



1. Project Data

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| Project ID P111205 | Project Name EU NATURA 2000 | |
| Country Croatia | Practice Area(Lead) Environment & Natural Resources | |
| L/C/TF Number(s) IBRD-80210 | Closing Date (Original) 30-Apr-2016 | Total Project Cost (USD) 32,600,000.00 |
| Bank Approval Date 10-Feb-2011 | Closing Date (Actual) 30-Apr-2017 | |
| | IBRD/IDA (USD) | Grants (USD) |
| Original Commitment | 28,800,000.00 | 0.00 |
| Revised Commitment | 28,795,578.98 | 0.00 |
| Actual | 25,346,108.25 | 0.00 |

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2. Project Objectives and Components

a. Objectives

The three objectives of the project, according to the grant agreement are (i) support Park and County Public Institutions to implement Natura 2000 objectives in investment programs; (ii) strengthen capacity for EU-compliant reporting and biodiversity monitoring; and (iii) introduce programs that involve a wide group of stakeholders in Natura 2000 network management (Loan Agreement, p 4).

Natura 2000 refers to a European Union (EU) wide network of protected areas that is made up of Special Areas of Conservation and Special Protection Areas designated by the Birds and Habitat Directives of the



EU.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

No

d. Components

The three objectives of the project were supported by the following components:

Component 1: Ecological Network Investments (Appraisal financing required was estimated at US\$15.2 million, at closing total US\$13.7 million) component focused on protected areas and national ecological network site investments to help demonstrate and strengthen integration of Natura 2000 objectives; consultant services for nature interpretation design; and engineering services. Priority technical equipment was to be provided for park rangers, State Institute for Nature Protection, and the Ministry of Culture. Fire protection equipment was also planned for coastal protected areas (PAD, p.4 and ICR, p. 55).

Component 2: Ecological Network Data Systems (Appraisal Estimate financing required was at US\$6.4 million, at closing total US\$5.6 million component focused on offering consulting services to help plan, prioritize, and organize biological inventory and populate data systems to fulfill EU reporting requirements. It also funded field work to perform biological inventory and habitat mapping, and monitoring services. Consultant services to harmonize data systems with the EU INSPIRE Directive requirements; computer hardware and software upgrades were also part of this component (PAD, p. 4 and ICR, p. 55).

Component 3: Ecological Network Capacity Building (Appraisal financing required was estimated at US\$5 million, at closing total US\$5.5 million) component aimed to make available consultant services to help promote inter-sectoral co-operations and pilot programs in order to (i) develop proposal of agri-environmental measures for Natura 2000 sites; (ii) improve protected areas boundary delineation, (iii) introduce a park volunteer program, and (iv) diversify protected area finance (PAD, p.4 and ICR, p. 55). This component also supported training on accessing EU grants programs for nature protection and park management. It also funded study tours and seminars, a public information campaign, and project management, and operating costs.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates



Project Cost. At appraisal, the total cost of the project was estimated at 43.7 million euros or US\$ 60.5 million (PAD, p. 18). The Euro depreciated 20 to 30% over the life of the project. Using the rate of completion exchange rate the total cost of the project was estimated at US\$47.8 million. At closing the total project cost was US\$32.6 million (ICR, p. 2). The project team explained that the funds beyond the loan came from other sources such as the EU Structural Fund, and in-kind support. However, these were not counted as official borrowers contribution.

Financing. The appraised amount of finance needed for this project was estimated at US\$ 28.8 million (PAD, p. 18 and ICR, p.2). These funds were provided through the IBRD Specific Investment Loan (SIL) mechanism. The actual disbursement at the end of the project was US\$ 25.3 million (ICR, p.2 and p. 55).

Borrower Contribution. The legal agreement does not stipulate that the borrower had to make a financial contribution. At appraisal, the borrower was expected to contribute 28.8 million euros of which 20 million euros were co-financed through EU Structural Funds and an additional 2.88 million euros from the borrower (PAD, p 2). The Project leveraged over 9% of co-financing from local resources for nature protection investments under Component 1, and nearly EUR 4 million was raised from the Environmental Protection and Energy Efficient Fund in co-financing (ICR, para. 26). Throughout the life of the project, Croatia won over 200 million euros in funds from the EU Structural Funds towards conservation project.

Dates. The project was approved on 10/02/2011 and became effective on 19/05/2011. It underwent a midterm review on 09/11/2013. A 12-month extension was granted moving the closing date from 30/04/2016 to 30/04/2017 to enable the completion of field research related to inventory data for taxonomic groups. This research was delayed due to torrential rains in the spring and summer of 2014. The field work took place through 2016 and was followed by laboratory processing of the new data (ICR, para 33 and 73).

The project also underwent a Level 2 restructure in June 2015 that updated and refined indicators. This restructure also extended the project end date from April 30, 2016 to April 30, 2017.

