funds, there is a risk of lack of transparency or use of the subsidy for another purpose than the one stipulated.

The MoE, as the LMP administrator, did not set out in the binding directives the obligation to submit for the final accounts actual expenditures in the form of a solemn declaration or even the invoices issued for the work carried out.

In connection with the implementation of the projects, there is a risk that the subsidy beneficiary, despite the signed solemn declaration on the veracity of the indicated information, will apply value added tax to work paid for from the subsidy and, at the same time, not carry out the corresponding VAT deduction in the financial clearance.

The MoE did not impose certain usual, and in practice applied, conditions on the subsidy beneficiary for awarding subsidy under the national *Landscape Natural Function Restoration*

*Programme* and the national *Landscape Management Programme*. It particularly failed to impose the obligation to document the selection of the contractor and the obligation to submit the works contract.

## 5. Findings in relation to the subsidy beneficiaries

**Setting clear target values of the impacts of specific implemented projects for the defined programme objectives and their assessment is essential for assessing the benefits of programmes aimed at the state of nature and the landscape.**

The audit examined whether funds were spent on the stipulated purpose and whether the conditions imposed by the grantor on the beneficiary for drawing and utilising the subsidy and generally binding legal regulations were being observed. The audit also examined whether the subsidy beneficiaries in the case of the audited projects assessed the quantifiable benefits in relation to the desired change of the state of nature and the landscape.

The audit scrutinised 60 projects with a total approved subsidy exceeding CZK 828 million. The audit also examined a total of 40 projects under the Priority Axis 6 of the OPE 2007–2013 and a total of 20 projects under the LNFRP and the LMP.

As regards the observance of the stipulated rules, one project under the Priority Axis 6 of the OPE 2007–2013 breached one of the conditions of the decision to award subsidy, as the grantor did not receive the supporting documentation for the final assessment of the project by the specified deadline of 30 June 2016. The supporting documentation was not even submitted by the end of the audit. The SAO assessed this failure as unauthorised use of funds in relation to the awarded funding in the amount of CZK 6 619 100.29 and sent a notification of this fact to the appropriate tax administrator.

In another project under the Priority Axis 6 of the OPE 2007–2013, the subsidy beneficiary did not submit all required document for examination, making it impossible for the SAO to verify the accuracy and completeness of all scrutinised data.

No breach of the conditions for drawing subsidy or breach of generally binding legal regulations was found in respect of the remaining projects.

It was not possible to assess the benefits of specific projects because individual projects did not contain specifically quantified benefits in relation to the desired change of the state of nature and the landscape. It is not possible to clearly quantify the benefits in the context of the programme objectives and the change of the state of nature and the landscape.

### III. Final Assessment

This audit examined whether the funds provided for the nature and landscape protection brought the expected results and whether the MoE monitored and assessed the effectiveness of the programmes in relation to the desired change of the state of nature and the landscape.

**The SAO found that assessment of the effectiveness of the funds spent from the OPE and national subsidy programmes was prevented by the fact that the MoE did not define specific and measurable objectives that should be achieved through the programmes. Despite the significant amount of funds spent, no significant positive developments in the state of nature and the landscape were registered in the reference period with respect to several indicators or a deterioration with respect to others.**

Among the EU Member States, the Czech Republic had the greatest proportion (over 2%) of ERDF resources allocated to support biological diversity and nature conservation. From January 2013 to the end of June 2016, approx. CZK 9.4 billion was spent on the nature and landscape protection. Nevertheless, the state of nature and the landscape has not shown any evidence of fundamental positive development. This is documented by the status of the basic measurable indicators of the *State Environmental Policy* objectives. For example, agricultural land was lost, unfragmented landscapes diminished, and the adverse state of water courses persists.

The implementation of projects from the audited subsidy programmes is influencing the state of nature and the landscape. However, neither in the OPE 2007–2013 nor in both national subsidy programmes did the MoE quantify the specific measurable expected benefit or carry out an assessment of the impact of the spent funds on the state of nature and the landscape. The reason for this was the MoE's failure to define precisely the benefit (impact) of the programmes and its tendency to undervalue the target values of the programme outputs. Compared with the SAO's similarly focused audit of 2010, the assessment of the subsidy programmes has not changed much. A positive development, however, is the setup of structured indicators of the target values of benefits in the new OPE for the 2014–2020 programming period.