3. Relevance of Objectives

Rationale

Country Context: On July 1st of 2013, Croatia became the 28th member of the European Union. Accession to the EU required Croatia to align its policies and targets with those of the EU, including in the area of the environment. Croatia's EU accession process required the state to comply with the EUs Natura 2000 Network and the Birds and Habitat Directives, which included expanding Croatia's existing National and Nature Parks. The Natura 2000 Network is comprised of Special Protected Areas for wild birds which extends across public and private lands with varying degrees of legal protection. To be in compliance with EU regulations, Croatia would have to report the status of their species and habitat types every 6 years beginning in 2019. The EU requires that all members maintain favorable conservation status (FCS) which includes ensuring that:



1. Natural range and areas are stable or increasing
2. Species structure and function are likely to continue to exist for the foreseeable future
3. Conservation status of its typical species is favorable as defined by the Habitat Directive Article 1

To effectively manage these areas and meet EU reporting requirements, Croatia needed new biological baseline data collection at a country-wide scale and improved conservation planning and management. Croatia would be responsible for all expenditures and costs within its borders for maintaining the Natura 2000 borders. Therefore, Croatia was in need of strengthening its capacity strengthening to successfully apply for EU grants; and then absorb, and manage the EU grants. Finally, Croatia's National and Nature Parks are an important attraction of tourists. However, there was a need to expand the benefits of environmental tourism into lesser known parks in rural areas and throughout the calendar year.

At appraisal, it was determined that several new EU Member States could have benefitted more from a larger and longer-term financial and technical support program to help with preparation and early stage integration with the Natura 2000 network (PAD, para. 15). This project was intended to provide Croatia with timely resources to both complement and attract other finance to the environmental sector. The project also aimed to fill an important financial gap in light of across-the-board, government-wide budget cuts in response to the global financial crisis at a time when sector budgets were projected to increase rather than decline (ICR, para 8).

Alignment with Strategy - The objective of the project aligns with the current Croatia Country Partnership Strategy (CPS) 2014-2017, which outlines that its three priorities include (i) fiscal adjustment through reforms at the sector level, (ii) innovation and trade competitiveness for growth and shared prosperity, and (iii) helping maximize the economic benefits of becoming an EU member state. (CPS 2014-2017, para 3). It was under the third priority, maximizing EU membership, that Croatia requested the Banks technical assistance to build institutional capacity in order to absorb EU funds (CPS, para. 4); and the Banks support in order for Croatia to efficiently adopt EU policies and targets, including in the environment sector (CPS, para 75 and p. 40).

Previous Sector Experience - The objective of the project is a continuation of the Banks commitment to conservation in Croatia. It compliments an earlier project on the Global Environment Facility financed Karst Ecosystem Conservation project (P042014). In this project, the Bank actively supported the agriculture sector accession to the harmonization process, land registration and cadaster reforms, and water sector investments which linked agendas with the proposed loan (ICR, para 7).

The objectives of this project were sufficient given the country context and previous sector experience. They were also well aligned with the country strategy.

Rating

Substantial



4. Achievement of Objectives (Efficacy)

Objective 1

Objective

Objective 1: To Support Park and County Public Institutions to implement Natura 2000 objectives in investment programs

Rationale

Outputs

The following outputs were achieved during the life of the project to meet objective 1 (ICR, para.12, p. 43, p.87)

- Thirty-seven investment programs provided educational and interpretation services in protected areas. Key investments included adaptation of caves for visiting, construction of two bridges, visitor centers, and rehabilitation of several cultural monument sites (Target: 35)
- Eight light fire-fighting vehicles were purchased for national and nature parks prone to fires (Target :8)
- Three boats were purchased for three marine parks to support surveillance, monitoring and ranger services (Target: 3)
- 32 applications were made to EU Structural Funds (Original Target 30, Revised target 15)
- Three vehicles were acquired for the Ministry of Environment and Energy (MEE) and the Croatian Agency for the Environment and Nature (CAEN) (Target:3)
- In 2017, tourist signs for some Croatian national and nature parks in rural areas were installed on integral intersections of Croatian highways and border crossings
- Monitoring equipment for CAEN was supplied to support monitoring large carnivores (photo traps, GPS collars), and monitoring birds (various types of large birds such as golden eagles, gulls, spoonbills and griffon vultures). Also some basic field equipment was supplied to cover needs of CAEN during their field work.

Outcomes

The total annual capital expenditure (CAPEX) across all national and nature parks increased by 220% from 18,433,701 HRK in 2010 to 65,960,615 HRK in 2016 (ICR, p. 35). The original target for increase in capital expenditure was 12%. The actual increase in capital expenditure ensured that parks that had more funding to make restorations were also more likely to meet and implement Natura 2000 objectives. The increase in capital expenditure was a result of winning more EU grants. Originally, it was expected that the project would raise 12 million euros from EU funding mechanisms, but at the end of the project, Croatia had won 220 million euros from the EU. Initial expectations were modest because at the time of appraisal proposals were being rejected.

The 37 protected area investments are improvements of the park and its facilities (target 35). These have



improved the visitors experience and raised the awareness of the sites unique habitats. The project invested heavily in developing visitor centers and info-desks for the parks (almost 38% of the 37 infrastructure projects). These are natural meeting points that serve as a place to collect entrance fees, increase nature-based income, monitor stations for research, souvenir-shops, and educational centers as they relate to Natura 2000 objectives. In fact, in a survey of 1000 visitors to the park, the average score on overall satisfaction on completed infrastructure was 4 out of 5 (ICR, para. 37).

The ICR provided extensive evidence and clearly shows that there has been an increase in park attendance. This was important as it should lead to an increase in park revenues that can be spent on future conservation programs to meet the Natura 2000 objectives (ICR, para 37). That said, it is important to note that while it is likely that the project contributed to the increase in visitors to the park, the overall rates of tourism also increased throughout the same time period (ICR, p. 59).

The project team recognized that more visitors every year to natural parks puts additional strains on protected land. Accordingly, the project also implemented a series of behavior change activities. These included developing a code of conduct for visitors to the protected areas; creating accompanying signage, such as no littering and do not disturb in sensitive habitats. The project also made strategic infrastructure investments in smaller and less-visited parks in order to attract more visitors (project team Interview). In more well-known parks, investments were made in less-visited areas in order to disperse visitors within the park (team interview). According to the project team, only one park reached carrying capacity in 2017. Electronic tickets are now issued in that park to keep track of visitors and not exceed-carrying capacity (team Interview)

In the event of a fire, Croatia's national and nature parks were likely to be better equipped to respond due to the additional fire fighting vehicles and portable firefighting pumps. The three boats supplied to the marine parks were also to be able to support monitoring and compliance with Birds and Habitats Directives. The ICR did not provide evidence on how these boats have been used to date.

Rating

Substantial

Objective 2

Objective

Objective 2: To Strengthen capacity for EU-compliant reporting and biodiversity monitoring

Rationale

Outputs

The following outputs were achieved during the life of the project to meet objective 2 (ICR, para. 14, para.23, p. 44, p.87):

- A spatial overview of 60% of terrestrial habitats (non-forest) covered in the new map at a scale of



1:25000 in line with the EU Habitats Directive (met target)

- All 54% of the 50x50km cell grids were surveyed for nationally threatened species (met target)
- Established a data system to help Croatia report to the EU- the CAEU CroFauna Database.
- Around 4,500 literature references were processed and more than 132,000 records from the literature references were processed and entered in tables compatible with CAEN Crofauna database.
- Higher Resolution Conversion of Natura 2000 border maps produced from scale 1:25000 to scale 1:5000
- Web/Geo Portal (one for the public and one internal) created that included taxonomic classification of species
- Identification of Species and Habitats for Inventory
- Introduction of METT (Management Effectiveness Tracking Tool) in all natural and nature parks (target met)

Outcomes

In 2019, Croatia will have to demonstrate to the EU that it has met Natura 2000 objectives and maintained favorable conservation status (FCS) according to the Birds and Habitat Directives.

The outputs under this sub-objective were critical steps to ensuring that Croatia not only had an adequate baseline data but that it can effectively report on the conservation status of the protected areas. For instance, the new habitat map, which was verified by the Croatian Agency for Environmental and Nature, covered 60% of Croatian territory and was available online at www.bioportal.hr. The new habitat map contains 333,488 polygons and 1,980 punctual habitats which described the small areas covered with particularly important or rare habitats covering small surfaces (ICR, para 143). Prior to this project, only 2.4% of Croatiass territory had an accurate habitat map at the 1:25,000 scale (ICR, p. 36).

As a result of strengthened capacity of the public institutions for EU compliance and reporting, new data on biodiversity were collected. A total of 3,371 grid cell visits were undertaken and 152,730 observations were collected and entered in tables compatible with CAENs Crofauna database. Such large scale field work had never been conducted in Croatia before (ICR, para 143). At the end of the project 40% of Croats threatened species (or Red Book Species) were re-assessed based on the new field survey data and according to the five taxonomic groups identified (ICR, p. 39).

An important overarching initiative that supports the achievement of all three sub-objectives is the introduction of METT (Management Effectiveness Tracking Tool) methodology, which was provided to all national and nature parks for self-evaluation. This methodology was introduced at beginning of 2013 and served as a gap analysis tool to identify future capital investment areas. The self-evaluation was first conducted yearly. Comparing the 2013 and the 2016 results, average METT scores improved 4% across all parks. That said, in 8 of the 19 national parks (or 42%) scores decreased between 2012 and 2016 (ICR, 102). The ICR does not provide information on why some park scores decreased over time and which areas needed most improvement.