Similar shortcomings were discovered and similar conclusions were reached by the ECA audit<sup>19</sup>, which was aimed at the effectiveness of financing of projects under the ERDF and that took place in selected EU Member States, including the Czech Republic. The ECA's main finding was the use of only physical results (outputs) for assessing the success of projects without an analysis of the actual contribution to supporting biodiversity and nature and landscape conservation.

Sixty projects aimed at the nature and landscape protection with a total approved subsidy exceeding CZK 828 million were also scrutinised. It is not possible in the context of the programme objectives to quantify their specific benefit for the desired change of the state of nature and the landscape.

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<sup>19</sup> See [http://www.eca.europa.eu/Lists/ECADocuments/SR14\\_12/QJAB14012ENC.pdf](http://www.eca.europa.eu/Lists/ECADocuments/SR14_12/QJAB14012ENC.pdf).

## Recommendations

Monitoring the benefits of the programme and project funds spent on the SEP objectives of stopping diminishing biodiversity and stopping decreasing ecological stability of the landscape is essential for assessing the subsidy programmes in the context of the state of nature and the landscape. The way the assessment of subsidy programmes was set up in the audited period made such monitoring and assessment impossible.

The SAO therefore recommends that the MoE - when announcing all European and national subsidy programmes aimed at the nature and landscape protection - focuses very thoroughly on the following:

- Setting quantified and measurable programme objectives to allow for the programme benefits to be clearly quantified in respect of the state of nature and the landscape;
- Setting verifiable indicators with an indication of initial and realistically achievable target values to allow quantification of the achieved benefit and the impact of the awarded subsidy in relation to the desired change of the state of nature and the landscape;
- Setting such project parameters for the implemented projects that will allow determination of at least the local benefit with respect to the change of the state of nature and the landscape;
- Monitoring and assessing continually the achievement of target indicators and, should deviations from expected outputs and benefits arise, carrying out an analysis of such developments and taking steps to adjust the programme rules to ensure that the objectives are met; if fundamental differences caused by inappropriately set initial target indicators occur, reassessing and adjusting them;
- Assessing the subsidy awarded under the subsidy programmes based on the current state of nature and the landscape to determine the funding required to attain the desired change.

The SAO also proposed updating the conditions for awarding subsidy under the national subsidy programmes to be the same as the conditions of subsidy programmes financed from EU resources. To achieve this, the following additions or modifications will need to be made to the conditions:

- Obligation to submit works contracts;
- Obligation to document the method of selection of contractor;
- Unifying the method of recording the legal relationships between applicants and the land.

## List of abbreviations used in the English translation

|                 |  |
|-----------------|--|
| CNB             | Czech National Bank  |
| EC              | European Commission  |
| ECA             | European Court of Auditors   |
| ECB             | European Central Bank  |
| ERDF            | <i>European Regional Development Fund</i>  |
| EU              | European Union   |
| ha              | hectare  |
| km <sup>2</sup> | square kilometre   |
| LMP             | Landscape Management Programme ( <i>Program péče o krajinu</i> )   |
| LNFRP           | Landscape Natural Function Restoration Programme ( <i>Podpora obnovy přirozených funkcí krajiny</i> )          |
| MoA             | Ministry of Agriculture  |
| MoE             | Ministry of the Environment  |
| NCA             | Nature Conservation Agency of the Czech Republic ( <i>Agentura ochrany přírody a krajiny České republiky</i> ) |
| OPE 2007–2013   | Operational Programme <i>Environment</i> for the 2007–2013 programming period                                  |
| OPE 2014–2020   | Operational Programme <i>Environment</i> for the 2014–2020 programming period                                  |
| PA 6            | Priority Axis 6 – <i>Improving the state of nature and the landscape</i>                                       |
| PA 4            | Priority Axis 4 – <i>Protection and care of natural environment and landscape</i>                              |
| SPA             | Specially Protected Areas  |
| SAO             | Supreme Audit Office   |
| SEF             | State Environmental Fund of the Czech Republic ( <i>Státní fond životního prostředí České republiky</i> )      |
| SEP             | <i>State Environmental Policy</i>  |