Rating



Substantial

Objective 3

Objective

Objective 3: To Introduce programs that involve a wide group of stakeholders in Natura 2000 network management

Rationale

Outputs

The following outputs were achieved during the life of the project to meet objective 3 (ICR, para 15, para 25, para 42):

- Eight agri-environment measures for Natura 2000 sites were developed and incorporated in Croatia and a pilot introduced
- PP Papuk border delineation pilot completed
- Thirty-two regional workshops and 4 national workshops were held benefitting 1000 participants (e.g. farmers, nature protection inspectors, staff of the Paying Agency and Extension Service)
- Thirty-one volunteer programs developed (including program budget) for all 19 parks (target 2 parks)
- Forty-three trained coordinators and their deputies from public institutions were involved in the development and management of volunteer programs (target was 30)
- System to track and diversify protected area finance developed with UNDP completed
- Public awareness campaign included 4 TV clips, a brochure that was printed and distributed, a short documentary video, and 23 types of souvenirs.

Outcomes

Every third hectare of Croatia's Natura 2000 sites that needed to be protected under the Birds and Habitat Directive are privately owned (ICR, para 42). The Ministry of Agriculture developed and incorporated the eight measures into the Rural Development Operational Program. This program sets payments per hectare for nature conservation measures and are among the highest in the EU. Six farms were included in implementing demonstration measures (ICR, para 42). A total of 176 farmers applied to use the agri-measures in 2015. After the workshops were conducted in 2016, the program received 376 applications. The applicant rate doubled in one year after the trainings were conducted.

According to the Borrowers statement in the ICR and the team interview, workshops with farmers also increased the capacity of relevant stakeholders to access and utilize EU nature conservation/rural development funds, and raised awareness about the significance of agri-environment schemes for nature conservation. The project addressed all major target groups i.e. farmers, nature protection and agricultural administrators, employees of Park and County institutions for nature protection, and agricultural extension officers. Unfortunately, the ICR does not include further information on farmers satisfaction with the workshop, what was learned, and how knowledge was used. It would have been helpful if the ICR had



included data to demonstrate the effectiveness of the training in changing attitudes or behavior of farmers towards conservation. That said, a total of 176 farmers applied to use the agri-measures in 2015. After the workshops were conducted in 2016, the program received 376 applications. The applicant rate doubled in one year after the trainings were conducted. This is a strong indication that the workshops were effective in raising awareness and that the Rural Development Operational Program is effective.

The project also funded training for a diverse group of stakeholders all involved in the Natura 2000. Around 3,600 participants attended 91 trainings organized by NIP to date: 1,830 nature protection employees, 250 nature protection management staff, more than 503 state inspectors and border police staff, more than 250 European Ranger service professionals together with more than 1,000 farmers from the protected areas. 43 protected area staff were specifically trained on how to coordinate volunteer programs and manage volunteers (ICR, pg. 35 and p. 90).

A volunteer program was created as part of this project with 31 program offered each year, with almost 300 volunteers donating over 10,000 hours (1200 working days) (ICR, para. 42). Volunteers participated in day-to-day management activities such as stonewall reconstruction; species and habitats monitoring, maintaining of habitats, register dolphin sightings, restoring of educational trails (ICR, footnote 16). A total of 43 trained coordinators and their deputies from public institutions were involved in the development and management of volunteer programs, and all such programs were harmonized with Parks management plans (ICR, p. 50). These individuals received training on how to manage the program. The depth of this program shows that it is likely to be sustainable, particularly as it was part of the parks management plans.

Analysis of the Natura 2000 public awareness survey in November 2016 shows that 31.4% of respondents had heard of the Natura 2000 Ecological Network, while 29.7% were aware of the Natura 2000 ecological network. The original target was 20% and the baseline stated that only 3% of those surveyed were aware of Natura 2000 ecological network. It is estimated that over 2.1 million people saw the TV ads, 2.0 million people saw printed materials, and 800,000 people had exposure to the internet ads (team interview).

Perhaps the most important outcome of this sub-objective was raising the capacity of parks and County Public Institutions to apply for external funding. Throughout the project the implementation unit provided administrative support, operational assistance (i.e. review engineering plans), conceptual ideas for new investments, and helped developed co-financing proposals with the national parks. Throughout the life of this project, there were 32 applications, of which 17 were approved for funding, 10 were in the process of approval, and 5 were rejected (ICR, p. 37). The original target for number of nature protection projects that applied for EU structural Funds funding was 30. This indicator was later formally revised to 15 due to Croatia's late entry to the EU. By the end of the project, Croatia had submitted 32 applications exceeding the original and revised target. As a result, Croatia has been granted 213 million euros from the EU Structural Fund for programming in 2014-2020 (ICR, p. 35). These funds will ensure Croatia can continue to protect key areas and meet Natura 2000 standards. Finally, Croatia also raised 8 million euros from the Environmental Protection and Energy Efficiency Fund (EPEEF) to improve technical documentation, and procure electric vehicles to reduce CO2 emissions.

The overall efficacy rating, taking into account the three sub-objectives, is substantial.



Rating

Substantial

Rationale

There was substantial achievement against the various objectives of the project and thus, the overall Efficacy rating is Substantial.

Overall Efficacy Rating

Substantial

5. Efficiency

At project closure efficiency was determined by comparing Economic Rates of Returns (ERR) before and after the project. The ICR used actual data from the following sources: investment costs, park and country visitation rates, park entrance fees, and EU Structural and Investment Funds. The main difference in ERR methodology between the PAD and the ICR is the that the use of the willingness to pay (WTP) was estimated at appraisal and actual figures from park entrance were used at project closure.

At appraisal, the estimated ERR was 16 percent in 5 years and 33 percent in ten years without the benefit of additional funding from the EU Structural Funds. With the funding from the EU the ERR increased to 45 percent in 10 years as described in the PAD (PAD, para.41). At completion of the project, the ERR was calculated at 41 percent in 5 years, and 56 percent in 10 years without EU funding and 80 percent with EU funding (ICR, para 50). The reason for the increase in ERR at project closing was due to increase of visitation of parks that grew an average of 55 percent in National Parks, 21 percent in Nature Park and 43 percent in county public institutions between 2009 and 2016 (ICR, para. 50). In addition, over 50 percent of benefits accrued as a result of presentation and conservation benefits. A sensitivity analysis shows that a one percent change in the entrance fee would result in a 4 percent change in the ERR.

The ERR was influenced by the following components (ICR, para 47-49):

Component 1: There were 37 infrastructure investments supported by the project. These included trails, paths, bridges, cave structures, bird watchtowers, and educational centers. These conservation and preservation benefits were represented by entrance fees and tourist visitation at each site as proxies. Water protection and erosion control benefits were calculated using area of forest covered where erosion was likely to occurred, depending on relative scope and other characteristics associated with high erosion rates. Non-timber forest products and wildlife benefits were calculated using forest area and information on local revenues generated by those activities.

Component 2: By making key maps and biodiversity inventory publicly available via external websites, the project contributed to increase the benefits of the public. Integrating the Croatia database with the EU



INSPIRE Directive also resulted in time and cost efficiency savings.

Component 3: Through training and capacity building, Croatian institutions were able to win important EU Structural and Investment Funds, amounting to a total of 213 million euros.

The project yielded several public and private benefits. For instance, the ICR estimated that there was the creation of one permanent job per infrastructure projection (or 37 jobs) and several more seasonal jobs. The volunteer program also estimated a donation of 1200 man-days to the protected areas (ICR, para 51). Training was provided to both public servants and private individuals such as farmers.

The project also generated administrative efficiency by training park staff and managers on how to access EU Structural and Infrastructure Funds. There was relatively low staff turnover and project management costs were in line with what was specified in the PAD (6% of total cost). Procurement delays were relatively few. The one- year project extension was to ensure that the Habitat Mapping and Field research and laboratory processing for collecting of new inventory data (Biodiversity Mapping) could be completed. These delays did not impact other components.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

| | Rate Available? | Point value (%) | *Coverage/Scope (%) |
|--------------|-----------------|-----------------|---|
| Appraisal | ✓ | 16.00 | 0 <input checked="" type="checkbox"/> Not Applicable |
| ICR Estimate | ✓ | 41.00 | 0 <input checked="" type="checkbox"/> Not Applicable |

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The outcome of this project is rated satisfactory. The project was successful at ensuring that Croatia had the necessary capacity and monitoring tools to manage and meet the reporting requirements of Natura 2000 in 2019. As a result of this project, additional infrastructure sites were built to help conserve national and nature parks, maps were developed, and the land surveyed to identify flora and fauna. Farmers and other important stakeholders were engaged through workshops to better disseminate information about Natura 2000. Volunteer programs helped ensure that conservation projects are maintained, even in the absence of additional funds. Finally, this project enabled the successful capacity strengthening of staff to apply for EU Structural Funds. METT scores show that while there was overall advancement in park management, there was a need to



continue to improve.

There was also efficiency across all three components and an increase in the economic rates of return. There were no significant delays or administrative hurdles as part of this project.

a. Outcome Rating
Satisfactory

7. Risk to Development Outcome

Government Commitment- There is high commitment by the Government of Croatia and its implementing agencies to continue to advance objectives and initiatives that began under this project. The fact that Croatia must comply and report on Natura 2000 objectives is a good additional incentive. The implementation of the Croatia Development Operational Program which provides funds to private-owners of land to help maintain protected areas is also another strong indication of the Governments commitment. While the responsible line Ministry changed several times during the project, there were no major changes to the project (team interview). The Project Coordinator also accepted an Assistant Minister position which has led to further institutionalization of the project within the government (ICR, para 57).

Economic- Tourism became an important sector in Croatia. Eco- tourism was increasing in popularity and there were important incentives for Croatia to continue to conserve and protect natural areas, while ensuring economic growth via tourism.

Human Behavior- One potential risk to development outcome or the long-term goal of this project is human-behavior. As more tourists visit national and natural parks, it will be important to ensure that humans do not contaminate or negatively affect sensitive environments. The project aimed to address this risk by including more signs within the park, improving facilities to enable to collect park entrance, develop under-utilized areas of well-known parks, and promote less known parks in rural areas.

Local Capacity-This program was designed to strengthen the infrastructure (databases, maps, visitor center, signage, etc.) and the human-capacity to report on Natura 2000 objectives. National and nature parks staff, as well as Country Public Institutions, have been provided with several trainings, including on how to fundraise through EU mechanisms. The staff also know how to mobilize volunteers and manage the parks effectively. Moreover, responsibilities of protection and conservation have been granted to the Ministry of Environment and Energy, which has embedded project implementation unit staff within its protection unit (ICR, para 87). This improves the likelihood that there will continue to be sustainable management within government decision-making bodies to advocate for the project outcomes.

Stakeholder Ownership- Considering that every third hectare of Croatia's Natura 2000 sites is privately owned, the behavior and financial incentives to ensure continued protection is important for continued conservation of the sites.



Financial- The sustainability of the outcomes is secured in the short term by the fact that Croatia has already won substantial grants from the EU Structural Investment Funds to continue to build park infrastructure and capacity. Capacity was built among key stakeholders and within the government, therefore it is likely that Croatia will continue to win grants. Croatia has also invested heavily in its tourism sector and it is a well-known destination. Entrance fees to the parks by local and international tourists provides revenue needed to continue conservation in the long-term.

Environmental- Natural hazard risks, such as floods, are a potential risk to the projects outcomes as it relates to civil works and park infrastructure. However, new infrastructure built as part of this project was specifically designed to be resilient to natural hazard risk (ICR, para. 88). Moreover, the boats and firefighting equipment purchased as part of this project can also mitigate potential natural and man-made hazards.

8. Assessment of Bank Performance

a. Quality-at-Entry

The Bank had consultative meetings with a range of stakeholders (farmers, cultural institutions, finishing associations, etc.) during the design phase. A Project Preparation Facility (PPF) in the amount of US\$ 500,000 was granted to assist in required preparatory activities, including: environmental impact assessment, technical readiness, and creating key consultative frameworks.

A project coordination Committee (PCC) was created with different representatives to help coordinate the project and ensure that all stakeholders views were represented in the design phase of the project. According to the Borrowers statement, these initiatives had a positive impact on the start of the project as it enabled procurement processes and consultancy activities (ICR, 124).

The project staff had experience managing and implementing World Bank projects. This helped ensure a quick start-process. At the outset of the project, more than 100 projects were identified as potential Ecological network investments.

Quality-at-Entry Rating

Not Rated

b. Quality of supervision

The project benefited from the continuity of the Task Team Leader TLL from appraisal to completion. Intimate knowledge of the project design enabled swift resolution of any problems that may have appeared.

Supervision missions were undertaken at least every 6 months. The Task Team Leader also visited parks on different occasions (team Interview). No serious management issues were raised throughout the project. The project also benefited from a Procurement Specialist and an Environmental Safeguard and Financial Management Specialist based in the Sarajevo country office.



All ISRs were completed and safeguards compliance was found satisfactory throughout implementation (ICR, para. 84). There were no major issues related to fiduciary or procurement delays.

In the last year of the project, the Project Coordinator accepted an Assistant Ministry position within the Ministry of Environment and Nature Protection. The remaining three staff continued to work as fully embedded within the Ministry. PIU staff transition to the Ministry enables sustainable management practices and adequate transition arrangements.

Quality of Supervision Rating

Not Rated

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The Theory of Change is adequately written to support the underlying problem that the project aimed to tackle.

However, the objective of the project was not written as a change- statement. The components are virtually the same as the sub-objectives. The sub-objectives are collections of activities that do not always point to a subobjective or objective. Moreover the sub-objectives are not well linked to each other, which makes it unclear how they are expected to contribute to the overall objective.

Many of the indicators in the results framework were also descriptive and binary in nature. For instance, PDO Indicator #2 is number of the project-promoted programs in operation that actively involve stakeholders with Nature 2000. The activities under Component 3 were to fund 4 programs. Therefore, it is relatively easy to achieve this PDO Indicator, which is therefore not a useful indicator for decision-making or to inform what change has actually taken place as a result of the component. Other intermediate results indicators are also framed as output level indicators instead of outcome level indicators.

The baseline for this project included survey and administrative data sources established through preparatory studies including a Social Assessment Survey, an Economic Valuation Study and PPF Financed Preparation Consultation Reports (ICR, para.75). It would have been useful for the baseline to include a study of the attitudes and behavior of the overall population towards conservation; in particular, of farmers attitudes towards conservation.

The monitoring system included a monitoring plan. The results framework and data presented in the ICR did not include an opportunity to assess the quality of activity implementation. For instance, what was the quality of the trainings? Did the individuals trained learn and apply their new knowledge? What behavior change resulted from working with over 1000 farmers? How have the infrastructure programs helped attract tourists while also



ensuring the conservation and protection of the environment? All these questions could have been answered through a more sophisticated results framework and monitoring system.

Additional data and methodology information was provided by the team, in the interview, related to audience surveys that captured information related to reach of TV commercials and newspaper ads. A survey was conducted in all the parks and a total of 1000 people filled it out.

b. M&E Implementation

A full-time M&E specialist was responsible for data collection, tracking and monitoring progress towards the Results Framework. The Project underwent a Level 2 restructuring at the request of the Ministry of Finance in June 2015 to extend the project closing date from April 30, 2016 to April 30, 2017. Revisions of the Results Framework were made to align the end targets with the new closing date. The following changes as described in the ICR were made to three Intermediate Results Indicators and are as follows (ICR para 28-31):

- Intermediate Results Indicator #1, "*Number of nature protection project applications made to EU Structural and Investment Funds and accepted in the funding pipeline*" was renamed to read, "*Number of nature protection projects applied for EU Structural and Investment Funds*" and the target was reduced from 30 to 15. By the end of the project the target was met at 32.
- Intermediate Results Indicator #2 in PAD, "*Number of National/Nature parks actively monitoring their management effectiveness*" had already been met in 2013 as all 19 parks were actively using the Management Effectiveness Tracking Tool (METT). A request was made to change the frequency of monitoring from *annual* to *every two years* based on the experience from institutions from around the world noting that completing an METT questionnaire on an annual basis is an unnecessary burden on resources.
- Intermediate Results Indicator #3 in PAD, *Proportion of visitors to Parks who complete response forms* (Baseline: 0%; Target: 5%). Indicator changed to, "*Visitor satisfaction with completed infrastructure*" (Baseline: 0; Target: 4; based on a scale of 1-5, with 5 being highly satisfied). Survey forms were sent to park institutions with completed infrastructure investments (more than 1000 valid survey forms were received)
- In November 2012, Intermediate Results Indicators on, *Number of forest users trained* and *Number of forest users trained [who were] Female* as well as an indicator on *Number of forest users trained [who were] ethnic minorities/indigenous people* were added as part of the Banks core sector indicators requirement. The former two were tracked in the Results Framework; however, the latter on ethnicity was not applicable in the case of Croatia.

The implementing unit reviewed indicator information during implementation support missions and collected through the WWF Rapid Assessment and Prioritization of Protected Area Management (RAPPAM) tool and the Management Effectiveness Tracking Tool (METT). They were used in quarterly reports. The ICR does not state whether the indicators were reported in the ISRs.



The project at times used external firms to help measure key outcomes. For instance, it hired a firm to assess the effectiveness of the public awareness campaign. Another firm, utilized CATI (Computer Assisted Telephone Interviews) to survey 602 citizens in 2015 and 901 citizens in 2016 in a study that measured public awareness of Natura 2000.

Overall the M&E system included key revisions to indicators, rapid assessments, management plans, and public awareness data gathering. The M&E system also included several missions to the parks by different members of the PIU and the project team.

c. M&E Utilization

The monitoring and evaluation system, in particular the indicators, were not designed to inform decision-making. For the most part the indicators were output driven and the results framework did not include enough process or outcome indicators.

However, the ICR did include three examples of data used for decision making. The first is related to the mid-term review (Level 2 Restructure). During the midterm, the project team used this opportunity to revisit indicator: number of nature protection projects that have applied for EU Structural Funds. At the time of the midterm, Croatia's entry to the EU had been delayed by a year, which delayed the process of absorbing EU grants. During the midterm the team took stock of where the project was at and how the situation had shifted since the project was appraised.

The second one indicates that the M&E specialist used cost-benefit analysis as a criterion in the sub-project feasibility assessment.

In the third example, the ICR describes how Component 1 investments were reviewed and screened against the same criteria as the EU Structural and Investment Fund applications. This was used both as a capacity strengthening and a monitoring exercise (ICR, para 64).

The ICR does not include how the data collected in the project was shared with the different stakeholders of the project. The ICR makes good operational program and financial use of data related to park attendance, tourism rates and economic return on investment. Overall the ICR could have better articulated achievements of outcomes, quality of implementation, or how informed subsequent interventions. That said, the team provided useful and additional information that indicates a stronger M&E system than that presented in the ICR.

There were some design flaws in this project, particularly around the articulation of objectives and linkages between sub-objectives. Better selection of indicators could have led to collecting better outcome data or assess the quality of activities more systematically. That said, there was a robust M&E system that used baseline, cost-benefit analysis, management tools, public awareness surveys, and staff missions to enable decision-making.



M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project was classified as Environmental Category B Partial Assessment. At appraisal it triggered the following safeguards: Environmental Assessment (OP 4.01), Natural Habitats (OP 4.04) and Physical Cultural Resources (OP 4.11) (PAD pp 25-26).

During the life of the project no safeguard- related issues were reported and safeguard compliance was reviewed regularly, according to the ICR (ICR, para 81 and 84). There was close supervision of safeguards by the Environmental and Social Safeguard Specialist, who resided in country. Moreover, a civil engineer consultant worked with national and nature park staff and coordinated ecological investment construction works. According to the ICR, Safeguards field visits to the sites were regular to assess the projects effects related to noise, dust, waste, chance finds, reporting, complaints, potable water and sewage, fire protection, and familiarity with the project Environmental Management Plans and monitoring of compliance (ICR, para 81). Environmental Management Plans were made for each of the 37 subprojects as part of this project, in accordance with the Environmental Management Framework. All safeguard compliance was found to be satisfactory during implementation (ICR, para 84).

b. Fiduciary Compliance

The Financial Management of the project had appropriate control procedures in place, according to the ICR. A Financial Management Specialist regularly carried out the financial management implementation support missions to review project accounting and reporting arrangements. The quarterly Interim Unaudited Financial Reports identified that there were no inconsistencies for follow up (ICR, para 79)

The project was in compliance with the audit covenants and there were no overdue audits. The audit, conducted by Ernst and Young, provided an unqualified (clean) opinion on the project financial statements for the year ending December 31, 2016 and no management recommendations letter was issued. The auditor stated that there were no internal control deficiencies or accounting issues to report on (ICR, para 79).

There were some procurement delays during the project, particularly as it related to the purchasing of fire-fighting equipment for seven national parks. However, these delays did not impact project timelines or affect the deliverables of other activities. Overall, there was good supervision of procurement processes following all required protocols and regulations. The rating of procurement was maintained satisfactory throughout the project (ICR, para 80). Procurement processes were supervised by a Procurement Specialist who was based in the Zagreb office (Croatia) whilst the FM Specialist was based in the Sarajevo office (Bosnia and Herzegovina).



c. Unintended impacts (Positive or Negative)

There was improved inter-sectoral and inter-ministerial cooperation as a result of this project.

d. Other

The Slavonia region and the coastal hinterland are isolated rural areas. Highway signs were placed in these areas to attract more attention to the parks in rural areas.

The project created several green jobs in the form of permanent park jobs or seasonal tourism related jobs. It is estimated that at least 37 new jobs were created as part of this project (ICR, para 61).

11. Ratings

| Ratings | ICR | IEG | Reason for Disagreements/Comment |
|------------------|--------------|--------------|----------------------------------|
| Outcome | Satisfactory | Satisfactory | --- |
| Bank Performance | Satisfactory | Satisfactory | --- |
| Quality of M&E | Substantial | Substantial | --- |
| Quality of ICR | | High | --- |

12. Lessons

IEG abstracted the following two lessons arise from this project:

1 . Bridge Financial Resources are essential for countries joining the EU to comply with new regulations. This project provided important access to financial resources to a country that was about to join the EU. Without the investment that Croatia made on its natural and nature parks through this project, it is highly unlikely that Croatia would have been able to effectively report on the Natura 2000 objectives in 2019. The contributions of this project also ensured that Croatia was able to access quickly EU mechanisms to help support and fund conservation efforts.

2 . Conservation projects can lead to improved Inter-Sectoral and Inter-Ministerial Cooperation. Much of the land that needs to be protected as part of the Natura 2000 objectives were privately owned. Therefore, there was a need in this project to work across sectors, across ministries, and with diverse stakeholders. At the beginning of the project, cooperation between different inter-sectoral and inter-ministerial agencies was poor and a significant challenge (ICR, para 56). In fact, the responsibility line in the Ministry changed several times in the project. That said, the project also brought a concrete reason and provided incentives for different groups across sectors and ministries to cooperate and work together. For example, the Ministry of Environment and Energy reported better collaboration and understanding with key partners as a result of this project, according to the Borrowers statement (ICR, para. 126). Another example, is that almost all departments in the Nature Protection Directorate were involved with the implementation and contributed to the project (ICR para 136).



The following two lessons come from the IRC:

3. Wide stakeholder involvement is crucial for effectively managing protected areas. The project built the capacity of a wide range of stakeholders who use and manage the protected areas. It was important to clarify roles, raise awareness, and help incentivize improvement in protected areas environment.

4. Experienced and motivated PIU, and project implementation readiness help Project hit the ground running. Members of the PIU had high capacity and had previous Bank project experience. Embedding the PIU within the Ministry of Environment and Energy enabled cooperation with ministry, park staff, and community organizations. Extensive project preparation enabled the team to hit the ground running. This included pre-screening over 100 potential ecological network investments at the beginning of the project. Some of these projects were funded by the loan, others served as a pipeline to apply for EU funding.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR was very well written with a logical outline. The ICR makes good use of data related to park attendance, tourism rates, and economic rates of return of the investment. The efficiency section is particularly well done and incorporates useful and highly relevant approaches.

This was a successful project. That said, there were minor shortcomings - the ICR could have been more forthcoming about areas of improvement, aspects of the project that did not work effectively or efficiently. Lessons learned could have been applied across-sectors and in a range of projects. They provided evidence and analysis, but tended to focus on what worked instead of what could be improved.

At times, the information provided was a bit repetitive. There were also inconsistencies in the numbers provided throughout the report. The ICR could have benefited from more outcome data, including qualitative information. It would have been useful had the ICR included more information related to program quality.

a. Quality of ICR Rating

High